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EMPLOYEE THEFT:
THIEVERY FROM WITHIN

2
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"Submitted to the Department of Criminology, University of Ottawa, in partial fulfillment of the requirements for the degree of Master of Criminology (Applied) (M.C.A.)"
Claude L. Leger 1990.

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IN MEMORY OF A MAN WHO LEFT ME A TREASURED GIFT.
WITH HIS LOVE AND GUIDANCE,
HE TAUGHT ME THE MEANING OF LIFE.

MY FATHER, LAURENT M. LEGER

ACKNOWLEDGEMENTS

I wish to extend a special thanks to professor Thomas Gabor and Mike Petrunik whose skills as educators and encouragement over the years have given numerous students the opportunity to expand their capabilities and creativity.

A special thanks to Laurie Roberts whose patience and valuable assistance in the completion of this memoir exemplifies the true meaning of the word friendship.

An extra special thank you goes to numerous friends and Lynne Bellfooy who provided much needed encouragement.

ABSTRACT

Employee theft costs North American business \$40 to \$200 billion per annum. Moreover, 10 to 30 percent of all U.S. bankruptcies are a direct result of employee theft. In addition, employee involvement in theft at the workplace has been shown to range between 30 to 90 percent. A review of the literature demonstrates that the variables related to social control (ie., formal, informal), job dissatisfaction, opportunity, no fear of detection or a lack of consequences, youth and the ability to rationalize one's behaviour are correlated with the problem of employee theft.

A case study was undertaken at one of Canada's Crown Corporations. A select sample of forty workers responded to a questionnaire regarding participation in employee theft. Eighty-six percent of the sample openly admitted committing one hundred and seventy-five thefts per month. Using a Pearson's correlation, the variables of job dissatisfaction and gender (males committed more theft than females) were associated with employee theft. In addition, rationalizing one's behaviour was found to be an important factor. Finally, pre- and post-employment strategies for controlling the problem of employee theft were discussed.

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INTRODUCTION

Historically, mainstream criminologists have been preoccupied with offences such as homicide, assault, armed robbery and sexual assault. However, Edwin H. Sutherland, in 1939, broke away from this trend in his Presidential address before the American Sociological Society (Vold 1979:359), by drawing attention to the issue of white collar crime: "a crime committed by a person of respectability and high social status in the course of his occupation" (Sutherland 1949:9). Following Sutherland's pioneering definition of white collar, a number of criminologists (Edelhertz 1970, Geis 1962, Clinard/ Quiney 1973 and Simon/Eitzen 1982) have attempted to revise and extent his ideas. Gilbert Geis objected to Sutherland's failure to distinguish between the crimes committed by the corporations as a collective unit and the crimes of their individual members (Coleman 1985:3). Marshall Clinard and Richard Quinney, following in Geis' ideological framework, broadened Sutherland's notion of white collar crime by introducing the term "corporate and occupational crime". Corporate crime refers to the

illegal acts of omission or commission of an individual or a group of individuals in a legitimate formal organization in accordance with the operative goals of the organization, which have serious physical or economic impact on employees, consumers or the general public.
(Reasons 1982:59)

Whereas, occupational crime "is an illegal act committed in the course of an otherwise legitimate occupation without encouragement or support of the offender's employer." (Coleman 1983:8)

Although a precise definition of the concept of white collar crime has not yet been created, there have been numerous attempts to create a typology of white collar criminality. One of the best

known typologies is Herbert Edelhertz' four categories of white collar crime:

- 1) Ad-hoc violations: committed for personal profit on an episodic basis, for example welfare fraud, tax evasion;
- 2) Abuse of trust: committed by a person in a place of trust in an organization against the organization, for example embezzlement, bribery and kickbacks;
- 3) Collateral business crimes: committed by organizations to further their business interest, for example antitrust violations and concealment of environmental crimes;
- 4) Congames: committed for the sole purpose of cheating clients, for example fraudulent land sales, sales of bogus securities, and sales of questionable tax shelters.

(Dinitz 1982:141)

Edelhertz's typology of white collar crime clearly demonstrates the enormous dimensions of this phenomenon and "how both individuals and institutions can be the victim or offender of white collar criminality". (Siegel 1986:365).

The potential financial and physical impact of these crimes ranges from:

- a) acute ecological and environmental catastrophe (eg. the Valdez Fiasco 1989);
- b) disease or death resulting from industrial pollution (eg. the Union carbide plant leak in Bhopal India 1984 and the Louisville Kentucky sewer explosion 1981;
- c) injuries or death caused by unsafe working conditions (eg. "20 million serious injuries including 110,000 permanent disabilities and 30,000 deaths" in one year in the United States [Siegel 1986:363]; and
- d) annual losses of 30 billion a year from all forms of tax evasion [Coleman 1985:86];

The prevalence of these crimes is somewhat unknown; however, there is now an awareness that these violators are victimizing the general public through losses ranging from financial, physical

injuries or death, to the destruction of our ecosystem.

People who become aware of such atrocities are coming to view the individuals or corporations who are the perpetrators as criminals (Siegel 1986:8-9). However, without downplaying the nature and severity of corporate crime, "an analysis of the 'real facts' clearly indicates by a rather wide margin, that corporations are victims of crime more often than it [sic] is a violator" (Cookingham 1985:28). The American Management Association estimated that occupational crimes against business exceeded \$40 billion a year in 1975 and by 1986 it ranged between \$40 to \$200 billion (Hollinger and Clark 1984:2, Willis 1986:22). Due to the impact of media coverage, embezzlement and high-tech computer crime appear to be the most salient or recognizable forms of occupational crime among the general public. However, the widespread problem of employee pilferage or theft -- the focus of this study -- according to the American Management Association accounts for "the single most significant dollar impact offence category against business" (Hollinger and Clark 1984:2). Employee theft, a form of occupational crime, is defined as "the unlawful taking, control or transfer of an employer's property with the purpose of benefitting the employee or another not entitled to the property" (Merriam 1977:375-6). Employee theft can range from the simple form of stealing office supplies, merchandise or taking tools home in a lunch box or purse, embezzlement of small and large sums of money, to calculated, premeditated theft involving several employees using special jargon or signals to acquire goods and services at the company's expense. Although the scope and dimensions of employee theft are not well known, a handful of researchers (Hollinger/Clark 1984, Terris/Jones 1982, Hawkins 1984, Horning 1970) and private

investigators (Henry 1988, Lipman 1973, Astor 1972) have provided the academic community, security administrators, corporate proprietors and managers with estimates of the extent, range, prevalence, economic and social impact of theft within the workplace. In addition, they have identified five major interrelated causal explanations (i.e., job dissatisfaction, opportunity, external economic pressure, lack of social control and youth) to understand why so-called ordinary people succumb to theft within the work setting. As D. Merriam stated, "employee theft is a serious chronic problem of unknown psychological, sociological, economic and cultural dimensions. The problem is centuries old, which makes our paucity of understanding it especially surprising" (Merriam 1977:375).

The present study was undertaken to determine the magnitude of employee theft with regard to factors such as types of theft, extent/prevalence of employee involvement and the financial impact of this activity on our economy. In addition, a comprehensive review of the causal explanations provided in the literature was undertaken in order to come to a better understanding of why employees steal from their employers. Such insight, in turn, may provide useful avenues of investigation in the development of preventive strategies.

Chapter II of the text reviews some of the existing criminological or private investigation literature on the phenomenon of employee theft detailing the types of theft, extent, prevalence and economic cost. Chapter III examines the causal explanations provided in the literature to understand why workers will steal. Chapter IV illustrates the findings of a case study consisting of a select sample of 40 crown corporation employees to

verify and substantiate the causal explanations portrayed in the literature. Chapter V provides possible strategies to reduce this illicit behaviour. While chapter VI concludes by highlighting the findings and suggest further areas worthy of investigation.

CHAPTER TWO

LITERATURE REVIEW

Mainstream criminologists have virtually ignored or overlooked the workplace in studying deviancy, dishonesty or criminality. This is rather astonishing, when we consider the fact that theft whether it occurs in the workplace or on the street is still theft. (Coleman 1985:6). Theft, as defined by the Oxford English Dictionary, "is the action of a thief, the felonious taking away of the personal goods of another" (1965 Volume 2:2165 - The Shorter Oxford English Dictionary). Furthermore, under Sections 287 to 296 of the 1988 Canadian Criminal Code, theft, which includes the crime of embezzlement according to Sections 292 & 296 (i.e., misappropriation of money held under direction and criminal breach of trust), carries a maximum penalty of 10 years imprisonment. The only significant difference between the traditional or conventional concept of theft and employee theft is that the latter is committed by so-called ordinary, honest, hard working, productive members of our society. Everyday, across North America, hundreds, thousands and possibly millions of employees, commit theft (Owens 1970:97). Thus, this phenomenon discredits and/or puts into question existing criminological paradigms based on the social process theories (ie. labelling), lower class culture conflict theories, cultural deviance theories, and the Chicago School's Ecology of Crime theory. In addition, the criminal is no longer regarded as disreputable and pathological hoodlum but rather an "ordinary person" thus, seriously questioning the stereotypes of a

criminal type created by the media and to some extent by social scientists.

However, the illegal activities committed by employees are rarely defined or perceived as criminal. Although such offenders "are guilty in the eyes of the law," (Ross 1968:26) the general public seems quite tolerant of this phenomenon. There are several factors behind this attitude. First employee pilferage is widespread and commonplace. "National tolerance toward economic criminals... (including conventional theft) ...may be prompted by the fact that, if criminological studies are to be believed, almost every U.S. citizen has at sometime been involved in economic crimes" (Siegel 1986:336). Second, "the participant is not a professional -- crime is not the way he regularly makes his living" (Smigel 1970:30). Since it is widespread and committed by so-called "ordinary persons", they are not culpable in the eyes of the public and in their own eyes (Ross 1968:26). Third, employee theft has low social visibility; victims (i.e., corporation or business) are frequently unaware of their own victimization. The offence thus becomes part of Radzinowicz's concept of the "dark figure of hidden crime" (Henry 1978:1). Fourth, if apprehended, the accused is rarely prosecuted and violations are more often handled by administrative rather than judicial agencies. This further perpetuates the low visibility of this offence and perhaps increases the likelihood in the future of similar offences. Fifth, how "ordinary" people rationalize and justify this behaviour by referring to employee theft with non-criminal labels such as fiddle, pilferage, fringes, perks, entitlement allowance, pinching, poaching, purloining, filching and diddling (Gabor 1989, Hollinger/Clark

1984, Henry 1978). These references may reduce the negative stigmatization of the crime and ultimately may help to maintain the prevalence of this type of activity by relieving perpetrators' guilty consciences. As demonstrated in Don Gibbons (1983), Lawrence Ross (1980) and Edward Ross (1968) concept of mundane crime, folk crime and the criminaloid.

TYPES OF THEFT

While lacking the negative stigmatization of other forms of crime, and the consequent response to such activity, the degree of harm deriving from employee theft is evidence by the different methods employed to steal. Indeed, the literature on theft within the work setting clearly indicates that it would be impossible to identify all methods of employee theft due to the creativity of some dishonest workers. However, their activities can be divided into three typological headings known as a) time theft; b) theft of cash and c) theft of merchandise.

Time Theft

Over 200 years ago, Benjamin Franklin stated "Time is money" (Marketman 1983:22) and in today's competitive business world, time represents "big bucks". However, according to Robert Half, time theft is and remains the biggest crime against North American businesses, corporations, firms, government agencies, etc. (Worklife 1984:7). "Time theft is not defined as the occasional chat with a fellow worker or the casual cigarette break. It is the deliberate, pre-meditated stealing of paid time" (Office Equipment and Methods 1979:12). The most common type of loafers on the job are the:

- a) socializers, who engage in non stop chattering with other employees;
- b) coffee/water drinkers, who use the ploy of going for a drink to enjoy extra breaks;
- c) employees who habitually arrive late and leave early;
- d) smokers, who must leave the premise to smoke;
- e) entrepreneurs, who run their own business on company time;
- f) employees who steal time while committing property or merchandise theft against their employers;
- g) dreamers, who knowingly and consistently pay little attention to the job at hand;
- h) anticipators, who close up shop 15 to 20 minutes early each day;
- i) "long lunchers", who habitually eat dinner on company time and then go out to enjoy their lunch hour or more;
- j) procrastinators, who deliberately work slowly, often in order to acquire overtime to complete their assigned duties;
- k) holidayers/non sick, who book off work or call in sick to have long weekends;
- l) telephone talkers, who make and receive personal calls throughout the day; and
- m) readers, who read the morning paper or best sellers.

(Marketing Man 1983:22)
(C.G.A. Magazine 1986:36)
(Worklife 1984:7)
(National Underwriter 1985:14)

This baker's dozen of unrecognized and unpunished disobedience "saps the nation's economy, weakens productivity and feeds inflation by increasing the cost of both producing and selling goods and services" (Worklife 1984:7).

Robert Half, a recognized expert on time theft and the head of Robert Half International Inc., has been analyzing time theft since 1970. His numerous studies on the topic illustrate that "the average office worker steals four hours and 26 minutes of

time per week, 30 percent more than the three hours, 24 minutes attributed to manufacturing workers" (Half 1982:4). A Canadian survey revealed theft of time averaging "three hours and 42 minutes per week per employee" (Worklife 1984:7). In a 1979 international comparison, "U.S., Canadian and British workers rank first second and third respectively as the world's leading time thieves" (Office Equipment & Method 1979:12). [It should be noted these findings reflect the existing data on those countries surveyed].

These findings are based on Robert Half's annual survey on the abuse of time in the workplace in the United States, Canada and Britain. The study encompasses a series of interviews with up to "320 company presidents, vice-presidents, controllers and personnel managers of large and medium size corporations "across North America and the United Kingdom (National Underwriter 1985:10). In addition, based on these surveys 82 to 87 percent of the respondents reported that full-time workers steal more than casuals. Between 47 to 51 percent of the respondents indicate that most time is stolen in the first hour worked and 32 to 37 percent during the last hour. Fifty-eight to 65 percent agreed that Friday was the most abused day of the week and 61 percent believed there was a correlation between age and time theft: those under 30 years of age stole more time than those over 30 (National Underwriter 1985:10, Management World 1986:5, Training 1986:80).

Robert Half, in an attempt to acquire an economic estimate on the financial impact of time theft, derived "an elaborate computation involving workforce statistics and average hourly earnings" (Half 1982:4). He concluded that time theft cost

American and Canadian businesses more than \$150 billion and \$15.1 billion a year respectively (National Underwriter 1985:14, Worklife 1984:8).

If that estimate seems a bit exaggerated, if not outrageous, at first blush, consider the fact that in order to be as conservative as possible in his calculations, Mr. Half made the theoretical assumption that 20% of the nation's 102,472,000 non agricultural workers never steal time... and thus ... putting the total number of time thieves at 81,978,000. Multiplying the Labour department's figure for the average hourly earnings of production and non supervisory workers on private payroll (\$8.42), by the four hours and 22 minutes stolen each week, Half came up with an annual time-theft cost per worker over a fifty week work year of \$1,834.00. Finally, he calculated that 81,978,000 employees stealing \$1,834.00 of company time each year results in a \$150.3 billion annual cost to American organizations.

(Training 1986:78)
(National Underwriter 1985:14)

Robert Half utilized the same technique according to Statistics Canada findings to calculate the cost of time theft in his Canadian study of 215 corporations throughout the country.

Time theft steals money at the expense of the employer; it is just as severe as the theft of cash or merchandise and thus it should be recognized for the menace it really is (Half 1982:4).

THEFT OF CASH

There are several areas of most businesses which are susceptible to the theft of cash. Sales in the area where most of the cash theft occurs, but dishonest employees in the bookkeeping and credit department can also do a great deal of damage because of their access to larger amounts of money.

(Formby/Williams 1982:44)

The literature on employee theft substantiates this claim (Nowlin 1982, Baumer/Rosenbaun 1988, Merriam 1977, Rice 1981, Coleman 1985, Astor 1978) and clearly demonstrates that the greatest vulnerability of cash theft occurs at the point of sale- the place where the product or service is offered to prospective

customers.

In the retail industry a check-out cashier "who handles money will sooner or later succumb to the temptation inherent in the job and attempt to steal some funds entrusted to their [sic] care" (Griffin 1974:33). The most common or widespread form of malpractice amongst cashiers is simply, "dipping" into the till and pocketing the money. The success of this transgression is practically assured when the cashier fails to ring up a purchase in the amount stolen, thus eliminating the possibility of detection. This procedure occurs most frequently in establishments which have a "rapid turnover of customers" (Formby/Williams 1982:44) such as restaurants, cafeterias, department stores or local corner stores. A similar approach, with an increased probability of apprehension, is called the no sale or line void technique. "Here the employee rings a no sale or line void on the cash register and fails to give the customer a sales receipt" (Formby/Williams 1982:44). However, if the consumer notifies the manager of the cashier's tactics/ improprieties or an internal audit reveals an excessive amount of line void, the employer may doubt or scrutinize the employee's integrity, as witnessed below:

Case in Point

The shoppers reported that in the same department a salesperson other than the suspect was ringing out of an open drawer, in addition to ringing no sales. Unfortunately, this salesperson was not on the monitored register. We immediately arranged to close his register and transfer him to the monitored register. As soon as the salesperson (suspect A) appeared on the screen, the recorder was turned on; within 45 minutes, he took money eight different times.

In addition, the original suspect (B) was recorded. During the same period of time he had helped himself to \$40.00 and it was he who had caused the register audit shortages. Both suspects were apprehended shortly before each was due to go

home. They were separated and the interviews began.

Suspect A initially would not admit taking the store's monies; he claimed that all money in his possession was his property. The video recorder and monitor were brought to his room where he viewed about one minute of tape, which showed his Oscar Award Winning performance of folding the money and placing it in his left pant pocket while engaged in conversation with a customer. He seemed to go limp and the remaining interview resulted in his admitting taking \$284.00 just that day. He further confessed to taking over \$2,000.00 within a five month period...

...Suspect B quickly admitted taking more than \$400.00 during the three months he had been employed. For the purposes of inspiring cooperation, he was shown the filmed record of his having taken \$40.00 that day...

(Griffin 1974:42-3)

A third method of cash register theft materializes when an employee underrings and/or overcharges the purchase price of merchandise. The cashier either punches in a lower price but charges the consumer the appropriate amount or punches in the correct price but overcharges the client. In both circumstances, the cashier pockets the difference once the customer leaves. Although in the latter situation, the customer is directly "ripped off"; if the malpractice becomes public knowledge the retailer may eventually suffer financial losses due to a loss of potential customers. A fourth possible method of cash theft occurs when the light fingered employee alters the sales slip or invoice in order to increase his/her profits from the till (Rice 1981:58). "For example, a customer would pay \$12.00 for a \$12.00 product. The cashier would then fill out a slip saying he had a \$1.75 overring on the sale;" (Terris/Jones 1982:1224) and collect the difference. In one incident an Indiana Lumber Company discovered a cashier who had embezzled more than \$15,000.00 in cash by using the practice of altering invoice slips (Bacas 1987:16).

