Employee Theft and Staff Dishonesty

Richard C. Hollinger and Jason L. Davis

Introduction

The concept of ‘white collar crime’ was formally introduced during Edwin Sutherland’s presidential address to the American Sociological Society in Philadelphia in 1939. Sutherland (1949) used the term to help establish his new crime theory, differential association, by challenging the discipline of criminology to pay more attention to crimes ‘committed by persons of respectability and high social status in the course of his/her [legitimate] occupation.’ Today, ‘white collar crime’ has become an umbrella concept often used to describe a host of criminal behaviors, including but not limited to, illegal financial acts, deceitful or dishonest business practices, or abuses of state power. Scholars generally include employee theft, embezzlement, corporate crime, computer crimes and even political or governmental crimes as primary examples. While white collar crime continues to be used as a crime category, most scholars have developed more precise definitions that focus on specific types of either occupational or corporate crime. An early landmark work in this area was the classic study by Donald Cressey (1953) who interviewed numerous incarcerated embezzlers. Perhaps the most widely recognized differentiation of the major sub-types of white collar crime is represented in Clinard and Quinney’s (1973) effort which dichotomized the concept of white collar crime into two subcategories, namely, occupational and corporate crime. They asserted that white collar crime was too broad a topic and could not be classified as a single group of acts. Separating the concept into two sub-categories, Clinard and Quinney, were the first to distinguish clearly occupational crime from corporate crime. These offenses include violations of criminal law committed by an individual or group of individuals during the course of activity within a legitimate occupation for personal gain. The importance of this division is that occupational crime focuses exclusively on criminal acts that benefit the individual, and specifically excludes Sutherland’s emphasis on ‘high social status’ offenders. Thus, a criminal act committed by any employee within an organization is considered occupational white collar crime. For Clinard and Quinney, Sutherland’s use of ‘respectable’ or ‘high status’ restricted the breadth of white collar crime, since employees other than executives or managers could
commit equally harmful or injurious acts. The alternative form of white collar crime specified by Clinard and Quinney (1973) was ‘corporate crime.’ Corporate crimes were offenses committed by executive officers and high ranking officials in the name of the organization that ultimately benefited, not victimized, the corporation.

Today, most scholars regard employee theft and staff dishonesty as a form of occupational crime. These definitions have virtually all specified that such crimes (1) take place during the course of a legitimate occupation; (2) involve a violation of trust; and (3) are committed primarily for the benefit of the individual either financially or in terms of social status. For example, the Association of Certified Fraud Examiners uses the term ‘occupational fraud’ to describe ‘the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.’ They assert that any form of occupational fraud involves four critical elements including the notion that such activity (1) is clandestine; (2) violates the offender’s fiduciary duties to the victim organization; (3) is committed for the purpose of direct or indirect financial benefit to the offender; and (4) costs the victim organization assets, revenue, or reserves (ACFE, 2004: 1).

Over the last several decades, a plethora of different studies have suggested that employee theft is one of the most widespread, pervasive, and costly form of crime (e.g. Astor, 1972; Bacas, 1987; Baker and Westin, 1988; Clark and Hollinger, 1979, 1980; Delaney, 1993; Franklin, 1975; Greenberg and Barling, 1996; Friedrichs, 2004; Hayes, 1993; Hollinger, 1989; Hollinger and Clark, 1983; Hollinger and Dabney, 1994; Jaspan, 1974; Jones, 1972; Lary, 1988; Lipman, 1973, 1988; Mars, 1982; Merriam, 1977; Murphy, 1993; Mustaine and Tewksbury, 2002; Niehoff and Paul, 2000; Robin, 1969, 1970, 1974; Shepard and Dustin, 1988; Slora, 1989; Terris, 1985; Thomas et al., 2001; Wimbush, 1997). Estimates of the annual losses that US retail businesses suffer as a result of employee dishonesty typically range between five and ten billion dollars, but can reach upwards of hundreds of billions of dollars if all industry categories are included (Friedrichs, 2004; Lary, 1988). Obviously, the monetary costs of employee theft have substantial adverse effects on society and the economy. For example, employee theft results in an inflation of the price of consumer items by anywhere from 10 to 15 percent (Friedrichs, 2004; Hollinger and Clark, 1983) and costs the average American family approximately $400 dollars per year (Consumer Reports, 2002: 20). Additionally, losses from employee theft play a major part in the bankruptcies of between 30 to 50 percent of all insolvent organizations annually (Greenberg, 1997; Greenberg and Barling, 1996; Hollinger, 1989; Niehoff and Paul, 2000; Thomas et al., 2001; US Chamber of Commerce, 1976).