In the criminological literature there exists only a handful of studies which examined cash theft via the salespersons, within the retail sector (Tatham 1974, Hollinger and Clark 1984, Terris and Jones 1982-1983, Brown 1986, Young 1984). In 1982 Terris and Jones illustrated that "the number one theft technique in both samples (i.e., 54 cashiers and 24 managers) was not ringing up sales and pocketing the money" (1982:1224). This was followed by falsifying overring slips. In addition, their work revealed that 100% of the sample (cashier) reported dipping, line void or overcharging as the most common impropriety amongst retail employees.

Arthur Young's annual survey (1984) of retail security and loss prevention interviewed 168 retail managers. They estimated that 40 percent of the losses due to employee theft occurred at the point of sales (Chain Store Age Ex. 1986:40). In contrast, Terris and Jones' study revealed that 75 percent of the 24 retail managers believed that cashiers omitting to ring up sales is "the number one problem facing retailers today" (Terris and Jones 1982:1224). Hollinger and Clark's Minnesota study revealed that 2.7% of the retail employees admitted to borrowing or taking money from employers without approval on either a daily, weekly, monthly or yearly basis (Hollinger and Clark 1983:42).

In 1984 Richard Hawkins conducted an exploratory study of 54 waiters to examine the forms of and frequency of internal theft within American restaurants. Although none of this sample population reported dipping as a form of theft, a total of 76% indicated using the no ring technique for pocketing extra money (Hawkins 1984:56). Furthermore, 66% of waiters reported short changing -- giving a customer change for \$10.00 bill when the

check was paid with a \$20.00 -- or overcharging (i.e., bill padding) customers.

Bill padding is one form of customer directed theft as illustrated in this vignette: Art is waiting on a large party of twelve men, all of whom have been ordering drinks from the bar during dinner. The check is to be presented to the gentleman in charge and he will pay with a credit card. After looking through all the drink tickets, Art decides to inflate the figure of the bar bill figuring that an extra four or five dollars will not be noticed and the man pays it.

(Hawkins 1984:57)

All of the previous incidents of cash theft involved lower level employees during a customer transaction such as sales; however, in other areas of the corporate or business world, book-keepers, accountants, middle and upper management have opportunities to steal or embezzle larger amounts of money.

According to Norman Jaspan,

the head of a firm that specializes in the investigations of employee crime, found that 62% of the losses he encountered could be traced to theft by company supervisors. This doesn't mean that managerial personnel are more dishonest than others only that their crimes result in higher losses... for lower level employees simply lack the power to commit such crimes.

(Coleman 1985:79)

Embezzlement, the most striking form of employee theft, "involves the fraudulent appropriation of cash, checks, etc... which have been entrusted to the employee's care" (Curtis 1973:67). T. Shabeck (1977), S. Blank (1986) and R. Willis (1986) state "the average loss a bank suffers from embezzlement or fraud is \$42,000 and 83.5% of all bank losses are attributed to internal fraud" (Willis 1986:22). In one incident, a bank auditor in the eastern region of Ontario discovered during a surprise till count, a discrepancy in the teller's till. At the conclusion of their investigations the bank teller, a mother of

two, had stolen over 10,000 dollars in a six month period by using the dipping technique (Ministry of Correctional Service 1988, Classification Report).

However, North America's biggest known embezzler and pillager is Robert L. Vesco who siphoned over 224 million in cash from the Securities and Exchange Commission (Coleman 1985:83). Although embezzlement represents a serious threat to any organization, it is beyond the scope of this study to identify all the perfidious imaginative schemes engineered by embezzlers to expropriate funds. As W. E. Rose stated, employees have used more than 800 different ways of defrauding their companies" (Curtis 1973:68). Following, are five examples of the most common methods.

Computer Crime:

Today, in the United States, computer related businesses employ over 2 million employees and with corporations exchanging over 117 trillion dollars annually over wire, the potential loss due to computer crime can be staggering (Rod 1986:26, Coleman 1984:82-3, Siegel 1986:369-70). According to Shabeck (1977), Coleman (1984), Blank (1986), the average return on computer crime nets the offender approximately \$400,000. Armed with a personal computer, a modem, a telephone and the all important password, an employee can electronically transfer millions of dollars within seconds to a Swiss Bank Account (Willis 1986:27). In a well-publicized case, a boxing promoter and two bank officials embezzled more than \$21 million by computer crime from Wells Fargo Bank (Siegel 1986:370).

The Phoney Company:

This form of embezzlement occurs when a supervisor,

accountant or the person in charge of accounts receivable/payable creates a fictitious company with the proper stationery and invoices. During his normally delegated duties of issuing checks, he/she pays the falsified invoices with company funds.

Not content with his salary, George decided to go into "partnership" with his employer. He visited a nearby bank and opened an account in a fictitious company name, which we will call "Hizown Company". He had impressive stationery printed, using a letter drop as an address. He also printed up a complete set of invoices, orders, shipping documents etc... Equipped with these, he was ready to go into business. As head buyer for the export firm, George placed many substantial orders with legitimate, well know vendors. On some of these orders, he would remove the office copy of the order and in its place, substitute a false copy showing the order to be with Hizown Company. As legitimate invoices, correspondence and shipping documents were received in the mail from the vendors, he would remove them and substitute invoices and other documents on Hizown Company's stationery. In the normal course of business, the export firm made payments to Hizown Company, which George deposited in Hizown's Bank. He then withdrew the money from the account. Of course, the true vendors had not been paid, but their requests for payment went directly to George, who would stall them. Upon his apprehension and after a laborious scrutiny of the records, it was ascertained that the exporter still owed \$204,000 to vendors.

(The Practical Accountant 1981:51-2)

Lapping The Temporary Loan:

"This involves the theft of a cash payment from a customer which is then covered by another customer's payment." (Formby and William 1982:45) By using the lapping technique, George's scheme (in above-mentioned) endured for a 3 year period. In a continuous process, the employee eventually pays the vendors with diverted funds; however, with time this complex form of embezzlement may lead to the loss of startling amounts of money.

The Fictitious Payee:

In this practice, an insurance broker, a claims agent or a pension benefit administrator insures non-existent clients.

Within months, due to injuries or accidents, benefits are paid and the dishonest employee greatly augments his take-home pay.

Scenario A:

Over an eight year period, two women stole \$400,000 from a union pension fund. One woman worked for the company that administered the funds, she ran false claims for pension benefits through the computer. Her accomplice cashed 600 of the fraudulent cheques.

(Willis 1986:27)

Scenario B:

Dick's first caper was to insure the non-existent employees of non-existent corporations for accident and health coverage. (He sent in a faked application and actually paid the insurance premiums.) After a few months these covered employees' began to show a remarkable susceptibility to disease of all kinds, and they began sending in claims for accident and sickness benefits.

Some of these claims were quite imaginative, ranging from back pain to cardiac infarctions. The claims were accompanied by forged physicians' reports on fake letterheads. Since Dick was the person assigned to investigate these claims, they all passed scrutiny. As a result weekly checks were authorized for disbursement to claimants all addressed to one post office box number.

Dick's next step was to open fictitious personal bank accounts to handle these checks which started flowing in a steady ever-increasing stream. He visited twelve different banks and opened twelve different accounts. Lunch time found him busy making the rounds of the bank, depositing claimants' checks with forged endorsements and making withdrawals from these accounts... .. In two years he was promoted to supervisor of the accident and health claims department. The wolf was now guarding the chickens. As supervisor, Dick didn't even have to submit false claims anymore. He was now the final authority for passing on claims and all he had to do was give instructions to the bookkeeping department to issue checks to claimants...

...After a thorough review of all checks issued in the accident and health department, [it was] revealed that over 650 checks had been issued to or endorsed by these twelve fictitious individuals in 2 1/2 years. These checks totalled in excess of \$66,000.

(The Practical Account 1981:63-64)

Fictitious Employees

In this case the payroll clerk or supervisor in charge of

scheduling will add a friend or relative's name to the payroll. Although the individual never worked for the company, he/she received a weekly paycheck. At a hospital in Baltimore, the payroll clerk and a friend stole over \$40,000 with this technique before being apprehended. (Adkins 1982:73) In a slight variation of this technique, a shift supervisor at a Ford Manufacturing Plant would add 12 hours of non worked overtime for several employees. In return, the supervisor collected two 40 ounce bottles of liquor a week (Personal Interview 1989).

Theft of Merchandise:

As with the theft of cash, merchandise theft can range from the simple act of walking out the door with stolen goods to complex schemes involving the manipulation of documents and or elaborate operations comprised of several employees. Most commonly, the vast majority of workers pilfer small items such as pens, paper, stationery, cleaning supplies, tools, clothing, scrap metal, etc... As individual objects, they are of little monetary value; however, as demonstrated by the following vignette; these individual acts of theft can be devastating to the victimized business or corporations.

The head of a large company doing government contract work decided that the firm needed a photograph of its dedicated employees leaving after a hard day's work. The gates, which were normally left open, were closed and cameramen were positioned in the watchman's tower. The workers, who had not been informed of the picture taking massed at the gates, the gates were opened and the cameras clicked. As the loyal employees started home, they left behind on the ground by the gate over 4000 items - tools, parts, soap, towels, scrap and a fifteen pound sledge hammer...

(Leininger 1975:101)

Although the Dale System Inc. study on employee theft

discovered over 415 known ways to steal (New Haven Register 1976:42a), here are some examples of the most common forms of merchandise theft.

"Trash disposal is one of the problems often closely connected with employee theft" (Hemphill 1976:77). A company thief can easily smuggle stolen goods out of the building by concealing it in the trash container. The employee then reclaims the loot after the shift or makes arrangements for an accomplice to retrieve the merchandise. Another popular method is hiding merchandise in a hand bag or lunch box and sneaking items out during lunch breaks or at the end of the day.

In a theft uncovered at a major electronics firm, an employee used two identical lunch boxes in a scheme to steal liquid gold. On his way to lunch each day the maintenance man slipped unnoticed into an unguarded room where liquid gold was stored in a vat. Here he dunked his lunchbox into the vat until it was coated. Then he returned to his locker where he exchanged the gold coated lunch for the one containing his lunch.

(Bullard and Resnik 1983:3)

Some devious employees have the audacity to simply walk out while wearing stolen merchandise (i.e., jewelry, scarves, jackets) or they simply hide it under their clothing. Workers at a Buffalo Foundry "stole 129,000 pounds of lead by recasting it to fit their bodies" (Merriam 1977:347). In another instance, an assembly worker at a Ford plant stole merchandise by tying it together with a piece of rope. He would place the rope behind his neck while the objects (ie shock absorbers) hung along his deltoids and stomach. The thief then left the plant appearing to be empty-handed while the stolen goods dangled under his jacket (Personal Interviews 1989). The back doors and emergency exits are another vulnerability to any organization for they provide the employee with a quick exit to pass merchandise to an

accomplice. In addition, the worker can hide articles in the stairway or loading area so it can be retrieved when no one is watching.

These aforementioned activities are simple and straight forward; there are, however, "other methods which require more stealth" (Formby and Williams 1982:45). Such situations include:

- a) making false entries to pad inventories so shortages will not be noticed;
- b) putting return to manufacturer labels on goods and sending them instead to the employees own address;
- c) intentionally soiling garments or damaging merchandise so employees can buy them at reduced prices;
- d) sales clerks marking down goods for friends or relatives;
- e) cashiers adding merchandise not paid for to an accomplice's package; and
- f) cashiers retaining customers sales slips and putting them on stolen goods which the clerk keeps or turns in for a refund.

(Post 1972:68-69)

(Formby and Williams 1982:45)

(Bequai 1986:84)

(Adkins 1982:71)

(Nowlen 1982:27)

All of these methods are common and widely used in almost any size business or corporation. However, "while these thefts are very costly, they are often small compared to those in shipping/receiving and/or when several employees work in collusion" (Formby and William 1982:45, Field 1986:92-94).

Within any organization, the losses due to internal theft begin at one's back door during the shipping and receiving process. Warehouses and transfer theft are frequent targets of large scale theft by employees. Due to the warehouse's isolation and/or overcrowded conditions, its physical layout, a continuous

influx/efflux of commodities, possible inadequacies or lax inventory control and given the creativity of some dishonest workers, merchandise can easily disappear (Curtis 1973:133-4, Hemphill 1976:27).

In a large city in the Northwest, management of a 12 store chain found that over a period of eight years, seven of their warehouse and transfer employees had been stealing from the firm's transfer trucks. These thefts averaged \$1000 worth of merchandise daily... In this particular case, the store admitted a loss of \$250,000 in merchandise of which \$35,000 was recovered from the homes of employees at the time of apprehension.

(Curtis 1973:133)

Gerald Mars' case study on Dock pilferage exemplify transfer theft and the collusive schemes developed by longshoremen to steal merchandise while unloading cargo ships.

Men's Suits:

The hatch checker had been alerted by details on this bills of landing concerning the contents of the crates: messages had passed from shed to vessel crew to warn them of 'good picking' to be expected. The crates were then loaded by the hold crew so that two would fall when the winch was jerked. At the appropriate moment, as the sling was poised over the quay, the signaller gave an all clear sign to the winchman. The winchman adjusted his levers, the winch jerked and the crates fell. They were only slightly damaged but this was enough to permit entry. Following normal procedures, the crates were then moved by fork truck... In this instance, much other cargo unloaded with the suits was bulky and packed in large cases. The fork truck driver stacked this cargo to block off the superintendent's line of vision so he could not see the sorting area from his office. At the same time the driver also built up some other of the packing cases to form a hollow square. This enclosure, then served as a changing room. Thus equipped, men were able to choose their suits at leisure, trying on different ones for size and being secure from the prying eyes of the superintendent. Throughout the day, longshoremen made their way individually to the changing room... This cargo was removed from the dock in the usual way, secreted in the clothing of men who took the goods home at the end of the day... The following day the hatch checker reported that two crates had arrived damaged. By this time, the missing suits had already been moved and were almost impossible to trace. Neither was it possible to localize the pilferage to St. Johns. There was no evidence to prove the crates could not have been opened in Montreal, while the vessel was at sea or at other ports on its route.

(Mars 1974:216)

In an attempt to restrict pilferage of valuable merchandise a ship's officer, mate or a deputy can supervise the unloading of cargo. However, the conniving longshoremen (signallers, winchmen and holdsmen) have developed a sophisticated signalling system to warn the workers of the locations of the security personnel. At the appropriate signal, when the coast is clear, the crates are opened and the contents are stolen (Mars 1974:217-218).

Theft in the receiving department is another major area of concern for occupational crime. A dishonest receiving clerk in collusion with a truck driver from a different company can steal incoming shipments. For example,

the driver would secure the merchandise from the railway warehouse and drive over to the store's receiving warehouse, where the clerk would sign three bills of lading. But nothing would be delivered, the point being that the driver would scoot over to a "fence", sell the merchandise and then split the take with the receiving clerk.

(Post 1976:79)

The clerk then manipulates the receiving invoices to cover up the theft. In other situations, the receiving clerk, once again in collusion with the truck drivers develops a barter system of trading stolen property acquired from their employer. The driver then manipulates the delivery invoice or adds extra items (i.e., 102 typewriters instead of 100). The receiving clerk will keep the overstock or have it delivered to a friend's place. The driver in exchange acquires desired goods from the receiving clerk.

As Stuart Henry notes in his study on the hidden economy in Europe, occupational crime

goes on in different forms in a variety of places. It is done by many different people for whom it is only a

part albeit an integral part of their lives. Often people are involved in a number of separate activities which may form part of a flow of relationships. An exchange or barter network is established between storeman and driver. The storeman fiddles his stock records to produce an overload and the driver takes the overload and delivers it to a shop keeper or a friend who in turn sells it to his best friend as a bargain. This kind of network can be so extensive that twenty or thirty people at a time may be involved.

(Henry 1978:14)

Although "some authorities" claim 85% of stolen cargo is carried away from freight transfer locations and warehouses;" (Hemphill 1976:175, Curtis 1973:133) large scale theft may still occur at the retail store.

After two years of organized and systematic theft, the store became alarmed by the growing inventory shortage figures and began an extensive security investigation. The study revealed that the merchandise was being stolen during the night. Repeatedly employees coming on the job in the morning reported merchandise missing which had been seen on the selling floor the night before. Management finally decided to put undercover agents into various nighttime operations. One agent was planted in the porter group, another in the control division... and with some reluctance, because they felt this was a complete waste of time and money, the company also added an agent to the early morning baking crew.

In less than a week, the undercover agent discovered the source. Management was awed by the extent of the bakers' thefts. For two years the group had been stealing on a large scale from the store. Their operations had become so professional that they had even rented a warehouse on the other side of the city to hold the stolen merchandise. When the store's president visited the clandestine warehouse, he was shocked by the amount of goods the bakers had stolen. Although it represented only a small part of the group's total theft, 23 large furniture vans were needed to bring the stolen merchandise back to the store.

(Curtis 1973:137)

It is apparent from these examples "that a system for the operation of pilferage exists" (Mars 1974:220). In certain circumstances, employee theft has become so routine that it has "acquired a special descriptive jargon" (Merriam 1977:379). "In

the retail food and beverage industry the term 'brother-in-law' means underringing sales to friends or relatives" (Merriam 1977:379, Brown 1984). In addition, salespeople from other departments on stores have established a trading system to exchange merchandise (Curtis 1973). Within an Eastern Ontario Paper Mill, employees have coined the term "a government job" in order to help a devious worker to acquire goods from another department by using the phrase. In exchange, the pilferer will owe a favour to the co-accused. As with Stuart Henry's Hidden Economy, the pulp and paper artisan might barter several different objects and deal with numerous co-workers to successfully obtain the desired article(s) [Personal Observation].

When a company encounters collusive theft or if several employees must cooperate to succeed in their illegalities, the firm will suffer greater financial losses due to internal theft. However, far worse is the fact that "some methods require collusion and there may exist a level of theft beyond which employees no longer fear informal social control by other employees, beyond which employee thieves may, in fact, find reciprocal support for their activity" (Merriam 1977:380).

In summary, the dishonest employee will seek to take advantage of internal vulnerabilities within the work setting. In most instances, the light fingered employee will demonstrate ample ingenuity in accomplishing his/her crime, be it theft of cash, merchandise or time. While the methods portrayed are far from exhaustive, they provide a fairly accurate picture of the phenomenon of employee theft.

THE EXTENT OF EMPLOYEE THEFT

Economic Impact:

In the medical profession one of the biggest dangers to a patient's health is internal bleeding. Undetected, it weakens the patient and can lead to death. In industry, the same case can be made for the problem of internal theft. Many seemingly healthy companies have been destroyed from within by the often undetected actions of their own employees.

(Walls 1989:69)

According to the literature, criminologists, private investigators, the U.S Department of Justice, the U.S. Chamber of Commerce and the American Management Association, occupational crime is estimated to be directly responsible for 10% to 30% of all business bankruptcies (Bacas 1987:16, Formby/Williams 1982:43, Adkins 1982:67, Kantor 1983:38, Selby 1984:173, Phannenstill 1983:44, Sosnowski 1984:109, Kennedy 1984:171). In addition, the literature reveals that American businesses suffer annual losses that range between \$381 million to \$231 billion due to employee theft (Coleman 1985:82, Walls 1989:69, Banning 1988:79, and Jobb 1985:24). The wide range portrayed in these economic estimates clearly demonstrates the fact that no one really knows the financial extent of the phenomenon. However, the majority of the research places the annual bill for pilferage between \$10 to \$53 billion per annum. According to August Bequai, this translates into \$800 million a week or as J. Walls calculated, theft at the workplace accounts for losses of \$7,125 per minute (Kantor 1983:38, Walls 1984:48). Others claim it is a crime which represents a total of 1 to 5% of the U.S. Gross National Product (Adkins 1982:69, Selby 1984:173, Dallas/West/Venning 1982:5, Bullard/Resnik 1983:51) or ten times the toll of all street crime in the United States (Bacas

1987:16).

Within the Canadian context, employee pilferage adds up to "the tune of anywhere from 2 to 10 billion annually." (Labrie 1976:12, Reasons 1982:60) while Mike West (security consultant) and the Financial Times (1978), estimate employee theft cost Canadian Business a staggering \$1 to \$11 million a day (Dallas/West/Venning 1982, 5, Jobb 1984:20).

By all accounts, the problem of internal theft is disturbing; however, "most observers are quick to point out that the estimates they provide are conservative and that the actual loss is probably far greater" (Meier and Short 1982:25), for approximately, "9 out of 10 cases of theft by employee," are never reported or detected (Labrie 1976:12).

The actual loss of profits is serious enough but there are additional costs, some of which are hidden and are therefore difficult to measure such as a) increased security to resolve the problem, b) the hiring process and training period to replace apprehended employee pilferers; c) unfavourable publicity and damage to the store's [business] prestige upon prosecuting employees and d) lower moral when suspicion is directed at honest and valued employees.

(Curtis 1973:5)

The bottom line is, employee theft has a deleterious effect on North American businesses. Large enterprises, conglomerates, corporations, crown corporations and federal agencies to some extent can absorb the losses; however, small firms fare far worst. A single incident involving large scale theft of merchandise and cash or a continuous drain on the company's goods or finances can ultimately result in bankruptcy.

The losses due to employee theft--according to W. C. Reckless' notion of the crime tariff--are eventually shifted directly to the employee through lower salary increases, the tax payers for pilferage within government organizations or

contracts, the insurance companies and finally to the consumers. The Canadian Business Magazine, D. Merriam and D. Jobb stated employee pilferage increases the cost of merchandise for the customer, by 15% or by 12 cents out of every dollar. (Hollinger and Clark 1983, Jobb 1984, Merriam 1977, Reasons 1982).

According to the literature, the aforementioned economic estimates on the cost of employee pilferage are primarily derived from three possible procedures. The first, which accounts for the majority of the estimates portrayed, are non empirical "guestimates" or ball park figures used by security consultants, the U.S. department of Justice and the U.S. Chamber of Commerce. Inventory shrinkage, a euphemism for employee theft, is the second and most prominent method used to calculate the financial losses of this phenomenon. It is

the inventory deficit in dollars that cannot be accounted for after sales reductions and remaining unsold stock have been subtracted from initial inventories.

(Hollinger and Clark 1984:3)

These data are "excellent because inventory shrinkage is a necessary part of the accounting process" (Merriam 1977:382); however, there exist two major flaws. The first is that one company's losses are then generalized to represent a wide array of businesses across the country. There are, however, two notable exceptions which were conducted by the Small Business Association survey in 1964 of 5000 firms (Merriam 1977) and the Arthur Young survey in 1983 of 78 mass merchants, 44 department stores and 46 specialty stores. The two studies reported that shrinkage accounted for losses of \$381 million and \$1.9 billion respectively.

The second flaw with inventory shrinkage statistics is that

the losses could be the result of clerical or billing mistakes, shoplifting, losses due to undetected conventional theft as well as employee theft. Thus, it is impossible to calculate the real economic extent of employee theft with this technique or procedure.

The final and most accurate economic estimates on the cost of employee theft against the employer are self-reported estimates of the dollar value stolen or the cost of the goods recovered or discovered upon the apprehension of a pilferer. For example, the Montgomery Ward Company reported firing 4000 employees for theft which represented losses of \$2.5 million (Merriam 1977: 385). These data represent losses suffered by one organization, therefore, the dollar value cannot be generalized to other work places. Furthermore, self-reported estimates of the act of theft in the workplace may underestimate the losses involved. J. Banning (senior vice-president of Stanton Corporation) states, "if someone tells you they have stolen 100 dollars, we have found that you can safely multiply it by 10, or figure that they have actually stolen at least 1000 dollars" (Banning 1988:79-84).

EXTENT OF EMPLOYEE INVOLVEMENT

Although the current data on the extent and prevalence of employee theft is sparse, some criminologists and private investigators have attempted, through personal "guestimate", apprehension rate statistics and self report/interview studies, to establish the size of the problem and determine the number of employees involved in theft (Baumer and Rosenbaum 1984:21). The vast majority of the statistics presented in the literature, as

with economic estimates, are "guestimates" from experts in private and industrial security companies (Hollinger and Clark 1984, Merriam 1977, Baumer and Rosenbaum 1987). For example, Norman Jaspán, Dallas, West and Venning (security consultants), August Bequai (Attorney & Expert on white collar crime), and Mark Lipman (president of a private security firm) state that between 50% and up to 75% of all employees participate in employee theft at least once during their life time. In addition, Mark Lipman stated that employee theft exhibits a bimodal distribution where a large percentage of workers will take small amounts and a few individuals will steal in volume. Lipman's work as security organizer and experienced private investigator made him conclude that "approximately one-half of all employees steal to some degree, 25 percent of whom take important items, while 8 percent steal in volume" (Hollinger and Clark 1984:5). Others (Bacas 1987, Leuser 1984) have postulated a 10-10-80 theory to explain employee involvement in internal theft. They claim that 10% will steal at every chance under every circumstance; 10% of the people will never steal; while 80% are generally honest and will remain honest if the employer creates an environment that discourages and detects theft. However as Hollinger and Clark illustrated,

a review of the security literature published since 1973 suggests some degree of consensus on these percentages. However, this apparent consensus may be attributable to the fact that ... one or two estimates... have been repeated often by others without citation and have thus begun to take on the reputation of a proven fact.

(Hollinger and Clark 1984:5)

The rate of apprehension is another technique used by researchers to determine the percentage of employee involvement in this type of occupational crime. G. D. Robin's study of

confidential security records for apprehended employee thieves within 3 independent department store between 1949 and 1963, revealed an annual average rate of apprehension per 1000 employees to be 4.8 percent (Robin 1979:119-123). J. P. Martin's work on official apprehension records for large and small firms was 1 in 269 (0.4%) and 1 in 73 (1.4%) respectively (Henry 1978:127).

In addition, Peter Barr and Phillip Balsmeier's study of 635 bakeries throughout the United States, Puerto Rico and Canada revealed that "if a company increased its sales force by 100 persons, it would probably end up firing two of them for theft" (Barr and Balsmeier 1988:89). Dwight Merriam's work (1977) revealed that the firm of Montgomery Ward (1974), the Mass Retailing Institute's survey of 1,188 stores employing 91,499 people, and the National Detail Merchant Association of 41 companies had an apprehension rate of 3%, 3% and 0.82% respectively. These apprehension rate statistics may represent an accurate portrayal of those caught for employee theft within their respective business; however, the figures are extremely skewed for it does not take into consideration those who are never caught.

In an attempt to rectify this dilemma, a few empirical studies have attempted through polygraph examinations, interviews and self-report studies to acquire a more realistic picture of employee involvement in theft at the workplace. Both Philip Ash (1971) and Ronald Schmidt (1975) conducted polygraph examinations on numerous employees. Their findings illustrated that 32% and 76% respectively admitted committing some form of internal theft. Furthermore, Richard & Phannenstill's study of

220 consecutive job applicants for positions of trust (i.e., security guard, bank teller, etc.) had a total of 39.6% of applicants who failed to meet the company's standardization objective for employment (Phannenstill 1983:59) [It should be noted polygraph examinations for employment are forbidden in Canada with the exception of C.S.I.S. and they are presently outlawed or regulated in 34 States and the district of Columbia] (Markham 1987:55).

In recent years several researchers such as Hollinger and Clark (1983), Tatham (1974), Horning (1970), Hawkins (1984) have conducted empirical studies on employee involvement in theft. As opposed to the personal guestimates and rate of apprehension statistics, self report studies have these following advantages:

- a) more than one work setting can be studied;
- b) hidden deviance can be recorded;
- c) the bias of officially reported deviance is avoided;
- and:
- d) a standard set of questions permit a comparable measure of theft involvement across work setting.

(Hawkins 1989:53)

In regards to the percentage of employee involvement in occupational crime, Donald Horning's study of 88 male operatives at a large Midwest electronics assembly plant revealed that 91% of the sample population reported pilfering company property (Horning 1970:60). In comparison, R.L. Tatham's self-report survey of 98 retail employee in 1974 indicated that 50% admitted taking merchandise without paying for it. Richard Hawkins' study of 41 waiters from 4 dining restaurants in a large South Western city illustrated that at least 44% took home restaurant items and 15% stole merchandise which they sold for cash (Hawkins 1989).

A 1986 self-report survey conducted by the Stanton Corporation which specializes in theft prevention, reported that

30% of the anonymous respondents from a sample population of 7000 retail employees admitted to filching on the job. Furthermore, the Stanton Corporation claimed that this figure has increased 12%, when they compared their finding to a similar study conducted in 1960 (Zemke 1986-74).

One of the most extensive investigations of employee theft was completed by Hollinger and Clark of the University of Minnesota through a \$250,000 grant from the National Institute of Justice and the U.S. Department of Justice. The Minnesota researchers administered self-report questionnaires to a sample of 9000 retail, hospital and manufacturing employees in Minneapolis, St. Paul, Dallas-Forth Worth and Cleveland. Their research findings with regard to the prevalence of employee deviance, demonstrated that 35.1% of the retail sector, 33.3% of the hospital sector and 28.4% of the industrial sector openly admitted committing theft within the workplace.

In summary, the aforementioned estimates of financial losses and the extent of employees actively involved in occupational crime are for the most part purely conjectural except for a few empirical studies. Therefore, further research is needed in order to substantiate and provide some credibility to these findings.

CHAPTER III

Understanding Employee Theft

The literature on employee theft is full of ideas on how to detect and prevent internal pilferage but studies documenting the nature of the problem are extremely rare.

(Baumer and Rosenbaum 1984:48)

Security experts and criminologists have identified or estimated a) the major areas where employee theft is believed to occur; b) the economic cost of internal theft and c) the number of employees engaging in such activities. However, solely dwelling on these characteristics will not answer the elusive question of "Why do employees steal?" Over the last few decades, social scientists and security consultants have provided a plethora of causal explanations, hypotheses and even hunches to explain why workers pilfer from their employers. Unfortunately, "as with almost any complex behavioural phenomenon a cursory review of the scholarly literature clearly demonstrates the lack of agreement among those who are supposed to be experts on employee theft" (Hollinger and Clark 1984:6). Different specialists in loss prevention and/or social scientist have developed their own pet theories for understanding this phenomenon (Curtis 1973:241).

Dwight Merriam's extensive literature review in 1977 revealed that most of the causal theories offered in the trade literature focused on unilocular, simple and commonplace interpretations (Merriam 1977:38). This analysis, to some extent, still coincides with the present writings of some security experts (eg. Bacas 1987, Jobb 1985, Henry 1989,

Barr/Balsmeier 1988). In most instances, these hypotheses may have some validity but as T. Baumer and D. Rosenbaum state:

although studies that examine only a simple hypothesis are a good starting point, more fully developed theories (and tests of them) will be needed in order to piece together the various causes of and to form a more coherent picture of employee theft.

(Baumer and Rosenbaum 1984:66)

Today's theoreticians are slowly adhering to Baumer and Rosenbaum's advice by moving away from simple causal explanations to interrelated theories which frequently encompass three factors (hence, the term "criminal triangle" theories) such as:

- a) i) desperate financial need
- ii) ability to rationalize that theft if O.K.
- iii) a risk free opportunity

(Henry 1988:27)

- b) i) predisposition to crime
- ii) financial need
- iii) job dissatisfaction

(Barr/Balsmeier 1988:86)

- c) i) personal integrity
- ii) opportunity
- iii) situational pressure (financial need)

(Bacas 1975:77, Feinburg 1982:92)

- d) i) peer pressure
- ii) opportunity
- iii) personal problems and so forth.

(Miller 1986:39)

However, these criminal triangle theories are frequently too vague and are only a slight advance on the simplistic unidimensional approaches previously mentioned.

The remainder of this chapter will, however, demonstrate that the orientation of such theories are still aligned with our major theoretical paradigms of crime causation. Specifically, attention will be given to classicism and the social process

theories as evidenced in an examination of five explanatory themes found in the literature, namely: i) external economic pressures; ii) youth; iii) opportunity; iv) job dissatisfaction and v) informal and formal social control. In addition, it will examine these empirically tested hypotheses found in the criminological literature.

External Economic Pressure

The first set of theoretical assumptions found in the literature on occupational crime is that workers commit theft as a result of external economic needs or pressures. "Employees choose taking things from their employers as a method to acquire the necessary resources to extricate themselves from various financial dilemmas" (Hollinger and Clark 1983:7). In the trade literature, this notion is referred to as desperate financial needs or "babes, booze and bookies". In the empirical literature the financial needs hypothesis is broken down into three categories which are a) unshareable problems; b) absolute financial needs (i.e., due to a low income and financial obligations, the individual commits employee theft to survive); and c) relative financial needs (i.e., even though income level is sufficient, the individual must steal to maintain his luxurious lifestyle). With the exception of Donald Cressey's study of 133 embezzlers at Joliet, Chino and Terre Haute penitentiaries and Richard Hollinger and John Clark's Minnesota study on theft by employees, there has not been any systematic studies examining this perspective on employee theft.

1) The Unshareable problem hypothesis:

In 1953, Cressey's work revealed that embezzlers violated their position of trust after acquiring a non-shareable problem.

That is;

trusted persons become trust violators when they conceive of themselves as having a financial problem which is non-shareable, are aware that this problem can be secretly resolved by violation of the position of financial trust and are able to apply to their own conduct in that situation verbalizations which enable them to adjust their conceptions of themselves as trusted persons with their conceptions of themselves as users of the entrusted funds or property.

(Cressey 1971:30)

According to Donald Cressey's work, "this hypothesis proved to be far superior to the others and no evidence necessitating its rejection has been found yet" (Cressey 1971:30).

The National Foremen's Institute study of 1000 cases of business fraud in the wholesale, retail and manufacturing sector supported Cressey's notion of unshareable problems. Their survey attributed occupational theft to three financial issues:

- a) living beyond one's means;
- b) gambling, high living, questionable companions; and
- c) extended illness of the principal wage earner or a member of his family.

(Post 1972:74)

Similarly, Gerald T. Fulcher, executive director/counsellor for the Delaware Council on Gambling Problems, indirectly supported Cressey's concept of the unshareable problem. His research and studies revealed that:

- a) the American Insurance Institute in a 1972 publication placed compulsive gambling as the number one cause of workplace theft, fraud and embezzlement;
- b) the Insurance Information Institute estimates that as much as 40 percent of the nation's white collar crimes may be related to compulsive gambling.
- c) eighty-five percent of all compulsive gamblers are employed when they finally reach rock bottom; and
- d) eighty-five percent of the compulsive gamblers interviewed admitted to committing felony crimes as a result of their addiction.

(Fulcher 1983:60-61)

Although Cressey's theory "has been applied most commonly to the study of cash embezzlers, the model has been utilized frequently to explain the phenomenon of employee theft as well" (Hollinger and Clark 1984:53). For example R. Hollinger and J. Clark's study on pilferage was partially designed to empirically test whether employee theft is correlated to the financial difficulties/needs hypothesis as portrayed in the trade literature. "On the individual level, Hollinger and Clark wished to examine whether those employees with economic difficulties were more involved in property deviance than their more financially secure peers" (Hollinger and Clark 1984:53). In addition, from a social structural level (i.e., ecology of crime and Merton's strain theory) Hollinger and Clark "wanted to know whether employees working in economically depressed communities were more prone to turn to crime as the innovative means to blocked economic goals" (Hollinger and Clark 1984:53).

2) Absolute Financial Needs:

In regards to individuals' perceptions of economic hardship, the Minnesota researchers divided their analysis into three themes or categories: a) household income, b) adequacy of income and c) concerns about financial situation. The first testable hypothesis asked 8867 respondents from the retail, hospital and manufacturing sectors to indicate their family income within ten different income brackets. The researchers assumed that "if financial pressures influence involvement in property theft, then individuals whose family subsisted on lower incomes would be more likely to be involved" in employee theft (Hollinger and Clark 1983:54). However, upon completing their

analysis no consistent evidence was found to support this hypothesis. In the retail sector, a bimodal distribution existed where those with an income under \$5000 as well as those over \$20,000 were more involved in theft at the workplace. Within the manufacturing industries, those within middle income categories had higher levels of theft. While within the hospital sector, the opposite was true; those with higher incomes were more likely to steal from their employer.

To ascertain the second variable of adequacy of family income, the Minnesota study asked each candidate "whether the household's income was sufficient to meet the usual bills and expenses" (Hollinger and Clark 1984:55); by responding always, usually and never. The experimenters predicted that "person whose income was never sufficient would be under more economic pressure than one who could always meet expenses" (Hollinger and Clark 1984:55). Therefore, those respondents who answered never should be more involved in theft. After conducting two cross tabulations no significant results were discovered. In fact, the data revealed that those workers who reported insufficient incomes "were less likely to be involved in theft" (Hollinger and Clark 1984:56).

3) Relative Financial Needs

The final and third assumption revolved around concerns about their current financial situation. This variable was measured by asking each respondent to rank these eight variables:

- a) personal health
- b) neighbourhood crime
- c) family welfare
- d) pollution
- e) present job
- f) religion

- g) financial situation and
- h) education/career training

in order of personal importance. "If respondent considered his or her finances as one of the most important issues, that concern could be partially due to unshareable economic problems"

(Hollinger/Clark 1984:5). The researchers' hypothesis that those who ranked financial situation as an area of utmost concern would be involved in employee theft. Within the sample, their analysis yielded a positive relationship among all three sectors. "This analysis suggests that an individual's financial situation may indeed play a part in influencing theft involvement" (Hollinger and Clark 1984:58); but given the overall results on evidence portrayed in the Minnesota study, financial pressures or needs may not be the best predictor of employee theft as reported in the security literature.

Since the Minnesota study consisted of a sample population in two distinct cities -- Cleveland which was experiencing a decline in population due to high levels of unemployment and Dallas Forth Worth with a booming economy and low unemployment - Hollinger and Clark examined whether each community's economic situations and characteristics affected the prevalence of theft at the workplace. This hypothesis is primarily based on Robert Merton's social strain theory.