Defining employee theft and staff dishonesty

One of the most widely accepted definitions of ‘employee theft’ (or ‘staff dishonesty’) is the one offered by Hollinger and Clark in 1983 who defined such theft as ‘the unauthorized taking, control, or transfer of money and/or property of the
formal work organization perpetrated by an employee during the course of occupational activity which is related to his or her employment’ (1983: 1). They also distinguished between the two major forms of employee theft, namely, property deviance and production deviance. The former refers to situations in which employees illegally acquire or damage tangible property or organizational assets, whereas the latter concerns counterproductive behavior that violates the formally proscribed expectations of daily work production. Property deviance includes such acts as financial embezzlement, pilferage, theft of goods, or sabotage (Taylor and Walton, 1971). Alternatively, production deviance involves the ‘stealing of time’ in which workers get paid for hours not worked, absenteeism or tardiness, leave abuse, or failing to accomplish tasks in a timely manner (Hollinger and Clark, 1983). Although this chapter is primarily focused on property theft and dishonesty, there is extensive evidence that counterproductive workplace deviant behavior is closely related to property deviance. This body of literature is found not in criminology, but primarily in the sociology of work and occupation literature (e.g. Dalton (1959); Gouldner (1954); Kamp and Brooks (1991); Kemper (1966); Roethlisberger and Dickson (1939); Roy (1952, 1953, 1954, 1959); Ruggiero and Steinberg (1982)).

**Prevalence of employee theft and staff dishonesty**

Most early employee theft researchers were primarily interested in determining the incidence or prevalence of such crimes according to Hollinger (1989). The incidence of employee theft refers to the absolute number of times theft has occurred, while prevalence indicates the proportion of employees involved in theft. Answers to both questions have remained elusive and provide a constant challenge for researchers, primarily because there is a lack of official data that measures employee theft. Moreover, the majority of employee theft cases are not handled directly by law enforcement agencies, but rather, are dealt with internally by security, loss prevention, asset protection, or human resource departments. Instead of filing formal charges or calling police authorities, most business organizations that discover employee theft use alternative, non-criminal sanctions such as immediate dismissal, demotion, or civil tort remedies. The rationale for using non-criminal sanctions allows the company to avoid other potentially negative outcomes such as adverse publicity, retaliation or retribution from employees, or publicly advertising internal weaknesses that may cause the organization to be considered an easy target. As a result, there is no precise measure concerning the incident or prevalence of employee theft.

Since there is no official data available to examine, researchers have instead relied on case studies or self-report surveys to study the incidence and prevalence of employee theft and workplace dishonesty (Hollinger and Clark, 1983). In some cases, organizations also use indirect measures to estimate the extent of employee theft. Retailers have been the industry to most aggressively study the problem. The method most commonly used in the retail industry for estimating levels of
employee theft has been to track the percentage of unsold and unaccounted for merchandise when sales are subtracted from the actual remaining inventory. According to some scholars, the use of ‘inventory shrinkage,’ ‘shortage,’ or other terms such as ‘loss’ to describe employee theft tends to reflect an attitude of denial and ultimately decriminalizes the incident of employee theft as something other than criminal behavior (Oliphant and Oliphant, 2001). In any case, retail loss prevention and security researchers have continued to rely on organization’s measurement of shrinkage in order to gauge the incident and prevalence of employee theft.

The oldest and most reliable source of data on the levels of employee theft in US retailing has been the University of Florida’s National Retail Security Survey (NRSS). Beginning in 1991, the University of Florida has conducted annual evaluations of retail industry crime and prevention strategies employed by companies to help prevent such crimes. In particular, the NRSS focuses on inventory shrinkage and asks retailers to estimate what percentage of loss can be attributed to four primary sources including (1) employee theft; (2) shoplifting; (3) bookkeeping errors; or (4) vendor fraud. One of the most consistent findings of the NRSS is that employee theft is believed to be the primary source of inventory shrinkage. In each year the NRSS conducted its survey, employee theft was believed to account for 40 or more percent of inventory loss. In 2003, employees were believed to account for nearly 47 percent of all inventory shrinkage losses in US retail stores (Hollinger and Langton, 2004).

Another source of employee theft information comes from the Association of Certified Fraud Examiners (ACFE). Beginning in 1996, the ACFE examined occupational fraud cases reported to the Certified Fraud Examiners (CFEs) and issued its first Report to the Nation on Occupational Fraud and Abuse with the intent of (1) summarizing the amount of lost revenue that could be attributed to occupational fraud, (2) examining the characteristics of the employees who committed occupational frauds, (3) determining which organizations were most likely to be victimized by occupational fraud, and (4) categorizing the ways in which fraud occurred. The latest 2004 Report to the Nation contains information from 508 occupational fraud cases. In all, these cases resulted in over $761 million in losses with an average loss of $100,000 per case.

Regardless of the source, most accounts of employee theft estimate that such crimes cost businesses billions of dollars each year. The 2004 Report to the Nation estimates that a typical organization loses 6 percent of its annual revenue to occupational fraud which translate into $660 billion in annual fraud losses (p. 8).

In this respect, employee theft can be considered the single largest form of larceny-theft in the United States (Hollinger and Langton, 2004). Indeed, in any given year employee theft generally costs more than all Type 1 UCR ‘index property crimes’ combined. The alarming rate of employee theft has at least two negative consequences (Parilla, Hollinger and Clark, 1988). First, employee theft results in stolen property that must be replaced. This causes a loss of money and time which undermines organizational productivity and goals such as profit accumulation. Secondly, employee theft creates uncertainty and disruptions that
can lead to business failure. For instance, approximately 30 percent of all small business failures can be attributed to employee theft (Kuratko, Naffziger and Hodgetts, 2000). Others suggest the general public also suffers because of employee theft. More specifically, the general public pays a ‘crime tax’ whenever corporations are victimized because they must pay higher merchandise costs as well as increased insurance premiums (Bamfield and Hollinger, 1996).

Beyond the financial implications, employee theft can also have impacts on workplace morale and personal relationships at work (Hollinger, 1989). Pervasive employee dishonesty can strain workplace interactions and ultimately create a lack of trust between dishonest and honest employees. Subsequently, employee theft can decrease positive productivity and increase employee dissatisfaction levels. Understanding why employees commit theft is an important step in helping to reduce the significant financial and social impact of these crimes.

**Why do employees steal and engage in dishonesty?**

Explaining why employees steal from their employers is an extremely difficult task. What makes identifying the root causes of employee dishonesty so difficult is that there is no single factor or theory that can explain each and every occurrence. Instead, social scientists have concluded that a variety of factors may contribute to the occurrence of theft or dishonest behavior.

Most people employed in business organizations are conventionally socialized individuals. Generally speaking, the vast majority of employees are law-abiding citizens who know the difference between right and wrong. After all, to be hired they have survived a pretty extensive interview and screening process. For a theft to occur, then, it is necessary for these persons to believe their law-breaking activity as completely justified under the circumstances. These motivating circumstances either can be the result of economic problems external to the work setting or can originate from factors within the work organization itself.