In Merton's theory, "two elements of all modern culture interact to produce potentially anomic conditions -- culturally defined goals and socially approved means for obtaining them." (Siegel 1986:200) For certain groups,

a severe strain on the cultural values arises because
1) the culture places a disproportionate emphasis on the achievement of the goal of accumulated wealth and maintains that this goal is applicable to all persons;
and 2) the social structure effectively limits the

possibilities of individuals within these groups to achieve this goal through the use of institutionalized means. This contradiction between the culture and the social structure of society is what Merton defines as anomie."

(Vold 1979:214)

Within Merton's typology, an individual can respond by one of five methods such as:

- a) the conformist -- who adheres to our cultural goals and institutional means;
- b) the ritualist -- who abandons our cultural goals but retains the norms of hard work and honesty;
- c) the retreatists -- who rejects both goals and means, e.g., vagrants, social outcasts; and
- d) the rebel -- who in his frustration attempts to replace societal values with a new ideology.

(Siegel 1986:200-203)

The fifth category which relates to employee theft or conventional street crimes is the innovator. Typically, the thief is motivated by a desire to satisfy socially and psychologically conditioned needs; however, when conventional means of satisfaction are frustrated the employee may turn to deviant workplace behaviour to achieve our culturally accepted goals (Merriam 1977:377).

Hollinger and Clark, from a broader sociological approach assumed that those employees residing in a disintegrated community of poor economic conditions, high unemployment, disorganization and a decline of population; (e.g., Cleveland) would be more likely; than employees in economically successful communities (e.g., Dallas Forth Worth) to be involved in deviant work behaviour as a result of blocked institutional means to acquire culturally accepted goals.

Upon completing their analysis, Hollinger and Clark found no

significant correlations amongst the sample population in Cleveland and Dallas Forth Worth. The researchers concluded "that their data did not provide sufficient evidence to support the hypothesis that community differences regarding economy or crime rates affect an individual employee's involvement in theft" (Hollinger and Clark 1984:60). In fact, the reversal of their hypothesis may have occurred, due to the community's poor economic situation and high unemployment, the workers might not want to jeopardize their employment by committing internal theft. Whereas in Dallas Forth Worth with their economic boom and ample employment, a worker may not fear losing his job if apprehended for theft because it would not be difficult to find another job.

In conclusion, as Dwight Merriam stated in 1977,

"this satisfaction of legitimate needs through deviant means may be described using Merton's theory of anomie, but in the long run effort, to create a research methodology it would be of limited utility, since anomie is essentially a typology and the least operational of all sociological explanations. That is anomie is a useful construct but it is difficult perhaps impossible to design and apply measures which can reliably assign subjects to Merton's categories.

(Merriam 1977:390-391)

In addition, the economic or financial need explanation for employee theft, as demonstrated by Minnesota study, might not be the best predictor, for why employees steal.

Youth and the Phenomenon of Employee Theft:

Empirical studies conducted by Michael Miller, Gerald Robin and Alice Rickett Franklin support the hypothesis that age is directly associated with employee theft. Michael Miller's research on 453 apprehended workers at the Service Merchandise Company revealed that the medium age of employees who steal was

20.8 and 9 out of 10 were under the age of 30 (refer to Figure # 1) (Miller 1986:38-39).

Employee Caught Stealing by Age

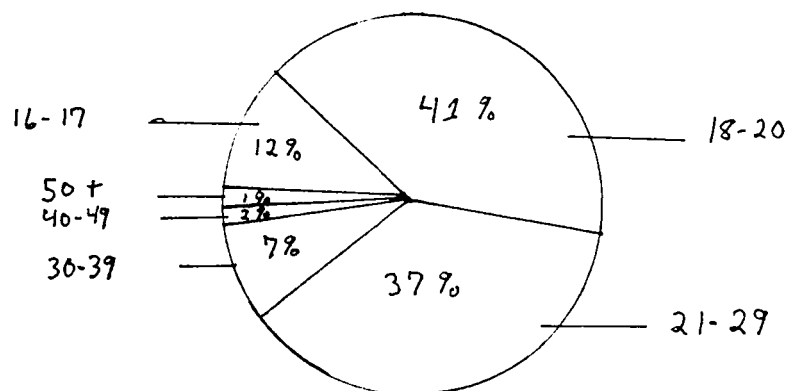


Figure # 1

(Miller 1986:38)

Alice Franklin's study of department store theft indicated that "although the 18 to 22 year old age group made up only 12 percent of the total work force, it accounted for 69 percent of the violations for employee theft" (Hollinger and Clark 1984:63). Whereas Gerald Robin's work on 1663 apprehended retail work revealed the mean age to be 29.7 years (Robin 1969:18).

Another striking feature of these studies focused on the length of time the offender worked for the company. Donald Cressey's "long years of service theme so frequently used in describing embezzlers" (Robin 1969:20) is hardly applicable when studying employee theft. Both Franklin's and Robin's research portrayed that two third of the sample had been employed for less than two years. In fact, Miller's and Robin's study indicated that approximately half of the apprehended workers were with the company less than six months (refer to figure # 2).

Length of Employment of Employees Caught Stealing

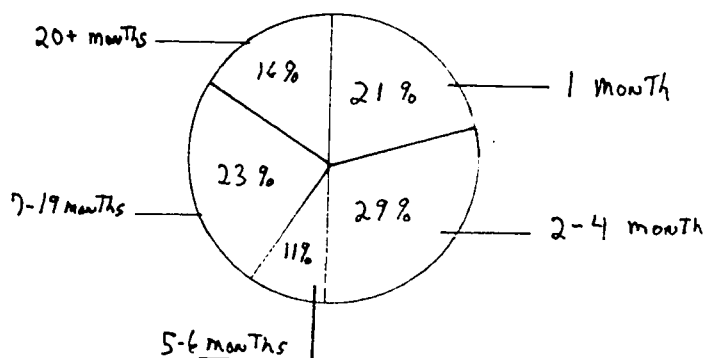


Figure # 2

(Miller 1986:39)

These statistics paint a very bleak portrait of young short-tenured employees and their involvement in theft at the workplace (Hollinger and Clark 1984:63). Although this conclusion is drawn from an extremely skewed sample of apprehended employees, Hollinger and Clark's Minnesota study yielded the same findings. As Hollinger and Clark stated, "there seems to be little doubt that the official statistics compiled from employees apprehended for theft are an accurate reflection of the true picture... few other variables... exhibited such a strong relationship to theft as age of the employee" (Hollinger and Clark 1984:63).

Therefore, with these empirical studies authors within the field of private security are quick to claim that younger employees are more likely to steal than his older co-worker (Gotlieb 1983:226).

However, this correlation or association, from a theoretical viewpoint has little meaning unless we can understand why our younger labour force is disproportionately involved in employee theft. Except for the Minnesota study, no other research on

employee theft has attempted to analyze or scrutinize this apparent relationship. In order to determine if any other variables contributes to the association between age and theft, Hollinger and Clark used statistical manipulations to controlled the age variable. Their results revealed that those employees "who had lower levels of commitment to their present work organization reported higher levels of theft activity. By definition, these employees are also more likely to be younger workers" (Hollinger and Clark 1984:67).

This lesser commitment hypothesis, in relation to our criminological crime causation model, is partially explained by control theories of juvenile delinquency. Control theories postulate that "all people have the potential to violate the law and that modern society presents many opportunities for illegal activities" (Siegel 1986:232). According to Travis Hirschi's social bond theory and Scott Briar and Irwing Piliavin's commitment to conformity paradigms, a youth will adhere to our social regulations if he maintains four interrelated elements: attachment, commitment, involvement and belief. If these elements are weak the person may develop crimogenic behaviour patterns (Siegel 1986:232-234, Hirshi 1969).

This theory, as adapted to the workplace and as portrayed in the Minnesota study, proposes "the younger employee has much less to lose than his older co-worker if apprehended and punished for theft" (Hollinger and Clark 1984:68); given that:

- a) those with little seniority (attachment), -- who are more likely to be younger employees, --perceive themselves as expendable in most instances lack the same rights, fringe benefits and privileges given to older staff members;
- b) Due to concerns about academic development or

different career aspirations, the younger generations have no moral obligations to the company and are thus more likely to steal; and

- c) those employees who have less seniority and minimal commitment are not bound by the company's objectives or belief in acquiring the maximum profits and they fail to consider the negative consequences of their actions on their older co-workers.

(Hollinger and Clark 1984:67-68)

"According to this model assuming that all employees are subject to relatively the same deviant motives and opportunities, the probability of deviant involvement will be dependent upon the stakes that one has invested in conformity" (Hollinger and Clark 1984:68). If the worker has invested a significant portion of his life, time and energy to the company's objectives, he/she will not jeopardize this bond by committing employee theft. On the other hand, the individual who has no commitment, involvement or attachment will most likely be involved in employee theft. Thus the relationship between age and employee theft may be a spurious by-product of one or all of these variables: seniority, commitment, and career or educational aspirations.

Workplace Influences:

A major interrelated theoretical explanation for understanding theft in the workplace is directly associated with the work setting. The opportunity to commit theft, job dissatisfaction and lack of social control can all be conducive to the prevalence of employee theft within the workplace.

Job Dissatisfaction

In 1977 Dwight Merriam stated, "low job satisfaction, is

perhaps the most important and least appreciated cause of employee theft" (Merriam 1977:795). Furthermore, in the trade literature many security consultants (Bacas 1975:13, Barr and Balsmeir 1988:86, Feinberg 1982:92, Allentrick 1984:12, Menkus 1983:98 and Gotlieb 1983:226) are quick to attribute the problem of employee theft to job dissatisfaction. An irate, disgruntled, discontented or resentful employee can retaliate against the company because of "real or imagined unfair treatment by the employer. If the employee feels he has been treated unfairly, he can rationalize" (Rash 1975:32), the illicit behaviour in his own mind. For example, a Toronto video store manager "stole 10,000 tapes and records valued at \$80,000. He said he did it because he was not compensated for long hours and hard work" (Henry 1988:23).

Although this theory proposes that the victimized organization may play a part in determining the level of theft behaviour (Hollinger and Clark 1984:23), it is rather surprising that there exist only a few empirical studies examining counter productivity and job dissatisfaction. The work in this field has primarily focused on absenteeism, attendance and staff turnover (Price 1977, Porter and Steers 1973, and Smith 1977) rather than theft at the workplace. In an attempt to rectify this shortcoming in the criminological literature and in order to validate Merriam's claim, R. Hawkins (1984) and Hollinger and Clark examined the hypothesis between job dissatisfaction and occupational crime.

In Richard Hawkins' study of 41 waiters, the variables of job dissatisfaction were broken down into two categories:

- a) Objective job conditions such as perception of volume of customers, pay, tip, etc... and

- b) Subjective judgment about one's work such as degree of boredom, employee's attitudes towards management, feeling of being treated unfairly, etc...

(Hawkins 1984:25)

The results yielded no positive correlation between objective or subjective conditions and theft. In reality, those employees with subjective dissatisfaction against the employer displaced their hostility upon their customers. "This displacement effect, or what Bulter and Skipper (1981:25-26) term a "spill over" phenomenon means that workers unhappy with management are more likely to victimize the customer than the restaurant" (Hawkins 1984:61). In summarizing his findings, Hawkins stated that "job-related conditions and attitudes were not associated with restaurant-directed theft" (Hawkins 1984:61).

In Hollinger and Clark's study of approximately 9000 employees, the researchers measure individuals' perceptions of job satisfaction by using three different approaches. In regards to general perceptions of job satisfaction, the respondents were asked all in all, how satisfied are you with your present job? (very satisfied, somewhat satisfied, somewhat dissatisfied and very dissatisfied.) (Hollinger and Clark 1989:80)

Secondly, the sample population was asked:

considering how you feel at the time about your job, how likely is it that you will make a genuine effort to find a new job in the next year? (very likely, somewhat likely, not at all likely.)

(Hollinger and Clark 1984:80)

Thirdly, the respondents had to respond to fifty statements (i.e., my employer cares about his/her employees? the pay is good? promotions are handled fairly?) by answering very true,

somewhat true, not very true or not at all true. Upon completing both a varimax factor and reliability analysis, Hollinger and Clark's study revealed;

- a) those employees who were generally more dissatisfied with the quality of their employment experience were also likely to be more involved in deviant acts;
- b) those employees anticipating leaving the job were found, as hypothesized, to be positively correlated to both property and production deviance;
- c) those retail and hospital employees who expressed dissatisfaction with the fifty statements yielded an association in the predicted direction; however, in regards to manufacturing employees, the relationship was not significant.

(Hollinger and Clark 1984:81-85)

The Minnesota study, appears to substantiate or provide justification for the hypothesis that job dissatisfaction is correlated to theft. However, Professor Zeitlin explains this anti-social tendency as a job enrichment process. The dissatisfied employee becomes a dishonest worker who enriches

his own job in a manner that is very satisfactory (for him). This enrichment is costing management, on the average \$1.50 per worker per day. At that rate, management gets a bargain. By permitting a controlled amount of theft, management can avoid re-organizing jobs and raising wages.

(Zeitlin 1971:26)

Overall, given the lack of research on this causal factor, the only valid empirical conclusion which can be drawn from Hollinger and Clark's in-depth study is "job dissatisfaction is apparently only one variable set related to the occurrence of deviance within the workplace" (Hollinger and Clark 1984:85). Therefore, we must examine other variables such as opportunity for theft and the formal and informal social structure of the

organization.

Opportunity

"It was true when I first encountered security issues nearly thirty years ago, it is still true today; if you leave something of value someone will take it" (Menkus 1983:98). According to most theorists (Bacas 1975, Feinberg 1982, Miller 1986, Henry 1988, Barefoot 1988, Rash 1975, Bullard and Resnik 1983, Astor 1972, Hemphill 1976) and one identifiable empirical study (Hollinger and Clark 1984) states, a risk free opportunity (i.e., no fear of apprehension or consequences) is a key factor for understanding employee theft. When there are no proper security measures nor strict policies or punishment against theft, coupled with an ever present opportunity to steal, an employee will eventually succumb to temptation (Rash 1975:30-31, Kennish 1985:61). This premise is based in classicism where:

a) people have free will to choose criminal or conventional means to get the goods and services they desire; b) the threat of punishment will deter people from choosing criminal solutions; and c) society can control criminal behaviour by making the pain of punishment outweigh the pleasure of criminal gain.

(Siegel 1984:16)

The Minnesota study, in order to determine the validity of the classical school's deterrence model, examined -- in their self-report survey -- whether perceived certainty of detection and severity of punishment had any effect on the prevalence of employee theft. In regards to opportunity, the results clearly indicate "that an employee's involvement in theft may be related to the physical opportunities furnished by his or her occupation" (Hollinger and Clark 1984:70). An employee who perceived "a low certainty of detection for acts of employee theft was over three and one half times more likely to steal from his employer than

the employees who perceived a high certainty of apprehension" (Hollinger and Clark 1983:407). In addition, the workers who perceived minimal punitive consequences from the organization were twice as likely to steal (Hollinger and Clark 1983:409). With the possible exception of the age variable, the Minnesota researchers stated that opportunity combined with no perceived negative consequence or fear of apprehension yielded some of the strongest correlations of the entire study (Hollinger and Clark 1984:120).

Although the statistical evidence confirmed the classical ideology that certainty, severity and swiftness of punishment -- otherwise known as the deterrence doctrine -- can help control the problem of employee theft, the key question however, is who provides the social controls that constrain or encourage employee deviance?

Social control

Within any organization there are two types of social control: formal and informal. Theft may occur and persist due to the broadly shared informal and/or formal social structure -- of the workplace -- that has developed over time" (Hollinger/Clark 1984:8). Therefore, given the unique nature of each work setting and its social structure, this will ultimately determine and affect the prevalence of internal theft.

Formal social controls reflect the organization's procedures, policies and sanctions (i.e., demotion, dismissal, suspension or prosecution) imposed on employees to encourage conformity and to protect the company's property. In line with the deterrence doctrine from classical criminology, the variables

of certainty, severity, and swiftness are all applicable. The Minnesota study, as with the private security literature, revealed theft rates are higher in those organizations where:

- a) employees believed they would not get caught if they stole something;
- b) their employers were unaware of employee theft;
- c) employees are infrequently checked for violations of company policies;
- d) no one would care if certain things were stolen;
- e) management and co-workers would not react to theft as a very serious problem;
- f) the employer did not actively promote anti-theft policies; and
- g) less careful and less extensive pre-employment screening was conducted.

(Baumer and Rosenbaum 1984:47-8)

This lack of concern by the organization only encourages the workers to engage or partake in employee theft.

Formal social controls "are machines for controlling human behaviour" (Coleman 1985:212), and in no doubt play an important role in shaping the workers' behaviour (Hollinger and Clark 1984:121). However, "in recent years several perceptual studies have been conducted to test [the deterrence of formal social controls]. Unfortunately, their results have neither uniformly supported nor contradicted the deterrence theory" (Siegel 1984:122). One such study conducted by Harold Gransmick and George Bryjak surveyed 400 people "to determine whether perceived certainty and severity of punishment were related to criminality" (Siegel 1984:122). Their results illustrated that the deterrence effect is "most noticeable among people who believe they are a) certain to be arrested for a crime and b) certain to be punished severely if arrested" (Siegel 1984:122). Therefore, if the

companies fail to take employee theft seriously, employees may become tempted to engage in internal theft. However, if the organizations takes a hard line approach against employee theft, workers may conform to their rules and regulations, thus supporting or collaborating Leuser or Bacas' 10-10-80 theory previously mentioned in Chapter Two. In support of Grasnick and Bryjak's work, research conducted by Charles Tittle and Charles Logan in 1972 concluded, "it was impossible to say anything stronger about general deterrence than that sanctions apparently have some deterrent effect under some circumstances" (Currie 1985:56). In two studies on deterrence, the New York Rockefeller drug law (1973) -- which imposed a minimum sentence for possessing two ounces of heroin at fifteen years imprisonment -- and the Michigan Felony Firearm Law (1977) -- which guaranteed a two year sentence for any offence committed with a firearm -- imposed a swift, certain and strict penalty; however, it did not reduce the crime rates for these offences (Currie 1985:61-65). In two studies on shoplifting and marijuana use by Tittle and Logan (1972), Anderson, Waldo, Chiricos (1977) concluded

the ability of communities to exercise social control is apparently rooted almost entirely in how people perceive the potential for negative reaction from interpersonal acquaintance; formal sanctions are largely irrelevant.

(Currie 1985:86)

Hollinger and Clark used a standardized partial regression analysis to compare formal management sanctions to the perception of informal sanctions. The informal path coefficients were "two and one-half times greater than the coefficients for formal controls" (Hollinger and Clark 1984:124). Thus, consistent with the aforementioned studies, employee behaviour seems to be

constrained more by the anticipated reaction to deviance by one's fellow co-workers than the threatened formal reaction (Hollinger and Clark 1984:122).