Paradoxically we continue to observe increases in employee dishonesty while our country’s official and self-reported larceny rates are both in decline. NRSS over the past ten years indicate that the increasing problem of employee dishonesty is not the result of a sudden breakdown in hiring practices. In fact, the NRSS has shown in each of the past ten years that increasingly more numerous and sophisticated screening tools are being routinely used by employers. This enhanced level of applicant screening often involves multiple interviews, drug testing, criminal background checks, credit evaluations, and honesty testing. These countermeasures have successfully eliminated many risky and marginal persons from the applicant pool. Nevertheless, despite our best efforts to screen-out known or potentially dishonest job candidates, employee theft not only persists but also seems to be increasing in prevalence. The critical question is ‘why?’

The most popular theories of employee theft tend to fall into three general categories including: (1) rational choice theories, (2) job satisfaction or workplace equity theories, and (3) organizational theories that concentrate on the effects of the informal workplace, that is, a ‘culture of dishonesty.’
Rational choice theories combine elements of classical theory and economic theory to explain criminal behavior. From a classical perspective, humans are considered inherently rational and hedonistic beings who logically calculate the potential costs and benefits of a given act (Beccaria, 1764). Being hedonistic, humans will naturally make decisions that will avoid pain and provide the greatest amount of pleasure, even if it means violating the law (Bentham, 1789). Employees who steal from their employers are viewed as taking advantage of opportunities that have a low risk of detection or apprehension and at the same time provide the greatest potential for personal benefit. Building upon these classical theory principles, traditional rational choice theories utilized an economic model to assert that employees were self-interested offenders primarily motivated by the pursuit of financial gain.

External economic pressures
There is extensive debate among both scholars and security experts alike regarding the extent to which external (or non-work) economic pressures provide the principal motivation for employee dishonesty. Despite numerous anecdotal accounts, Hollinger and Clark concluded in their 1983 book, *Theft By Employees*, that most incidents of employee pilferage were unrelated to an employee’s particular wage or level of compensation. In other words, highly paid employees reported taking property from the company just as often as did poorly paid employees. The data from nearly 9500 employees suggested that the adequacy of one’s compensation is extremely relative. Employee satisfaction with pay seemed to be independent of the absolute amount of money received. Moreover, employees who reported having personal economic problems were no more theft-prone than those who did not. This research study, conducted over two decades ago, concluded that most employees do not steal from the company as a way of resolving their personal debts and other external economic pressures. This may not be the case today. In fact, as personal debt piles up, contemporary employees may be feeling much stronger economic pressures than their peers did 20 years ago. Many individuals today are seriously in debt. Personal bankruptcies are at record levels. Credit card debt among Americans currently averages nearly $9000. These substantial credit card debts and other economic difficulties result in what criminologist Donald Cressey called ‘non-sharable problems.’ Some people steal from their employers to meet their financial needs. In fact, some persons in a financial bind will elect to steal large amounts of money from their employers. In his now classic study of convicted embezzlers published in 1953, Cressey found that most became involved in ‘trust violations’ as a result of some personal financial problem that they could not share with anyone else. Perhaps they had incurred a sizable gambling debt, were involved in an expensive love affair, were secretly addicted to drugs, or made a bad financial mistake with the company’s assets. All of the above are examples of ‘non-sharable problems’
which precipitated the ‘borrowing’ of a large amount of their employer’s money to solve these personal problems.

For the classical theorist, the presence of formal mechanisms such as criminal law or severe punishments is needed to deter potential criminal behavior by making the costs of crime outweigh the expected benefits. In fact, Hollinger and Clark (1983) found evidence that formal constraints reduced rates of theft among retail, hospital, and manufacturing employees. In particular, the threat of apprehension appeared to have the strongest impact in terms of deterring criminality.

Some scholars have questioned the importance of economic needs. While large-scale embezzlements do occur – often crippling the business victimized – we must remember that these large thefts are quite rare. The typical employee thief is not a cash embezzler, but rather a person who pilfers much smaller amounts of company property and money on a more regular basis. It is this more prevalent ‘nickel and dime’ theft activity that over time costs companies far more in lost assets than all the embezzlers combined. It is for this reason that we need to look beyond purely economic motivations for an explanation of employee theft.

Most notably Cornish and Clarke (1986) suggested that offenders are not motivated solely by economic needs but instead engage in purposeful criminal behavior in order to meet immediate day-to-day financial needs such as food, housing, status, or entertainment. For example, Stone (1990) discovered that Michael Milken, the junk bond king of the savings and loans scandal of the 1980s, was driven largely by the fun, excitement, and adrenaline rush associated with stealing large sums of money. Furthermore, Cornish and Clarke (1986) maintained that an offender’s decisions and choices are likely to be guided by external factors such as time, ability, and the availability of relevant information needed to commit an offense. An employee may consider the skills needed to commit certain types of offenses, what type of knowledge or understanding is needed to commit certain types of criminal behavior, and other considerations unrelated to pure economic needs. In perhaps the most inclusive rational choice model yet developed, Paternoster and Simpson (1993) maintain that offenders consider at least nine different factors before committing a crime. These factors include the perceived certainty and severity of formal sanctions such as criminal or civil outcomes; the perceived certainty and severity of informal sanctions including reactions by family and friends or the loss of career mobility; moral inhibitions which refers to the extent that an offender considers a specific criminal behavior to be wrong or offensive; the potential loss of self-respect as the offender ponders how criminal behavior will impact their self-image; the perceived costs of rule compliance in which the offender considers whether or not compliance will interfere with more important goals such as profitability or competitiveness; the benefits of noncompliance occurs when an offender assesses whether or not criminal behavior will result in more favorable personal benefits such as a promotion or enhanced financial status; the perceived legitimacy of the laws as offenders evaluate whether or not the existing rules and regulations are fair and consistent; and the characteristics of the criminal event in which the offenders
considers the availability of criminal opportunities or how acceptable criminal behavior is within the organization. Paternoster and Simpson (1993) basically assert that the best predictor of criminal behavior is past offending in which case the offender has likely developed favorable attitudes to criminal activity.

**Routine activities theory**

Another similar theory that accounts for the factors that potential offenders consider includes Cohen and Felson’s (1979) ‘routine activities theory.’ Specifically, this theory asserts that the occurrence of crime is a product of opportunity related to three factors: (1) motivated offenders, (2) suitable targets, and (3) the absence of capable guardians. These are the three logically required conditions which must be present before a theft can occur. This is sometimes called the ‘theft triangle.’ First, the deviant act must be motivated by one or more precipitating factors. Second, there must be ample opportunity present for the theft to occur. Third, there must be a perceived absence of deterrence or lack of a capable guardian.

First, Cohen and Felson maintain that everyone is a motivated offender because of their hedonistic or pleasure seeking nature. Given the opportunity, most people will engage in crime unless they are prevented or deterred from doing so. The second factor, a suitable target, refers to the attractiveness of potential targets including money, jewelry, or any other valuable asset. Finally, guardianship refers to the extent to which valuable property is monitored or regulated. When these three factors converge in time and space, the chances of criminal occurrences significantly increase. In other words, the spatial and temporal sequence of a crime must involve the offender and the victim in the same location at the same time without the presence of guardianship. Thus, from a routine activities perspective employees will take advantage of opportunities favorable or conducive to criminal behavior. Unlocked inventory doors, areas without alarms or surveillance, relatively easy access to valuable information or assets are conditions that lack effective guardianship. Under these conditions, rational or calculating employees will exploit these opportunities for individual benefit.

**Opportunity**

The amount, the frequency, and the prevalence of theft are also determined by the possible range of theft opportunities. Some jobs permit more opportunities for stealing as compared to other occupations, professions, or positions. If the product is without much value or no cash handling occurs, we would expect correspondingly less theft. Alternatively, if there are many things of value that can be taken from the workplace, we should not be surprised to discover higher prevalence levels of theft.