Informal Controls

Organizational control nonetheless involves much more than simply handing out sufficient rewards and punishment to ensure employee obedience. A large organization harbours a unique social world all on its own and the subculture embodied in the organization influences its members' behaviour in ways they are not even aware of.

(Coleman 1985:213)

This implies that every workforce has its own informal rules which has a greater impact on employee conduct than the official regulations of the workplace (Griffin 1983:50).

Upon examining the qualitative studies on employee theft by Horning (1970), Mars (1984), Henry (1978) and Ditton (1977), it appears that informal social controls of the "occupational subculture can both create and foreclose opportunities for illicit gain" (Coleman 1985:213).

In any organization there will develop a work group subculture -- a "group of likeminded individuals who share similar ideas and values and band together for support, defense and mutual need" (Siegel 1986:204) -- who create informal rules, and norms "which prescribe the types of property which are pilferable, the conditions under which pilfering should occur as well as the condition under which the workers can expect the tacit, if not overt, support of the work group" (Horning 1970:62).

Donald Horning's study of blue collar theft among eighty-eight employees at a television manufacturing plant clearly portrayed how the subculture controls and contributes to the

phenomenon of employee theft. Although the rules of the game are not written down, collectively the group defines the specific categories of property that can be taken by employees (Hollinger and Clark 1984:121); namely, property of uncertain ownership (i.e., scrap metal) as opposed to personal or corporate property which would violate the work group's ethics. In addition,

the work group norms do not delineate specifically what constitutes a reasonable amount of pilfering (i.e., where one is not exceeding the tolerable limit). However, the norms do provide two broad guidelines for the pilferer. The first sets the limit by indicating that pilfering should be confined to 'valueless' property of uncertain ownership. The second indicates that pilfering should be limited to that which is needed for personal use.

(Horning 1970:62)

If an employee begins to exceed the accepted limits or steals personal or corporate property, the subculture will self-regulate his/her activities, for in their view the greedy employee represents a threat to their entire pilfering system. Similarly, Gerald Mars' study of dock pilferage in Newfoundland yielded the same findings.

On one occasion a longshoreman known to have a car off the dock stacked with cargo returned to find it broken into, its contents completely cleared. It was well understood that this had been accomplished by his workmates. This story was told and retold with some hilarity throughout the water front; the general view was that it served the victim right; he was known to be greedy and his behaviour was likely to prove a danger to all longshoremen involved in handling the same cargo.

(Mars 1974:223)

In regards to the acceptable limits of pilfering, the longshoremen developed an economically rational formula known as "working the value of the boat" to calculate the amount allowable for pilfering (Mars 1974:224). The formula is derived by this procedure: "if a boat is expected to provide ten hours work at

\$2.00 an hour, then the boat is good for \$20.00 in wages. Working the value of the boat in this case would mean obtaining cargo up to but not more than an estimated value of \$20.00" (Mars 1974:225). If the workers obey this informal rule "the work group would then extend its protection and assistance but only to those who operate within the folkways" (Horning 1970:64). Accordingly, if the individual begins to steal personal property (i.e., passenger luggage) or exceeds the value of the boat on a persistent basis, the co-workers will apply informal sanctions to enforce conformity. Otherwise, the work group will jeopardize the system by focusing supervisory attention on the pilfering, which will ultimately lead to a crack down by management and the enforcement of formal sanctions. However, the possibility exists that "there may exist a level of theft beyond which employees no longer fear informal social control by other employees, beyond which employee thieves may, in fact, find reciprocal support for their activity" (Merriam 1977:380). Nevertheless, it is clear from these examples that informal rules play an important role in the phenomenon of employee theft. In addition, the self-regulation imposed by employees may explain both why theft remains hidden from management and the discrepancies reported between the employees' and managers' perceptions of the problem (i.e., eighty percent of the surveyed employers believed that two percent of the workforce committed theft while in reality fifty percent of the staff admitted involvement in employee theft) [Baumer and Rosenbaum 1984:45] Since the thefts remain hidden, it is impossible for the company to pinpoint the source of the problem. For example, the New York Port Commission, set up two undercover stores to buy

stolen cargo. They purchased stolen goods worth about \$277,000. Of this total, only one bale of textiles (worth \$940.00) had been reported stolen. The rest had been reported short landed; that is, not received (Carson 1977:21).

In summary the lack of formal social control and the allegiance of a negative subculture to informal social control will undoubtedly lead to an employee theft problem. However, if there exists a subculture of institutional pilferage and if collusion exists between co-workers, these employees must have been introduced through the socialization process to the work group's norms. From a broader theoretical perspective, differential association or the more recent social learning theories may be used to explain the transmission of these informal rules and controls. Primarily, social learning theories assume that "people learn the technique of crime from close and intimate relationships with criminal peers" (Siegel 1986:22); "it is really another way of saying that he who runs with thieves is very likely to become a thief" (Vold 1979:236).

Although Sutherland's social learning process theory of differential association must be slightly altered, because "the employee generally selects his job, not his fellow employees. It is thought that the great majority of people are basically honest and decent and they are seeking honest work, not a chance to steal, when they apply for a job." (Merriam 1977: 392) Therefore,

differential association begins after employment, but if the majority of employees do steal in many businesses and the employee relationships are structured by workflow, then it will be difficult for a new employee to escape learning patterns of theft.

(Merriam 1977:392)

Basically, differential association is defined as "a theory of deviance that sees it as learned in small group interaction

wherein an individual internalizes an excess of pro-criminal perspectives" (Teevan 1982:427). And as related to employee theft, it consists of these six major characteristics:

- a) criminal behaviour is learned (i.e., a new employee will soon learn the formal and informal social controls of the workplace);
- b) criminal behaviour is learned in interaction with other persons and in the process of communication;
- c) the principal part of learning of criminal behaviour occurs within intimate personal groups (eg., collusive theft);
- d) when criminal behaviour is learned, the learning includes 1) techniques of committing the crimes which are sometimes very complicated (eg., dock pilferage) or very simple, 2) the specific direction of the motives, drives, rationalizations and attitudes;
- e) the specific direction of the motives and drives is learned from definition of the legal codes as favourable or unfavourable. In some societies an individual is surrounded by persons who invariably define the legal codes as rules to be observed, while in others he is surrounded by persons whose definitions are favourable to the violation of the legal codes; and
- f) the process of learning criminal behaviour by association with criminal and anti-criminal patterns involves all the mechanisms that are involved in any other learning.

(Sutherland and Cressey 1978)
(Vold 1979)

These characteristics, as demonstrated in Jason Ditton's study on the WellBread Bakery, play an important role in understanding the informal social structure and the complex set of processes which employees go through to learn the fiddle. Although in this form of occupational theft the customer is directly "ripped off", it clearly portrays the aforementioned characteristics in Sutherland's theory. Since the new recruit is not born with the skills to properly conduct the fiddle, the subculture immediately teaches the novice the formal regulations of the work setting. Within the second week, the supervisor

(trainer) slowly begins introducing the fiddle to the new employee. [Stage 1] The supervisor through verbal communication or by his actions, introduces, the new salesman to the fiddle.

[Stage 2] For example:

I (novice) realised it because of the Friday, at the Post Office, I made the order up and I noticed that he'd booked more than they had but when I queried it, he (trainer) just said: "You'll learn later on... and as we went round, I gradually took a bit more interest and thought "Well there are fiddles in this... I reckoned that there were before, but it wasn't until that day, that I realised that he was adding it on, and he said "You'll learn later on..."

or

When you're adding up a load of figures everybody makes mistakes, so you're going to lose a few coppers here and there.... this is the best way to explain it to a chap (novice).

(Ditton 1977:31)

During the indoctrination procedure, the fiddle is being taught by the supervisor, who usually wears a blue coat, where as the accompanying novices wear a brown jacket. This "marginal role sign is crucial if others are to interpret correctly any mistake that the recruit makes as unintentional (in the sense of identifying him as an actor not yet at the stage of sophistication that would allow him to be capable of making a deliberate and malevolent mistake)" (Ditton 1977:22). Usually, the new salesman is taught the fiddle by one supervisor; however, if the original trainer is replaced, the brown jacket informs the new trainer that the novice isn't fully trained in the fiddle. The foregoing demonstrates that the skills needed for fiddling are taught by a select group. [Stage Three] Once the skills and techniques of fiddling the customers are taught by overcharging, falsifying invoices, and deliberately changing stock orders, the supervisor must train the novice to accept this practice as

acceptable and justifiable. This process is usually completed by informing the novice that he is responsible for the financial destiny of his account (Ditton 1977:17), and with a few mistakes, the salesman will begin to experience shortages. These shortages are then directly deducted from his salary. At this stage, the novice discovers that by fiddling the customers, he can maintain a balanced account. This represents the drives and motives to partake in the fiddle; however, once the recruit is fully indoctrinated in the system, he/she may fiddle and manipulate the records to pocket extra money. The behaviour is then justified by stating that fiddling is the only way to survive and since everyone is doing it, he can rationalize his/her actions by claiming he/she belongs to an intimate informal organization which supports and perpetuates employee theft. [For an indepth explanation of the recruitment and training process for fiddling refer to Chapter Three of Ditton's book, Part-time Crime: An Ethnography of Fiddling and Pilferage.]

The sixth and final stage of Sutherland's differential association model states: "the process of learning criminal behaviour by association with criminal and anti-criminal patterns involves all the mechanisms that are involved in any other learning", meaning that if a positive subculture existed the novice would be trained to follow the company's goals and objectives. Given that behaviour is learned, the honest work group will react negatively to the phenomenon of employee theft, thus exerting pressures for the deviant to conform. With the proper formal and informal controls, incentive and profit sharing plans, employees become agents of social control for the company. Otherwise, employee theft will reduce their personal profits. At

one plant in the United States, "some of the employees, when they're ready to retire, end up with a profit sharing bonus of anywhere from twenty to fifty thousand dollars... thus an employee knows stealing can result in the loss of his profit sharing" (Leininger 1975:11).

While the preceding discussion addressed separately various causal explanations (i.e., financial need, youth, perceived consequences, perceived apprehension and social control); it must be noted that these variables are highly interdependent. Furthermore, an analysis of the theory of employee theft would be incomplete without examining the all important variable, which each violator needs to commit the illegal behaviour, known as "rationalization".

Rationalization

At one point in everyone's life, we act out of impulse, out of character or illicitly; however, "in the search for the good reasons rather than the true reason, individuals make a number of excuses and justifications to rationalize their behaviour" (Atkinson et al. 1983:435). This rationalization of anti-social behaviour occurs as a defence mechanism in which self-esteem is maintained or it places the behaviour in a more favourable light to accept questionable or illegal behaviour such as employee theft. According to the trade literature, "at the very heart of the problem of employee theft is the emergence of a distorted value system that makes it easy for employees to justify in their own mind their right to steal" (Rice 1981:57).

Gresham Sykes and David Matza's theory of neutralization techniques "maintains that most delinquents and criminals hold

conventional values and attitudes, however, they learn techniques that enable them to neutralize these values and drift back and forth between illegitimate and conventional behaviour" (Siegel 1986:229). Although, Sykes and Matza's paradigm refers to the method delinquents use to help them cope with the guilt induced by their behaviour: it is still applicable to the phenomenon of employee theft. The first of the five major types of neutralization is denial of personal responsibility.

The culprit may see himself/herself as a victim of circumstances or of actions by larger forces. Employees who steal may disclaim responsibility by blaming the economy, bad companions or inattention to needs. The thief can disburse responsibility by believing everyone is stealing.

(Pelfrey 1984:22)

As demonstrated in Stuart Henry's work on the hidden economy in England and Ditton's work on the WellBread Bakery, one of the most common explanations is the claim that various injustices of society are responsible for driving people to fiddle.

For example:

People today feel they are being got at from all sides, particularly by commerce. From morning to night they are being bombarded with advertising slogans and high pressure salesmanship. They get forced into buying things they don't want at prices they can't afford. Then when they get home, they find the goods are faulty anyway. They take their cars to garages and find the work charged for hasn't been done. They find the milkman starts delivering a kind of milk they haven't asked for just because he gets a bigger profit for it. Those things are happening to them all the time and it seems like they have no redress. So they get resentful and try to get their own back by stealing a little here and cheating a little there. Everyone else does it so why shouldn't they?

(Henry 1978:49)

The second stage is denial of injury where the individual claims, I didn't really hurt anyone, no one is harmed by my

behaviour. Therefore, he/she rationalize that since the act did not harm anyone, it must not be wrong. This neutralization technique was portrayed in several studies such as Zeitlin's work with apprehended employee thieves who stated, "it's not really hurting anybody, the store can afford it" (Zeitlin 1971:22). Hawkins' research on pilfering within restaurants revealed that seventeen percent of the sample reported, "the management can financially afford to be ripped off by its employees" (Hawking 1974:61). In Mars' study on dock pilferage, longshoremen believe that insurance companies will reimburse the company. Thus, the employer is not losing anything. Finally, in Cressey's study of embezzlement, embezzlers justified their actions by claiming they were only borrowing the money on an interim basis. In addition, Smigel's study of public attitudes towards stealing as related to the size of the victim's organization illustrated "that the public is more tolerant of theft from large businesses in the government than it is of theft from smaller vulnerable organizations -- probably because theft from a larger organization is perceived as less harmful to the victim" (Coleman 1984:208 ,Smigel 1970: 20-27).

This aspect directly leads into Sykes and Matza's third neutralization technique known as Denial of the victim.

This technique can take two forms: when the employee has a vague or diffuse image of the victim, or the victim is not physically present, the employee feels there is no victim (i.e., government agencies). Alternatively, the employee may view his or her act as rightful punishment of or retaliation against the victim (i.e., due to job dissatisfaction).

(Pelfrey 1984:22)

The fourth technique is Condemning the Condemners, where the person projects his illegal behaviour by attributing his/her traits to others such as politicians, police officers, corporate

leaders etc... "By directing hostility towards the judicial system, company management or the security division, the offender is transferring the blame from him or herself to others" (Pelfrey 1984:22). In regards to this technique, the phenomenon of employee theft would be incomplete without examining the disinhibiting factors which can influence people to engage in criminal behaviour. Gabor (1988: 65), notes,

people feel that if society's leaders are dishonest and break the law, it is all right for everyone else to do so. At the same time, the public becomes demoralized, as they have no standard to aspire to with the ascendancy of an anything goes ideology.

Although this argument provides rationalizations and justifications for deviant behaviour; other circumstances such as

- a) Brian Mulroney's Cabinet Ministers' involvement in conflict of interest scandals;
- b) over 100 of Ronald Reagan's officials have faced allegations of questionable activities (Time 1987:20);
- c) religious leaders involvement in sexual indiscretions and fraud charges (ie J. Swaggart, J. Bakker);
- d) the Roman Catholic Church with allegations of sexual abuse against children at Mount Cashel and the Alfred Training School; and
- e) Canada's gold hopeful Ben Johnson at the 1988 Olympics being stripped of his medal as a result of testing positive for an banned substance (anabolic steroids);

provide excuses for ordinary people to behave defiantly.

The misbehaviour of such individuals is highly visible and because they serve as role models to many, their downfall from grace leads to a general disillusionment with society's values and laws. When the rich and powerful lie, cheat and steal, those at the other end of the social ladder can hardly be expected to maintain high ethical standards.

(Gabor 1988:52)

Therefore, if our social leaders are seizing any opportunity for

personal gain and since they provide us with a neutralization technique as a result of their actions; how can we expect the general populace to refrain from following in their footsteps?

Appealing to a higher loyalty represents the last neutralization technique. In this stage, the novice criminals

often argue that they are caught in the dilemma of being loyal to their own peer group while at the same time attempting to abide by the rules of the larger society. The needs of the group take precedence over the rules of society because the demands of the former are immediate and localized (as portrayed in the section of informal social controls).

(Siegel 1986:231)

Or as William Pelfrey summarized;

This method has a tremendous impact on business losses. Society's norms, rules and regulations are replaced by the norms, standard and requirements of a smaller social occupation group. The employee is faced with the dilemma of serving society's (or the organization's) rules with the knowledge that if he or she does so, he will neither be punished nor rewarded. However, if the employee opts to take on the norms of a smaller group, tangible and intangible rewards may be available to him or her as a member of this group.

(Pelfrey 1984:22-23)

This typology indicates that deviants will use rationalization/neutralization techniques in order "to alter the meaning that otherwise might be given to an act, transforming what could be seen as offensive into what could be seen as acceptable" (Henry 1978:44). Rationalizing one's behaviour is a natural phenomenon used by every member of our society. It helps us put our best foot forward or to show one's innocence. Following Donald Cressey's work on the violators vocabularies of adjustment" the first adjustment to destigmatize the criminal aspect of employee theft is to refer to it with non-criminal labels such as the fiddle, fringes, perks or borrowing. Secondly, the offenders neutralize their behavior through such statements as "I didn't mean to do it, I didn't really hurt anyone, They had it

coming to them, Everyone is picking on me and I didn't do it for myself". One thus protects oneself from a guilty conscience.

However, one question which remains to be answered is whether rationalizations are used prior to or after the fact. The literature on rationalization suggests and implies that we make excuses or justifications after the fact, but it appears that we also rationalize our behaviour prior and during the commission of the theft (Gabor 1989, Cressey 1953, Coleman 1985, Van Buren 1985). Regardless of the fact when rationalization and neutralization techniques occur, the organization must seriously consider their role in neutralizing the neutralization techniques employees use to condone their illicit behaviour. Otherwise, anti-theft policies cannot be effective in reducing the problem of employee theft.

In summary, theories for explaining employee theft are still in their infant stage; however, given the research conducted by Dwight Merriam and the University of Minnesota, criminologists are slowly beginning to take a comprehensive approach to piecing together the various causes of internal theft (Baumer and Rosenbaum 1984:66). They propose that the following characteristics:

- a) external influences (i.e., unshareable problems, financial need);
- b) youth (i.e., less commitment theory);
- c) workplace influences (i.e., social control, opportunity, job satisfaction); and
- d) rationalization,

are interdependently related to explain the causes of employee theft. Further research and detailed analyses are needed to form a coherent picture of the complex, complicated and perplexing

phenomenon of employee theft. Furthermore, if criminologists and security consultants cannot understand why employees steal from the hands that feed them, they will never be able to formulate a successful strategy to combat employee theft. Chapter Five will examine the possible preventive strategies to control employee theft; however, Chapter Four presents the findings of a study undertaken to determine the extent of employee theft in the workplace within one of Canada's Crown Corporations as well to evaluate the relevance of the causal explanations for employee theft discussed above.

CHAPTER IV

A CASE STUDY OF EMPLOYEE THEFT

A case study was undertaken in 1989 to examine the topic of employee theft in one of Ottawa's federal crown corporations. A sample of 40 subjects--16 security guards, 12 custodial engineers and 12 public relation personnel--was chosen to answer a questionnaire consisting of 38 questions related to the phenomenon of employee theft [See Appendix A]. In this study, employee theft was defined as the UNAUTHORIZED TAKING OF YOUR EMPLOYER'S PROPERTY, this could range from taking a pen or pencil to a home entertainment centre. It should be noted that the researcher was not interested in the monetary value of the stolen property but rather on the extent or prevalence of property stolen. In addition, the survey examined the causal explanations discussed in Chapter Three in order to determine whether job dissatisfaction, age, perceived apprehension, and severity of consequences are correlated with employee theft. Descriptive and inferential quantitative analyses were conducted using the Pearson's coefficient correlation to determine whether the above variables had an association with the reported average thefts per month.