Unfortunately, almost everywhere one looks in the workplace, especially in retailing, we can find desirable merchandise of significant value, as well as plentiful amounts of cash. Given the high levels of opportunity for theft, it not surprising that employee dishonesty abounds in retailing. In fact, perhaps we should
ask the question in the opposite direction, namely, ‘why isn’t there even more theft given the numerous opportunities for taking things in the retail store?’ Reduce the levels of opportunity and theft rates should decline. The solution to the problem seems so obvious. Lowering levels of dishonesty should be the direct result of strictly limiting an employee’s access both to money and merchandise. However, as we eventually discovered with shoplifting, simply constraining access can backfire, since physical controls can seriously interfere with the ability of the retail employee to do their job. Just as the shopper must be able to touch the merchandise to facilitate sales, the sales associate must also have unrestricted access to both merchandise and cash to serve the customer and to complete their purchase transactions. In other words, locking things up, putting items under the counter, or physically chaining things down may not be the ideal answer to this problem.

Thirty years ago, it seemed that most security experts believed that unlimited opportunity was the predominant or sole cause of dishonesty in the workplace. Virtually all argued that if items are not properly secured, eventually your merchandise will be taken. At the time it was very common to believe that all employees are vulnerable to temptation. While most experts feel that this is an overly pessimistic image of the typical employee, it is undeniable that opportunity can facilitate theft and dishonesty in the workplace. Given its obvious importance, we find it interesting that here has been so little systematic research on the role that opportunity plays in the employee theft equation.

In *Theft by Employees* (1983), Hollinger and Clark compared theft levels among the various occupations in three different industries, namely, retailing, healthcare, and manufacturing. Generally speaking, employees working in those jobs possessing the greatest uncontrolled access to money and property did report slightly higher levels of theft. It is also important to note, however, that the majority of employees with high opportunity to steal were not involved in dishonest activity. In other words, from my own research and other scholarly studies, it has become clear that just having access to things of value does not necessarily produce theft. Opportunity also has important subjective dimensions. Three factors that can most greatly affect the subjective value of merchandise include social desirability, concealability, and proximity.

**Social desirability**

Obviously, money has objective (or extrinsic) value. However, the same always can not always be said for merchandise, which has both objective (extrinsic) and subjective (intrinsic) value. Some merchandise in our stores is highly priced, but could not be given away. Other less expensive merchandise can not even be kept on the shelves. Most internal theft (and shoplifting) is focused on those items that are at present highly desirable. This is especially true for younger employees with minimal tenure with the firm. Opportunity then is not just access to merchandise, it is also directly dependent on how ‘hot’ the merchandise is. In other words is the item currently in vogue? Or, as my generation said, ‘Is it cool?’ We should not just ask ourselves whether stolen items can be fenced or sold to
strangers? Of greater importance might include, does the merchandise in our stores have subjective value to the person who takes it, either for their personal use or to give to a close friend or family member? In other words, we need to continually re-evaluate the social desirability of the merchandise in the store.

**Concealability**

Can the item easily be hidden on one’s person to be taken? Most people are afraid to violate another’s private social space. This is why we have such objection to current airport security screening policies. Most things that are socially desirable are getting physically smaller and as a result, easier to conceal on our persons. Just think of how much easier it is to conceal a CD when compared to a vinyl record of an earlier generation, or a DVD when compared to a VHS tape in its box.

**Proximity**

The old saying goes, ‘familiarity breeds contempt.’ Perhaps in the retail store the saying should be re-stated ‘proximity breeds devaluation.’ Merchandise that is handled continuously every day can allow the employee to eventually view these items as just ‘things’ without great value to the company. POS terminals automatically price items that allows associates to lose appreciation for the real value and price of store merchandise. Eventually it just all becomes ‘stuff’ with little or unknown value, making much easier to steal and not worth protecting.

In summary, understanding the subjective dimensions of opportunity can help understand the cause of both internal and external theft. If an item of merchandise is socially desirable (i.e. envied and approved by one’s closest peers), can be easily concealed because of its small size, and is in continuous, unsupervised proximity to the sales associate during the work day, we should not be surprised if it is stolen with regularity. In fact, alternatively, perhaps we should be examining those circumstances where we find high levels of opportunity but with very little theft! Quite possibly the sales associates in those low theft environments have internalized the real value of the merchandise, understand the harm that theft causes for the profitability of the firm, and have not yet rationalized away the wrongful nature of their dishonesty.

**II Job dissatisfaction and workplace equity theories**

While rational choice theories suggest that employees engage in a personal cost-benefit analysis prior to committing crime, other theories maintain that employees are likely to steal because of the way they are treated by the organization and its managers. In recent years more and more scholars have found significant empirical support for the relationship between job dissatisfaction and employee dishonesty. One of the most commonly observed dishonesty explanations is based upon the assumption that disgruntled employees will steal from their employers in order to resolve feelings of perceived inequity in the way in which they have been treated. Generally speaking, if the prevailing worker attitudes
toward the organization, management and supervisors are positive, one finds lower levels of all types of deviant behavior in the workplace, including theft and dishonesty. However, if the employees: 1) feel exploited by the work organization, 2) believe that supervisors are not interested in them as persons, and 3) are generally disgruntled with their work situation – we find higher than average levels of theft and deviance. High levels of turnover in the retail industry can be viewed as a barometer of this pervasive worker dissatisfaction problem. Theft is viewed as the employee’s way of ‘getting back’ at an employer who does not provide a satisfactory work experience. In other words, employees ‘rip off’ the company when their employer is perceived as ‘ripping’ them off (Altheide et al., 1978).

The relationship between job dissatisfaction and workplace deviance was first tested by Mangione and Quinn (1975), who found only mild support among males 30 and older. Later Hollinger and Clark (1982) examined job dissatisfaction hypothesis with a much larger data set, discovering a more consistent pattern of support. Among employees in three different industries studied, those dissatisfied with their present jobs and looking for another job were more involved in employee theft. Retail employee thieves were most unhappy with the inadequate ‘task challenges’ of their work and the fact that their employers seemed not to care about them. In the hospital, employees who take property were most unhappy about their employer’s lack of caring, in addition to poor treatment by immediate supervisors and limited job responsibility. In the hospital, employees who take property were most unhappy about their employer’s lack of caring, in addition to poor treatment by immediate supervisors and limited job responsibility. Immediate supervisors were often viewed as the source of the workplace inequity, since employees usually view their supervisors as the personification of their employers.

A similar group of theories used to account for employee theft focus on employees’ perceptions of equity within the organization and how these conditions can provide motivation for criminal behavior. In general, equity, retributive and distributive justice theories assert that in situations where employees feel they are treated unfairly, employee theft is more likely to occur. In a classic study, Ditton (1977) discovered that workers commit petty crimes such as pilfering or chiseling to compensate for low wages. These ‘wages-in-kind’ were considered legitimate forms of compensation by most workers. Similarly, Greenberg (1990) found that employees view theft as a form of debt collection for perceived salary inequalities. In other instances, employees may steal because of dissatisfaction with work conditions. As Greenberg (1997) points out in his STEAL motive theory, employees will engage in theft in order to ‘even the score’ and redress perceived inequity with their employers. That is, workers who perceive unequal outcomes in an exchange relation will resort to theft to reestablish a more equitable relationship.
There is a rich literature in this area of inquiry. According to Mars (1974), dockworkers considered pilfering an entitlement for exploitative work conditions. In a study of nursing home theft, Harris and Benson (1998) found that dissatisfied employees were more likely to steal than satisfied workers. Likewise, Greenberg and Scott (1996) discovered that employees justified theft as retributive justice for dissatisfaction over an employer’s actions. In other words, employees rebelled against their treatment within the company.