The questionnaire was divided into five sections:

- a) job satisfaction or dissatisfaction;
- b) extent and prevalence (i.e., have you ever taken office supplies? if so, to what extent, give a numerical estimate per month?);
- c) the fear of apprehension and the perceived severity of the consequences if caught stealing (questions 9 and 28);
- d) is employee theft normative and part of the work culture?

(questions 6, 26, and 27); and

- e) demographic data (i.e., age, marital status, annual income).

Question 30 specifically probed the subject's perception of whether or not the unauthorized taking of property from his/her employer was viewed as criminal behaviour?

RESULTS:

EXTENT AND PREVALENCE

In response to question 8 (Have you ever taken some property without authorization from a) your present employer, b) your co-worker, c) vending machines?) 57.5 percent (23 out of 40) of the sample population openly admitted being involved in occupational crime. However, this figure increased to 82.5% when the respondents were asked specific questions (e.g., Have you ever taken office supplies?) regarding theft within the Crown Corporation. Questions 10 through 17 were strategically asked in order to provide some internal consistency within the questionnaire, as well as to probe the types and actual number of reported incidents of employee thefts. Table 1-1 illustrates that occupational crime is a serious and widespread problem amongst this sample. Thirty-three employees reported committing a total of 175 thefts per month. On the average these 33 employees commit 5.303 thefts per month. However, the most astonishing implication of this study, is that those entrusted with the duties of protecting and providing security within the organization, were, on the whole, the most active group committing theft. Such a finding lends credence to the opportunity model previously mentioned.

Table: 1-1

Total incidents of theft per month committed by each department.

	Security	Cleaners	P.R.	Total
Theft per month	86	53	36	175
N in each group	16	12	12	40
Average theft per month	5.4	4.4	3	4.4
Range	0 to 29	0 to 13	0 to 17	0 to 29
Mode	4	00/10*	4	4/1**

* The mode 00 represents 3 subjects who reported no incidents of employee theft, the next mode of ten consisted of 2 subjects.
 ** Overall there was a bimodal distribution with two modes of 8 subjects reporting 4 and 1 theft per month respectively.

=====

In addition, the data support Lipman's hypothesis which states that a large percentage of employees will commit employee theft, whereas a small percentage will steal in volume. This survey clearly depicts that 15% (6 out of 40) stole at least 10 times per month whereas the majority of individuals (23 out of 40) 57.5 stole less often. Overall, the data presented illustrate that this organization is experiencing a significant employee theft problem. However, is it correlated to the previously mentioned theoretical assumptions?

JOB SATISFACTION

In 1984, R. Hollinger and J. Clark concluded that, "those employees who were generally more dissatisfied with the quality

of their employment experience were also more likely to be involved in deviant acts against the workplace" (Hollinger and Clark 1984:82), such as employee theft and counterproductive behaviour. As D. Altheide (1978) illustrated, it is a way of getting back or even with the boss or the supervisor. In this self-report study, job satisfaction was measured by asking the subjects to respond, 1) very satisfied, 2) somewhat satisfied, 3) somewhat dissatisfied, and 4) very dissatisfied, to the following questions:

- a) All in all how satisfied are you with your present job?
- b) Do you consider your job interesting?
- c) My employer is fair in the handling of complaints by employees?

It was hypothesized, those employees who were somewhat or very dissatisfied would more likely be involved in deviant behaviour. Upon collapsing the three questions into one category, a Pearson correlation analysis was completed. The data revealed a positive correlation of .342, thus dissatisfied employees reported greater involvement in employee theft. (It should be noted that a significant correlation for this sample size is .313).

Figure # 3 plots and examines the issue of job dissatisfaction as it relates to employee theft. The graph indicates, those employees (5 out of 40) who were very dissatisfied with management's handling of complaints and those who find their work uninteresting reported an average of 10 thefts per month. Those who were very satisfied (5 out of 40) had 2.1 thefts per month. In conclusion, given the results of this survey, job dissatisfaction was associated with the problem of employee theft; as anticipated, job dissatisfaction does not represent the sole contributing factor to the problem of employee

theft, for even satisfied workers also reported engaging in employee theft.

FIGURE # 3

JOB SATISFACTION AND THE AVERAGE NUMBER OF THEFTS PER MONTH

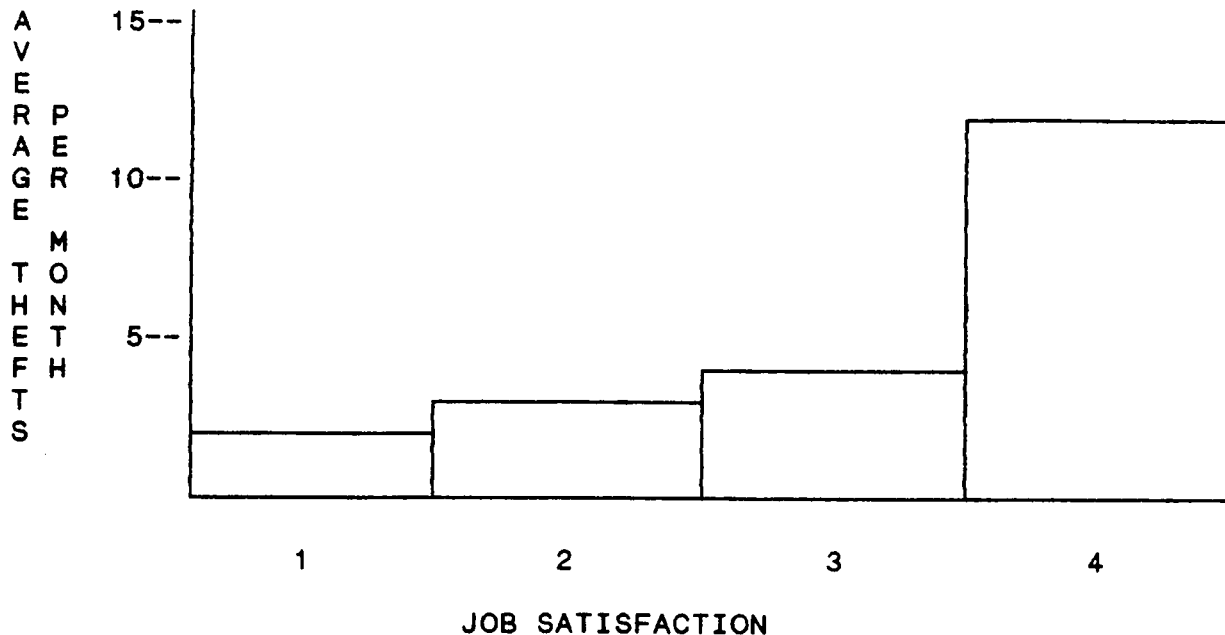


Figure #3: Job satisfaction and the average number of thefts per month; where X represents job satisfaction (1 very satisfied, 2 somewhat satisfied, 3 somewhat dissatisfied, 4 very dissatisfied) and Y represents average thefts per month.

FEAR OF APPREHENSION

In the deterrence literature, Grasmick/Bryjak, Logan, Hollinger and Clark all concluded that an employee's perception of "personal apprehension risk can deter a wide range of offences" (Hollinger and Clark 1983:402). Therefore, it is logical to assume that those individuals who fear apprehension would report minimal involvement in the activity of theft at the workplace. To probe this variable, each respondent was asked whether he/she 1) always, 2) often, 3) sometimes, or 4) always feared apprehension when committing employee theft. Although no significant correlation (.006) was found, upon graphing the data,

(see Figure # 4) one may still argue that those workers who never or only sometimes fear apprehension reported on the average higher involvement in theft at the workplace. The one subject who always feared apprehension claimed never to have committed the crime of employee theft; whereas two workers who often feared being caught committed a total of 2 offences. In contrast, those who never feared (20 out of 40) and those who sometimes feared apprehension (17 out of 40) committed 36% and 58.2% of the 175 reported thefts per month.

FIGURE # 4

FEAR OF APPREHENSION AND THE AVERAGE NUMBER OF THEFTS PER MONTH

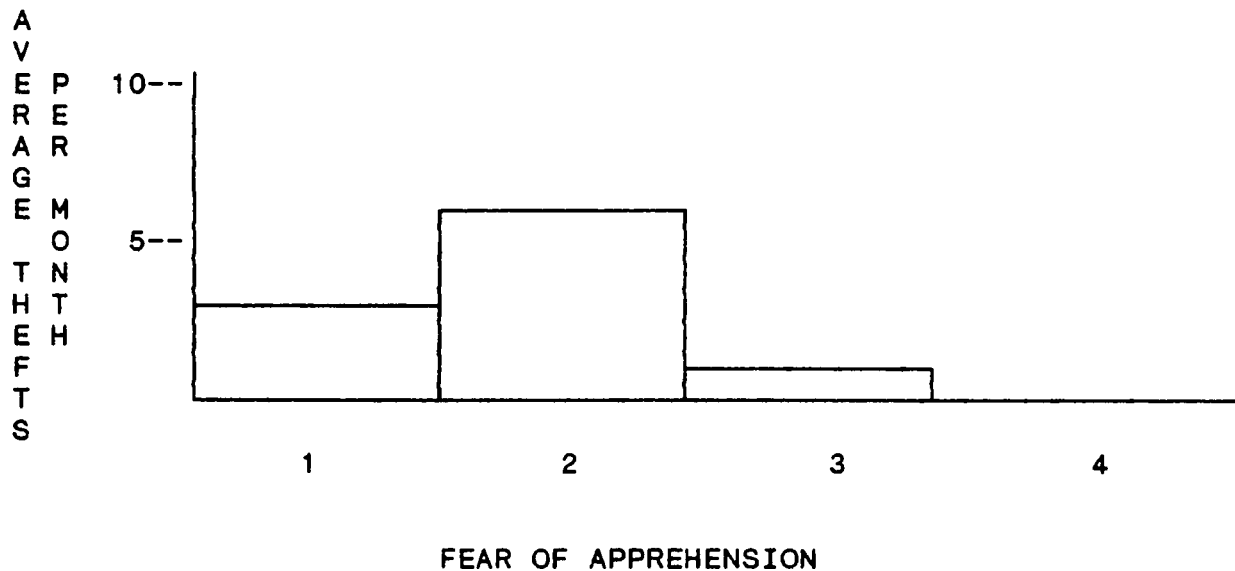


Figure #4: illustrates the fear of apprehension and the average thefts per month; where X represents fear of apprehension (1 = never, 2 = sometime, 3 = often, 4 = always) and Y represents the average thefts per month.

Given the small sample size, the limited number of those fearing apprehension and a non-significant correlation, it is difficult to make any substantiated conclusions between fear of apprehension and reported theft. However, one might postulate that members of the security department may have less fear of getting caught because their position as agents of social control

makes than less vulnerable to detection. This may partially explain why this group accounted for approximately 50% of all reported thefts. In this regard, it is of significance and of relevance to strategies of prevention (see Chapter Five) that the present findings demonstrate only 3 out of 40 often and always expressed concerns regarding fear of apprehension.

PERCEIVED CONSEQUENCES

The fear of negative consequences such as police intervention and dismissal may discourage employees from partaking in employee theft. Therefore, it was postulated that those employees who feared the loss of one's job or criminal justice intervention would less likely be involved in theft at the workplace. Figure # 5 illustrates the sample population's perceived consequences and the average incidents of reported theft per month.

Although the graph indicates a trend in the hypothesized direction, the data revealed no strong evidence or correlation (.144) to support the claim that termination of employment or police intervention deters employees from committing employee theft.

YOUTH AND EMPLOYEE THEFT

Figure # 6 compares the age distribution of the sample in comparison to the average number of thefts per month. As demonstrated, the age group between 23-28 were actively involved in theft at the workplace. Although these data contradict Alice Franklin's findings that 69% of the violations for employee theft were committed by 18 to 22 year olds, this study found that they only represented 21.2 % of the problem. Figure # 7 depicts the age distribution as a percentage of the sample population who

admitted involvement in employee theft. Upon completing the Pearson's coefficient analysis, a non-significant correlation of .064 was obtained between the variable of age and reported thefts. Furthermore, the researcher collapsed the age category into two groups: 28 and under, and 29 and over; however, once again a non-significant value of .098 was attained. Thus, within this study the variable of age and theft did not yield a positive correlation.

FIGURE #5

PERCEIVED CONSEQUENCES AND THE AVERAGE NUMBER OF THEFTS PER MONTH

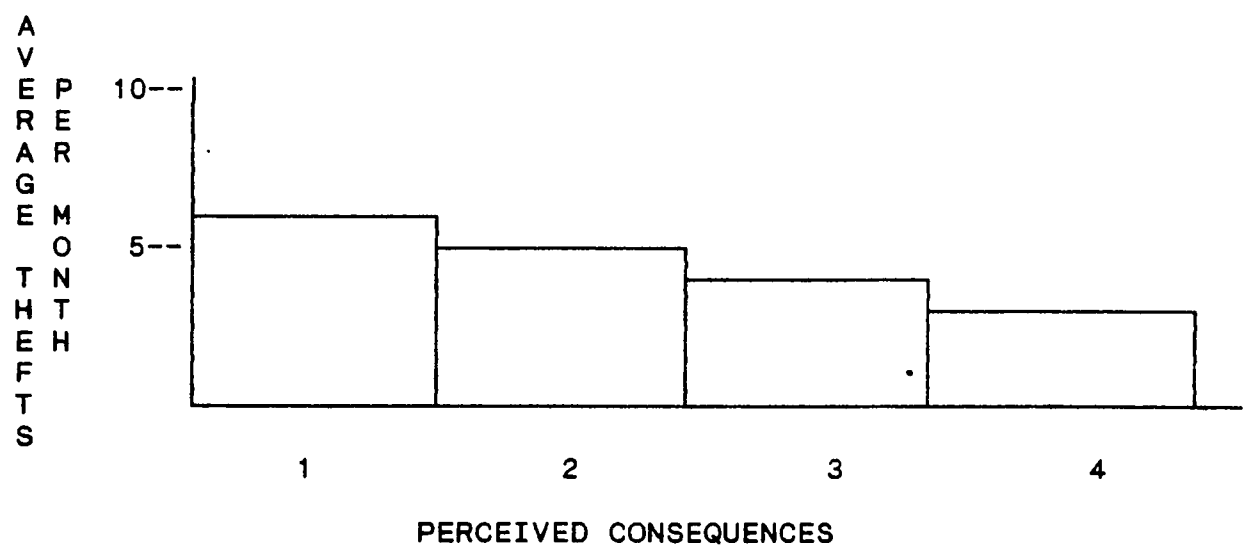


Figure #5: Perceived consequences and the average number of reported thefts per month; where X represents consequences (1 = no sanctions, 2 = warning, 3 = dismissal, 4 = police intervention) and Y represents thefts per month.

FIGURE # 6

AGE AND THE AVERAGE NUMBER OF THEFTS PER MONTH

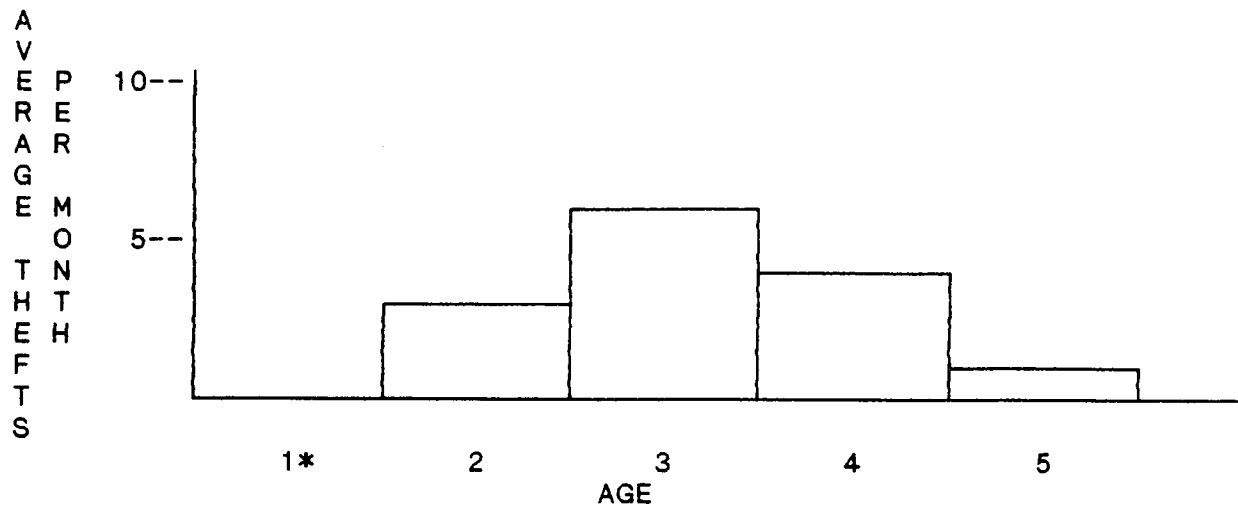
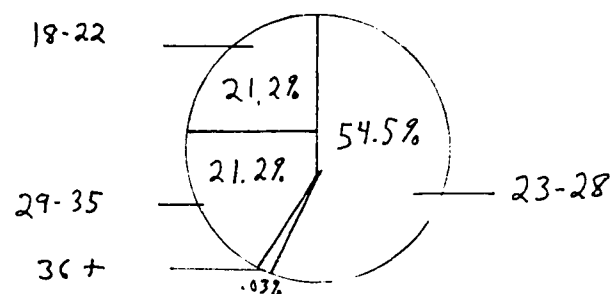


Figure #6: Age and the average number of thefts per month; where X represents age (1 = 17 and under, 2 = 18-22, 3 = 23-28, 4 = 29-35 and 5 = 36 and over) and Y represents the average number of thefts per month. *Although there were two respondents in the category of 17 and under they reported no involvement in employee theft.

FIGURE # 7

Percentage of those employees admitting to theft by age



According to the literature, Hollinger and Clark's work revealed that those employees with less seniority or commitment to an organization were more likely younger as well as engaging in more theft. In an attempt to validate this claim, the researcher presumed that employees with less tenure (i.e., 3

years or less) and part-time workers have less commitment to the workplace and thus should report a higher involvement in occupational crime. However, both variables had a weak correlation of .010 and .089 respectively. Given these results, we cannot conclude that seniority and or part-time status was correlated with employee theft.

ANNUAL INCOME

The comparison between annual income and the average number of thefts per month is demonstrated in figure # 8. It was presumed that lower income employees would more likely be involved in employee theft due to financial difficulties. As table 1-6 illustrates, theft occurs within all the income categories but it is predominantly seen in the income bracket of 40,000 plus. However upon extracting the extreme outlier, this category falls down to an average of 4 thefts per month. While these data are inconclusive they nonetheless suggest the limits of the views held by those traditional criminologists who attribute crime to the lower class. Employee theft occurs by individuals in all the economic classes including the poor, the middle-class, and the rich.

GENDER

The last comparison between average thefts per month and gender yielded a positive correlation of .323. It appears that males are more likely to commit employee theft as compare to females. On the average males are four times more likely to steal than their female counterparts. These findings are demonstrated in figure # 9.

FIGURE # 8

INCOME AND THE AVERAGE NUMBER OF THEFTS PER MONTH

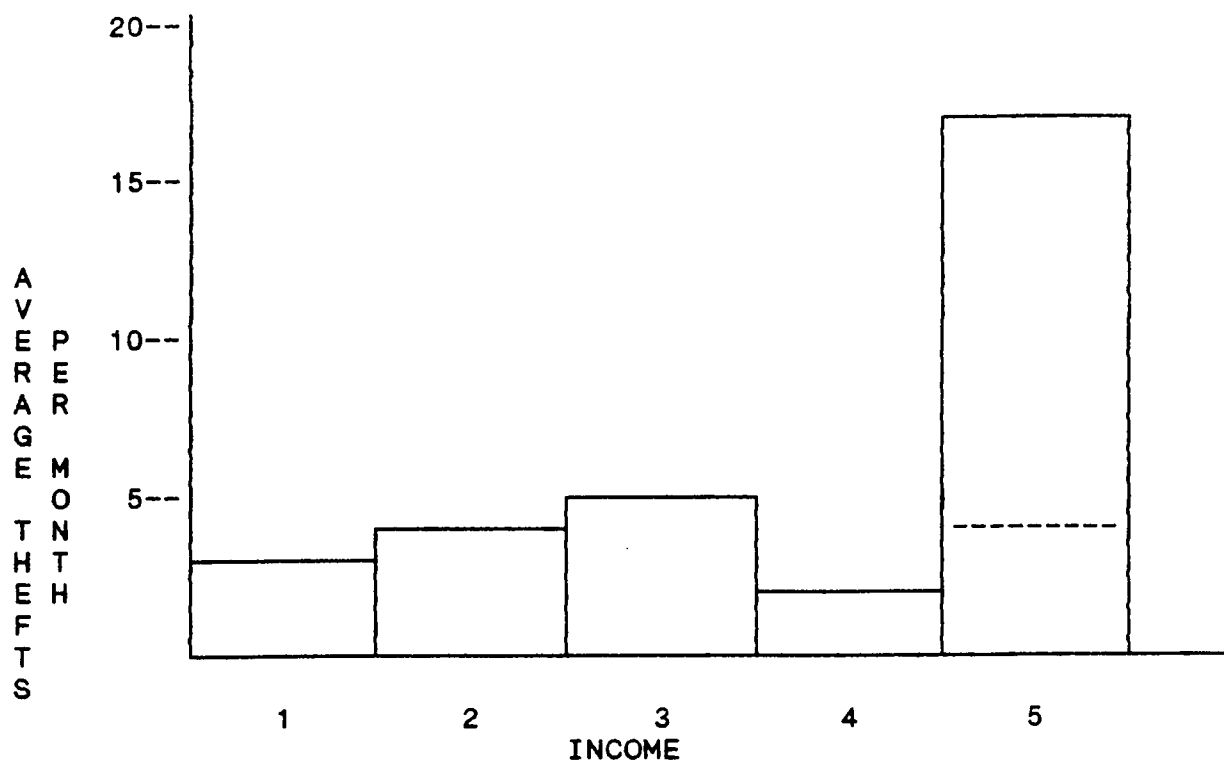


Figure #8: Income and the average number of theft per month; where X represents income (1 = 6,000 and under; 2 = 6,001-15,000; 3 = 15,0001-25,000; 4 = 25,001-40,000 and 5 = 40,001 and over) and Y represents the number of theft.

FIGURE # 9

GENDER AND THE AVERAGE NUMBER OF THEFTS PER MONTH



Figure #9: gender and the average number of theft per month; where X represents gender and Y represents the number of theft.

Is Employee Theft Normative?

Ordinary people " who wouldn't be able to sleep if they stole a candy bar from a drug store think nothing of becoming thieves at work" (Citizen 1989: 2). This quote reveals to society that the criminal behaviour of theft is not tolerated within our culture; however, once in the work setting, it seems that employee theft is commonly regarded a normal part of the job or the statistical norm. This case study indicated that 82.5% of the sample committed theft on the average of 4.375 times per month. Given these data, and those statistics found in the literature that put employee participation in theft between 30 to 90 percent, it could be argued that those so-called normal or honest employees are actually deviants, transgressors of our social laws and norms.

A negative subculture might have developed over time within this employment setting, for only 7.5% of the sample population would turn in co-workers to their supervisor for partaking in the activity of employee theft. In addition, 16 out of 40 reported, they would 'do nothing' if they observed a fellow employee engaging in theft. Although in this case study most thefts occurred as an individual act, 20% did admit being involved in employee theft with their co-workers. Within the security department a network of employees assist their partners in committing theft. An example would be, where the thief asks the security guard monitoring the closed circuit television to turn off a certain camera; a third party then advises the light-fingered employee if someone is approaching by using a special code over the walkie-talkie's frequency.

In line with previous research findings, 42.5% of the sample self-regulates their illicit behaviour; they will stop a fellow employee from pilfering when the fear of detection is too great. This self-regulation, in addition to planned and collusive theft clearly demonstrates that theft in the workplace can and sometimes is planned and deliberate. Given these facts, one may postulate that theft within this setting is a normal activity; however, even though it is so widespread, 57.5% of the sample group still viewed employee theft as criminal behaviour.

Although the questionnaire did not examine the concept of rationalization, the researcher asked each respondent upon completing the questionnaire, how they would rationalize or justify their behaviour. Their responses were linked with Sykes and Matza's neutralization techniques as portrayed below:

- a) everybody does it; if I don't take it, someone else will; it's long-term borrowing, (denial of responsibility);
- b) it's not expensive; it's my money (taxes), (denial of injury);
- c) the government is paying for it; they owe it to me, (denial of victim);
- d) we are as good as management they commit employee theft; (condemning the condemners).

The results of this study indicate that employee theft is a serious and widespread problem in the organization studied. Theft in this workplace was rampant; however, since it is a) so commonplace; b) carried out by so-called ordinary people; c) normative and d) if apprehended, "it is dealt with outside the conventional criminal justice machinery" the theft is viewed by many as non-criminal." (Gibbons 1983 p. 217) Perhaps the only major difference between convicted thieves and employees who

commit theft at work is a matter of degree, that of being apprehended and prosecuted in the criminal justice system.

An analysis using the minitab computer program was utilized to determine and establish if any variable (job dissatisfaction, age, income, perceived sanctions and fear of apprehension) was correlated to the actual incidence of monthly averaged thefts. Upon using a coefficient correlation, a significant value table indicates, that for the sample size, a positive or significant correlation exists at a value of .3138 or greater. (Kvanli 1988) It can be concluded from the analyses that job dissatisfaction and gender (being a male) had the strongest correlations at .342 and .323 respectively. Although no significant correlations were found for the variables of perceived consequences and fear of apprehension, upon plotting the data on a bar graph, one may argue that there still exists an association between these variables and theft. In aggregate, the data support the link stated in the literature between employee theft and job dissatisfaction and gender but do not support the other commonly stated links. In addition, the data supports the qualitative literature with regards to subcultural self-regulation and Sykes and Matza's technique of neutralization. However, given the small sample population an extreme outlier can drastically affect the analysis as demonstrated with the variable of income. Although this study cannot be generalized to other work settings, it does provide useful information about the extent and prevalence of crimes committed by security guards, cleaners and public relations personnel within a particular Federal Crown Corporation.

CHAPTER FIVE

STRATEGIES FOR REDUCING EMPLOYEE THEFT

Many companies are victimized by light-fingered employees year after year, mainly because management fails to bring the problem out into the open, "but instead emulates the ostrich and hopes that somehow, it will go away" (Post, 1972:81; Ryan, 1985:87; Kennish, 1985:60). If the problem persists, the losses are simply recovered in product markups or the corporation/business budgets for such losses (Kennish, 1985:60).

Reasons that corporations provides for such an approach are that:

- a) they are afraid of bad publicity; it tarnishes their image and makes it difficult to attract customers and honest workers;
- b) they are afraid of losing qualified and trained employees;
- c) they are afraid of being sued for false arrest;
- d) prosecuting a dishonest worker is considered poor labour relations amongst many union representatives; and
- e) they are afraid that arresting and prosecuting an employee thief will adversely affect the work setting's morale.

(Post 1972:81; Walls, 1985:40)

How valid are these justification? For example, how valuable is an employee who steals, even though he/she is trained and qualified? Moreover, if proper policies and investigative procedures are established, false arrest suits are highly unlikely. Similarly, work settings with serious internal theft problems already lack good morale (Post, 1972:82). Finally, a soft approach by management often contributes to, and perpetuates, the problem of employee theft. If the activity is allowed to continue without anything being said, it reinforces the employees' perceptions that management does not care about

employee theft, making it less likely that employees themselves will feel the need to take action to combat the problem (Kilgo, 1989:81).

Therefore, it is the premise of numerous security experts (Astor, 1972; Kennish, 1985; Kilgo, 1989; Van Buren, 1985, Hyatt, 1988; Field, 1986) that the responsibility for controlling employee theft lies ultimately in the hands of management. However, as Saul Astor illustrates, combatting employee theft is never going to be an easy battle. "We must fight dishonesty despite our knowledge that it cannot be defeated. In our battles against theft we can only win victories not the war itself" (Astor, 1972: 12). Although companies cannot win the war, internal theft can be controlled, prevented, or discouraged with the proper balance of pre-employment screening and post-employment strategies which address the causes of employee theft. What follows is a discussion of the literature describing and assessing various pre-employment and a discussion of a program of post-employment strategies.

PRE-EMPLOYMENT STRATEGIES

Security specialists (Bullard and Resnik, 1985; Klump, 1983; Formby and Williams, 1982; Astor, 1972; Leininger, 1975; Post, 1972; Knecht, 1982) who have studied the phenomenon of employee theft believe that pre-employment screening is the first crucial step in combatting theft at the workplace. Traditionally, pre-employment screening has been the standard procedure by which personnel departments eliminate those applicants who fail to meet the specific job qualifications. However, screening employees through (a) background checks, (b) polygraph examinations, and (c) honesty tests enable an employer to hire

those "individuals with the least propensity to steal" (Bullard/Resnik, 1985: 54). Although some of these procedures are controversial, businesses across North America are using these techniques to weed out potential thieves before they are hired.

(a) Background Checks:

Careful screening of applicants is thought to be essential to reducing employee theft, but it appears that businesses do little applicant screening. One story has it that of fourteen discount store employees fired for stealing, eight walked across the parking lot and were immediately hired by a supermarket.

(Merriam, 1977: 397)

According to Bruce Knecht (1982), the background check remains the most popular method of pre-employment screening. It involves following up information obtained from interviews and on completed application forms. Former employers should be contacted to verify the applicant's work history and habits, as well as to clarify the reasons for his dismissal or departure. In addition, the provided references must be checked, for they may provide information on the individual's personality and social habits. If special skills are needed for the position (e.g., educational or technical training), his/her credentials and qualifications should be verified prior to hiring the individual in order to prevent an episode, such as the following, from occurring.

A gentleman sold himself to a personnel department as a physicist with a Ph.D....They hired him at \$35,000 a year. For six months they kept him in a pool doing nothing. At the end of six months, they realized he was not qualified for the job and fired him. He had already collected half of his \$35,000 salary.

(Alden, 1975: 207)

Once the information is collected and verified, it can be used to make a judgment about the person's honesty. If a discrepancy is

found, it puts the applicant's integrity into question (Baumer and Rosenbaum 1984:100).

In certain circumstances, the company may consider running a thorough check on those applicants applying for a high risk position with excessive financial responsibilities. The investigator can verify the applicant's credentials by personally interviewing former employers and getting them to identify the person by examining a photograph (Hyatt 1988:99). The investigator can talk to neighbours, contact the police department for prior criminal convictions and the credit bureau for financial difficulties. But, given recent government legislation to safeguard confidentiality (Baumer and Rosenbaum 1984:100), the reluctance of former employers to provide relevant or negative information (Zemke 1986:75, Knecht 1982:70), and the cost of background checks \$60 to \$200 (Alden 1975:209); certain businesses have turned to polygraph examinations as a screening technique (Baumer/Rosenbaum 1984, Ryan 1985).

Polygraph Examinations:

Proponents of the polygraph believe that pre-employment polygraph examinations do a better job "of determining an applicant's honesty than other available selection methods" (Phannenstill 1983:52). Kirk Barefoot states "it is all seeing" (Knecht 1982:70) and Bob Curtis reported that many managers believe it is time saving, for within two hours they can get an indication of the honesty of a potential employee (Curtis 1973:30). A Miami-based polygraph company claims that corporations favour the polygraph due to its cost of \$25 to \$50 per applicant and unlike background evaluations, it relies only on the individual in question. Therefore the problem of dealing

with uncooperative former employers is eliminated (Knecht 1982:70).

The pneumo-cardio-sphygma-psychogalvanic reflex is the proper name for the present day lie detector or polygraph (Purpura 1984:90); it is frequently used to verify the accuracy of background checks and to establish whether the applicant has stolen in the past (Baumer and Rosenbaum 1984:100). When a person tells a lie during the examination, the machine measures certain autonomic involuntary psychophysiological responses (i.e., blood pressure, pulse, breathing and galvanic skin changes). These changes are recorded and the examiner then makes a judgment as to whether the applicant's bodily changes were due to deception.

Gordon Barland, a polygraphy consultant, indicates there exist over 10,000 registered polygraph operators in the United States who conduct one million tests a year (Zemke 1986:75). However, Purpura (1984:93) and Baumer and Rosenbaum (1984:101) estimate that anywhere from 200,000 to 500,000 polygraph tests are administered each year in the private sector.

The polygraph examination remains the most controversial of all the pre-employment screening techniques (Bullard and Resnik 1983:54, Knecht 1983:63). The American Polygraph Association (A.P.A.) has established a code of ethics and it polices its members (Curtis 1973:31). However, in 34 States "you do not need a licence to operate a polygraph; there are no educational requirements. All you need is the money to buy a machine and a good sales pitch (Curtis 1973:31). Therefore, we must question the validity of these examiners; however, research on those registered A.P.A. members yielded a 90% accuracy rate in detecting truth or deception (Purpura 1984:92).

A second problem raised with the polygraph test is that the American Civil Liberties Union, various labour unions and many elected legislators have actively worked to outlaw the polygraph in pre-employment screening on the grounds that it is an invasion of privacy.

If polygraph testing is to be outlawed, it will be on the basis that our system of jurisprudence prohibits a man from incriminating himself if he prefers not to testify. In effect, he has a right to lie to avoid incriminating himself. To deny him this right is an invasion of his privacy.

(Markman 1987:55)

These groups have succeeded in convincing 19 States to prohibit the use of a lie detector examination for screening applicants (Zemke 1986:75). In addition, the United States Assistant Attorney General reported in 1987 that "34 States and the District of Columbia have enacted statutes regulating the use of the polygraph (Markman 1987:55).

One further possible means of addressing concerns regarding invasion of privacy relates to studies which have shown that youth are disproportionally involved in occupational crime. Accordingly, an applicant may fear detection of deviancy which occurred in his youth and which he himself has categorized as a youth-related activity long outgrown and of little significance to his present behaviour. Thus care must be taken by the examiner in formulating his questions in order that applicable time frames may be established.

The final problem with this pre-employment technique, is, many employers view it as a dehumanizing, humiliating, and frightening experience which breeds an atmosphere of distrust and hampers the morale of the company (Phannenstill 1983:52, Knecht 1982:70).

In view of these criticisms and the fact that polygraph examinations are banned throughout Canada for employment purposes, with the exception of the Canadian Security Intelligence System, numerous companies have adopted honesty tests to measure an applicants's integrity.

Honesty Tests:

Due to the cost of background checks, the negative attitudes towards and legislation restricting polygraph examinations, businesses have adopted pencil and paper psychological honesty tests as their primary screening technique at \$6 to \$15 per test (Knecht 1982:90, Bacas 1987:20, Chain Store Age Executive 1986:41). Although twenty different types of honesty tests have been identified (Zemke 1986:76), the most frequently used are: The Personnel Selection Inventory by London House Inc., The Reid Report by Reid Industrial Psychologists, The Stanton Survey by Stanton Corporation and The Trustworthiness Attitude Survey by Personnel Security Corporation (Zemke 1986:76, Baumer and Rosenbaum 1984:101). These tests contain questions which attempt to measure a job applicant's attitudes, values and perceptions towards theft, as well as previous counterproductive behaviour in the workplace (John and Terris 1983:187, Brown 1986, Terris and Jones 1982). The questionnaire is typically broken down into three major scales. The first scale, which measures prior involvement in employee theft and counterproductive behaviour, is known as the theft admission scale. It is reported by T. Brown (1986), Terris and Jones (1982) and Curtis (1973), that those employees with a past history of theft are at high risk to commit

further and future theft. Secondly, the theft attitude scale specifically probes the applicant's attitudes, values, opinions, and perceptions associated with employee theft. Jones (1980), Jones and Terris (1983), Terris and Jones (1982), and Brown's (1986) past research has shown that the typical employee thief is a) more tempted to steal; b) more likely to rationalize his behaviour; c) less likely to favour punitive sanctions towards theft; d) pre-occupied with theft-related activities; e) more apt to follow the work group's code of ethics; and f) more susceptible to peer pressure, as opposed to the honest worker. The final scale measures the applicant's social habits such as drug use, gambling habits and alcohol consumption, habits inherent in Cressey's notion of unshareable problems.

Once the test is scored and tallied, the applicant's results place him/her in a low, marginal or high risk category (Klump 1983:64). The low risk people reported little or no-involvement in employee theft. The marginal individuals have been dishonest in the past but are considered to be not likely to re-offend with proper controls in place. The high risk group are those who reported a significant amount of theft in the workplace and thus would not be recommended for any position of employment within the company. The data attained from the honesty test and information on the types of theft are then given to the company's personnel department to assist them in the hiring process. According to Ron Zemke (1986) there are approximately 5000 retail business who pre-screen roughly five million applicants a year (p.76) and D. Reid (1986), C. Klump (1983) and the Stanton Corporation maintain the tests have an accuracy rate of 73 to 90 percent.

Despite these impressive figures and claims of up to 90% accuracy rating, Baumer and Rosenbaum (1984), Paul Sackett (1986) and Dennis Joy (1986), still have serious reservations regarding the reliability and validity of these tests. Paul Sackett is particularly concerned with "false positives", that is, the test might mistakenly label an honest applicant as dishonest (Zemke 1986:76). Baumer and Rosenbaum reported that comparisons between polygraph examinations and honesty tests are flawed. The subjects knew the accuracy rating from the test would shortly thereafter, be verified with the polygraph; thus affecting their responses to certain questions. Lastly, with the exception of the Personnel Selection Inventory by London House Inc., no empirical studies of honesty tests have been conducted to test the ability to predict future dishonesty and theft. Four studies were conducted by Brown (1986), Jones (1980), Terris and Jones (1982) and Jones and Terris (1983) on the ability of the Personnel Selection Inventory (London House Inc.) to measure future theft amongst convenience store and home hardware employees. All yielded an association between theft and honesty test scores. Although the questionnaire was completed by the existing staff and there were three additional scales added [i.e., 1) job dissatisfaction, 2) job burnout and 3) the theft knowledge and suspicion scale], those who scored in the high-risk groups were actively involved in theft. As Brown demonstrated, the average theft in those stores with high risk employees was \$679.41 as opposed to \$91.38 for the low risk individuals (Brown 1986:37). In Terris and Jones work, the six employees who scored poorly on the dishonesty scale, within a six month periods, "were caught and disciplined for stealing" (Terris and Jones 1982:1228), even though the employer

was unaware of their scores. Overall, however, Baumer and Rosenbaum concluded, the validation results for honesty tests are "generally weak, especially because of the absence of data supporting the predictive validity of the major tests" (Zemke 1986:76).

In summary, pre-employment screening is the first-line of defence in combatting employee theft and counterproductive behaviour. Although controversy exists regarding the above-stated methods, the company should always conduct a background check. Secondly, if polygraph examinations are being considered, a trained A.P.A. member should be hired. Thirdly, the corporation should carefully examine the honesty tests on the market and verify studies of their validity and accuracy rates. If one of these precautions is taken, it is highly possible that a dishonest employee will not be hired, thus, ultimately saving the business money.

POST-EMPLOYMENT STRATEGIES

Once "honest" people have been identified and hired, the corporation has the responsibility to structure its policies, directives and security functions to minimize and discourage theft within the workplace. According to Hollinger and Clark (1984), Gottlieb (1983), and Bacas (1987), social controls, as opposed to physical controls (i.e., C.C.T.V.) are the most effective deterrent of counter-productive behaviour in the workplace and are also relatively inexpensive. A five step program can be followed to create an atmosphere discouraging theft.

Step One: Developing an Employee Theft Policy:

The first step in any effective prevention program within

the workplace is the development of a clear and concise policy against employee theft (Bacas 1987:22, Bullard and Resnik 1983:55, Adkins 1982:76, Ryan 1985:88, Formby and Williams 1982:47, Sosnowski 1985:112). During the development of such a policy, senior management must provide an avenue for all its employees to express their concerns and resolutions with regard to preventing employee theft and dealing with problems relating to it. If the company imposes a new set of rules and regulations without consulting the front-line workers, this can create confusion, a sense of distrust and animosity towards the company which can ultimately lead to internal theft due to higher level of dissatisfaction amongst the workers. Secondly, if employees are not aware of the negative impact of shrinkage on the company's profits and how it affects job security, or pay increases, they will probably take less responsibility for controlling and combatting theft (Gottlieb 1983:228, Zemke 1986:77, Ryan 1985:88).

Once management and front-line workers coordinate their efforts to develop a clear policy, it should encompass these three factors:

A) employee theft is a crime and it will be treated as such, for the company has a responsibility to its shareholders, customers and employees (Bullard/Resnik 1983: 55, Security Management 1983:11).

b) this code of ethics applies to the entire staff from the chairman, senior and middle management, to supervisors and all front-line workers (Adkins 1982:76, Zemke 1986:76-7).

c) Workers must be made aware of the negative consequences to be imposed upon commission of an act of theft. The punitive sanctions must be addressed in the policy be it either dismissal or prosecution in a court of law (Adkins 1982:76).

Step Two: Communicating the Policy:

This procedure ensures that every employee is aware of the existing policy against theft in the workplace. If you do not tell employees, the range of activities considered to be employee theft; they will claim they did not know their activities or actions went against company policies. Communicating and notifying employees of the new internal theft policy, procedures and consequences as well as what the company expects from them can be achieved by sending a memo or directive to each employee, by printing the policy in the company's newsletter or by holding a general meeting (Giles and Mudgett 1985:45, Sosnowski 1985:112, Bequai 1986:84). Furthermore, each new employee during their orientation session must be made fully aware of the company's policy and his/her role in preventing internal shrinkage (Bacas 1987:22).

Step Three: Enforcement of the Policy:

Disciplinary action must at all time be enforced upon encountering counter-productive behaviour. If the company becomes lax or it simply does not follow through with the said policy, false threats can do more harm than silence (Bacas 1987:22). For example, if upper managers get differential treatment, after being apprehended for theft, this will "erode the fairness necessary to deter theft" (Bacas 1987:22), thus creating resentment amongst staff against the corporation and management. Secondly, idle threats will eventually send a message to the employee that, once again, the company does not care about the problem of employee theft. If employees know the company will not prosecute or dismiss the worker, they will continue to steal. Furthermore, all complaints involving reported thefts must be investigated and, upon sufficient evidence, disciplinary action

must follow. As L. Adkins stated,

the question of whether to prosecute or not to prosecute a thieving employee and under what circumstances is a decision that must be made by top management. Some firms merely dismiss the offending employee... ..while still others have a strict policy of prosecuting the thief. Any of these approaches can work. The important thing is to be consistent.

(Adkins 1982:76)

Step Four: Education and Awareness of the Problem of Employee Theft:

In any successful loss prevention program all employees must be persuaded that they have a responsibility for preventing employee theft. In an attempt to promote this objective, the corporation must educate its staff and make them aware of the seriousness of the problem. The program begins when the employer clearly defines what is meant by loss prevention and how it affects the company and ultimately the employees. Employees should be made aware of the financial estimates on the problem of theft at the workplace, how it adversely causes inflation, reduces company profits thus meaning smaller pay increments, and lastly if the company goes bankrupt due to employee theft, everyone will lose their job. Once the workers are cognizant of these facts and given management's concerns about the company and the welfare of its employees, the workers will get involved in prevention programs to control employee theft (Ryan 1985:88). [It should be noted, that Baumer and Rosenbaum argue that educating the public against employee theft should start in our school system followed by media and poster campaigns stating that theft is a crime even if committed in the workplace. This process may succeed in preventing future thefts amongst our younger generation and reinforce the notion within the labour force that stealing from one's employer is very much a crime which needs to

be prevented].

Secondly, if every employee is trained in detecting the warning signs of employee theft (i.e., missing invoices, merchandise found in stairwells, open crates in warehouses etc.,) and if they are made aware of anti-theft programs by viewing video-tapes, films and attending seminars on security analysis which point out vulnerabilities, the company will soon develop an on-going loss prevention atmosphere. Furthermore, once an employee is trained, it will alleviate his/her fear of handling a dishonest worker, for they are knowledgeable with regard to the appropriate procedures and policies for dealing with employee theft. To ensure the success of the program, the corporation must develop effective mechanisms to report theft as well as incentives to encourage conformity, loyalty and involvement in the loss prevention program.

Two possible mechanisms used to report theft include anonymous toll-free telephone hot-lines or the anonymous letter system (Field 1986:14, Hyatt 1988:100, Bullard and Resnik 1983:55). These methods are aimed at decreasing the difficulties in reporting theft for the honest employee; under most circumstances the program is coupled with a financial reward for reporting dishonesty (Baumer and Rosenbaum 1984:127, Adkins 1982:36). For example, Bloomingdale's in New York rewards employees up to \$2500 for reporting theft at the workplace (Field 1986:94); however, most reward programs offer from between \$50 to \$1000 depending on the information provided (Hyatt 1988:100, Field 1986:94).

In addition, the company may implement an incentive program where, if the company succeeds in meeting the shortage reduction

goals, the employer will divide half the profits with all the employees (Bacas 1986:78, Zemke 1987:23). Further conformity to the company's objective on loss prevention may be ensured through the creation of a profit-sharing plan. The employees automatically become shareholders in the company and receive yearly dividends. If shrinkage increases, the dividend will decrease. In one company, when the employees are ready to retire, and sell their shares they can end up with twenty to fifty thousand dollars (Verrill 1975:11).

Overall, the Arthur Young Survey states that 83% of those retailers surveyed who train and provide incentive programs to reward employees report an effectiveness rating of 92% (Zemke 1986:77). In addition, they report that "retailers are increasingly realizing that their best defense against losses is trained alert employees" (Chain Store Age Executive 1986:40).

Step Five: Limiting the Opportunity for Theft:

Some companies upon discovering a significant employee theft problem automatically adopt a draconian policy of bolting everything down to resolve the problem. They purchase expensive electronic surveillance equipment (C.C.T.V.), locks, safes, access control systems, metal detectors, chemical fingerprint solutions which code and identify the company's property if stolen, hire security guards, and so forth. Although these procedures may be effective on a short-term basis, employees will always find a way around these measures (Bullard and Resnik 1983:53). Moreover, physical controls can create a sense of distrust and poor morale among the staff towards the company and management.

A sophisticated and cost-effective approach is to create

procedural controls such as strict inventory control systems and accountability procedures which monitor and analyze inventory flow within the corporation. In addition, it should include an audit trail leading back to the originator of the transaction (Leuser:1984:91). In order to determine the vulnerabilities for theft, the corporation must first analyze its operations to pinpoint the source(s) of theft. Once identified, procedures can be established to control these weak links such as:

- a) controlling access and departure from and to the workplace to specific entrances;
 - b) keeping perpetual inventory records, preferably on all items, but especially on costly materials;
 - c) pre-numbering or registering sales invoices in order to make certain all merchandise that is shipped is billed;
 - d) separating the duties of accounts payable and receivable to avoid giving one individual too much control over the company's finances;
 - e) keeping access to sensitive areas restricted to authorized personnel only; and
 - f) if needed, implementing physical security hardware.
- (Post 1972:88-89)

Although limiting opportunity without creating an Orwellian atmosphere can be difficult, procedural shrinkage controls such as audit reviews and inventory controls, in conjunction with a comprehensive theft prevention strategy discussed above will be less intrusive than the physical controls approach.

Step Six: Improving Job Satisfaction Amongst Employees:

The employer can improve job satisfaction levels through such techniques as a) management by objectives, where employees and managers establish work completion objectives and specific time frames; b) participatory management where employees play a role in company decision making (e.g., formulating loss prevention programs) thus increasing the staff self-worth through

a sense of belonging and participating in the overall objectives of the company; c) various financial incentives programs (e.g., profit sharing, piecemeal bonuses); d) diversification of duties and responsibilities to alleviate boredom and idleness. In addition, the management must learn to encourage employees to discuss their problems. This approach entails active listening to the worker's complaints and acknowledgement of his/her aggravation and frustration as well as an attempt to rectify the problem or concern. Lastly, the worker should receive recognition for a job well done. If these procedures are followed, and the disciplinary code apply equally for all staff, including management, the employees will have a positive outlook about the work environment, thus reducing the likelihood of job dissatisfaction and theft.

In conclusion, the company establishing these six steps will ultimately reduce the problem of employee theft by directly attacking the causal factors found to be related to this behaviour. It should be noted that the development of these strategies occurred in response to actual experiences encountered by management. Accordingly, the emphases has thus far been on practicality rather than grounded in criminological theory. Consequently, a collaboration between management and criminologist may prove to be a fruitful endeavour. However, where a loss prevention program has been established, communicated and enforced and the staff educated with regard to prevention, opportunities limited and job satisfaction improved, the employee can no longer rationalize his/her behaviour. Thus Sykes and Matza's neutralization techniques are themselves neutralized, for the employee is not only aware that his/her

behaviour is unacceptable and that he/she is responsible for stopping theft, but, also a victim is clearly identified and if management and front-line workers receive the same punitive consequences, the worker can no longer condemn the condemners. Secondly, if the employee is committed or loyal to the company through involvement in the incentive programs, it is predicted that an allegiance towards the corporate structure would replace a more negative subculture. Furthermore, upon enforcement of the policy, with an increased likelihood of co-workers reporting incidents of dishonesty and with limited opportunities to commit theft, employees would more likely fear detection and the perceived consequences. This would control the problem of employee theft, for the perceived punishment may outweigh the financial gains of dishonesty. Lastly, specifically, with regard to youth who frequently do not have the work history associated with commitment to the workplace, the financial benefits to be derived from workplace profit-sharing plans may mitigate involvement in employee theft.

CHAPTER SIX

CONCLUSION

Every day in North America, thousands of persons engage in crimes of violence (assault, armed robbery, sexual assault) and property-related offences (break & enter, theft, fraud). Given that such offences have an identifiable victims and given the visibility provided by daily media coverage there has been pressure on the legislators and criminal justice system to enact legislation or policing procedures to address the problem of crime. Without downplaying the serious nature of these more traditional crimes, the statistical evidence (i.e., financial and extent of employee involvement) portrayed in this study and the literature, clearly demonstrates that the mundane crime of employee theft is a serious and widespread problem in work settings.

However, as previously mentioned, since employee theft is a) so commonplace, b) carried out by ordinary people, c) to some extent normative in certain workplaces, d) has low visibility, e) referred to with non-criminal labels and; f) usually "dealt with outside the conventional criminal justice system" (Gibbons 1983:217), the activity is viewed by many persons as not seriously criminal or even non-criminal. But given its estimated cost of \$40 to \$200 billion annually in the United States and reports of up to 90% of employee involvement both in Canada and the United States, employee theft is a serious crime problem for any corporation. Furthermore, these findings should force mainstream criminologists to examine and re-define our conventional theoretical paradigms for understanding criminal

behaviour. Moreover, we need to scrutinize the established stereotypes for distinguishing or identifying the so-called criminal or non-criminal.

In addition, further research is needed to corroborate the theoretical explanations thus far put forth for understanding the phenomenon of employee theft. Although some research suggest that the variables of opportunity, low perception of detection, severity of consequences, financial pressure, formal and informal social controls, youth, low job satisfaction and the ability to rationalize one's behavior are correlated with the problem of employee theft. Considerably more empirical work needs to be done to document such relationships and the conditions under which employees steal. Moreover, the preventive strategies portrayed in the literature for controlling the problem of employee theft must be empirically scrutinized. At this time, there exist no empirical studies validating the effectiveness of these procedures in reducing or controlling the problem of employee theft. The ethics of pre-employment screening procedures also need to be addressed.

Although this study provided information on a) the extent, prevalence, financial/ social impact of employee theft; b) the causal explanations for understanding why people engage in theft and; c) a possible strategy for controlling this illicit behaviour, further research is needed to validate the aforementioned findings illustrated in the literature on employee theft.

APPENDIX A
SURVEY OF EMPLOYEE ACTIVITIES

This Questionnaire is part one of a two phase study examining the conduct and activities of employees in the workforce. This research project is directly associated with the University of Ottawa as a requirement for a Master's thesis. The study is NOT affiliated with your employer; therefore, the researcher guarantees and assures complete confidentiality.

GENERAL INSTRUCTIONS: A pen or pencil may be used for answering this questionnaire. Most of the questions can be answered by placing an X in the appropriate box. At specified areas YOU will be asked to provide a numerical estimate for certain questions. Furthermore, there is one open ended question which can be answered in the given space. Your cooperation and assistance is greatly appreciated.

=====

1. Do you like your job?
 yes
 no

2. Do you look forward coming to work?
 yes
 no

3. All in all, how satisfied are you with your present job?
 very satisfied
 somewhat satisfied
 somewhat dissatisfied
 very dissatisfied

4. Do you consider your job interesting?
 very satisfied
 somewhat satisfied
 somewhat dissatisfied
 very dissatisfied

5. My employer is fair in the handling of complaints by employees?
 very satisfied
 somewhat satisfied
 somewhat dissatisfied
 very dissatisfied

6. What would be your reaction if you observed a co-worker engaging in employee theft? Would you....
 encourage it
 do nothing
 discourage his\her activities
 avoid the person (from that time and afterwards)
 inform persons in authority (security personnel or your immediate supervisor)

7. Have you ever consciously or unconsciously taken anything (property/money) from past employers?
[] yes
[] no
8. Have you ever taken some property without authorization from:
A) your employer [] yes
[] no
B) your co-worker [] yes
[] no
C) vending machines [] yes
[] no
9. Do you fear apprehension?
[] never
[] sometimes
[] often
[] always
10. Have you ever taken office supplies?
[] never
[] sometimes
[] often
[] always
If so, to what extent (give a numerical estimate per month).
11. Have you ever not-rightfully taken food (from kitchen, vending machines, etc.,) to consume at work?
[] never
[] sometimes
[] often
[] always
If so, to what extent (give a numerical estimate per month).
12. Have you ever not-rightfully taken food/beverages (from kitchen) to consume at home?
[] never
[] sometimes
[] often
[] always
If so, to what extent (give a numerical estimate per month).
13. Have you ever used the photocopy machine without permission or for personnel use?
[] never
[] sometimes
[] often
[] always
If so, to what extent (give a numerical estimate per month).

14. Have you ever taken furniture? (chair, lamp, etc.,)
[] never
[] sometimes
[] often
[] always
If so, to what extent (give a numerical estimate per month).
15. Have you ever taken house wares (toilet paper, cleaning supplies, etc.,)?
[] never
[] sometimes
[] often
[] always
If so, to what extent (give a numerical estimate per month).
16. Have you ever made unauthorized long distance phone calls?
[] never
[] sometimes
[] often
[] always
If so, to what extent (give a numerical estimate per month).
17. Have you ever taken kitchen wares (glasses, forks, dishes, etc.,)?
[] never
[] sometimes
[] often
[] always
If so, to what extent (complete set of 4, etc...).
18. Give an estimated number of employees, of which you know, that have engaged in employee theft (within your department)?
19. How often do you engage in the unauthorized taking of your employer's property?
[] never
[] daily
[] weekly
[] monthly
[] yearly (happened once or twice)
20. Do you have easy access to your employer's property?
[] yes
[] no
21. If involved in taking property, do you usually have to overcome a physical barrier (eg. locked door)?
[] never
[] sometimes
[] often
[] always

22. If employed for 3 years or more, and if your involved in the unauthorized taking of property, has it...
[] decreased
[] increased
[] remained constant
over the years.
23. Has anyone ever taken your property while you were working at your employment?
[] yes
[] no
24. Do you come to work with the intention of taking something (property that belongs to your employer)?
[] never
[] sometimes
[] often
[] always
25. Do you already have existing excuses to get out of trouble, if you were apprehended?
[] yes
[] no
26. Have you ever stopped a fellow employee from pilfering (stealing) or taking property because the fear of detection was great?
[] yes
[] no
27. Do you partake in employee theft with your co-workers?
[] yes
[] no
28. If apprehended what consequences do you perceive?
[] police intervention
[] dismissal
[] a warning
[] no sanctions
29. Can you provide any other possible,
A) occurrence for theft,
B) materials which could be taken
C) situations that you have witnessed
that were not mentioned in this survey.
30. Do you consider the unauthorized taking of property from your employer as criminal behaviour?
[] yes
[] no

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