Tucker (1989) describes similar behavior as a form of self help. In particular, this concept asserts lower status employees will commit offenses against their superiors in order to pursue justice. Since lower classes have less access to formal remedies when they seek to settle grievances against their superiors, they must take the law into their own hands and engage in alternative behaviors to help ensure a more equitable relationship. In most instances, these alternative behaviors are defined as criminal. Thus, when employees develop alternative behaviors to overcome a perceived injustice they are engaging in ‘self-help’ to pursue justice against a powerful organization. Indeed, Tucker (1989) found that the most marginalized workers including those that received the lowest wages, few or no benefits, and exerted little autonomy over their work conditions were those most likely to engage in theft. Similarly, Hollinger and Clark (1983) examined nearly 9500 employees representing the retail, medical, manufacturing industries and found that workers who felt exploited by the company were more likely to engage in acts detrimental to the organization. Finally, Baumgartner (1984) suggests that the origins of embezzlement can be found in grievances employees have against their companies. In order to settle these grievances, employees will engage in ‘covert retaliation’ such as theft or sabotage. Overall, studies related to equity theories indicate that employee theft is not necessarily an act of greed or opportunity. Instead, employee theft is a consequence of organizational characteristics that produce inequitable relationships. Employees steal to react against, counter, or control injustices in their work environment.

A recently published study entitled, ‘Career Jobs, Survival Jobs, and Employee Deviance: A Social Investment Model of Workplace Misconduct,’ concludes that while most of the research on employee theft conclusively shows a strong relationship to poor job satisfaction, there is yet another pathway to dishonesty (Huiras, Uggen and McMorris, 2000). After surveying a large sample of young high school students over a period of years, the authors conclude that the relationship between one’s future career plans and current job can also be a strong predictor of employee deviance. In other words, for this mid-twenty age group the entry into a career marks the beginning of adulthood. When respondents were employed in meaningful jobs that were not just providing economic ‘survival,’ but were directly linked to their long term career plans, deviance levels on the job were significantly reduced. In short, people whose current jobs match their long term career goals have made a social investment that directly inhibits deviance in the job. Even among young people, who are most prone to higher levels of employee theft and workplace deviance, can be deterred from these
activities when they see that their future might be adversely affected by their deviant actions.

III Culture of dishonesty

Other scholars have focused on the normative characteristics of the workplace in order to better understand how employees learn and justify their criminal behavior. For the most part, these theories have focused on the organizational culture and its informal structure to understand employee theft. This final group of theories used to explain employee theft focuses on organizational culture which refers to a set of shared meanings or understandings that influence organizational behavior by shaping employees’ cognition and perceptions of reality (Ott, 1989). An important part of the informal organizational culture is the various peer subcultures of dishonesty that exist within a given workplace (Cherington and Cherington, 1985). In many instances, these subcultures often take precedence over the established formal guidelines and become the guiding force of employee behavior (Parilla, Hollinger and Clark, 1988). That is, employees become more influenced by the expectations of their workplace peers than by the formal rules established by executives and managers. According to Hollinger and Clark (1982), employee perceptions of informal co-worker sanctions had the strongest effect on deterring theft. In particular, employees appeared to be more constrained by the anticipated reaction from co-workers than by formal reactions from the organizational management. As such, the informal structure is considered the most important factor determining the incident and prevalence of employee theft. Through peer interaction and socialization, employees learn the techniques, motivations and rationalizations for criminal behavior (Shover and Hochstetler, 2002). The pioneer of white collar research, Edwin Sutherland, was the first scholar to discuss the importance of peer association and its influence on criminal behavior. His theory of ‘differential association’ was developed as general theory to help explain the occurrence of both conventional and white collar crime. Specifically, Sutherland’s theory included nine propositions which asserted among other things that criminal behavior is learned through close interaction with others who hold favorable definitions to crime. Also within these interactions, offenders learn the techniques needed to commit specific types of crime and rationalizations used to justify criminal behavior. Sutherland argued that the longer and more frequent these criminal associations, the more likely a person would develop favorable attitudes toward crime and eventually engage in crime themselves. One of the more salient aspects of Sutherland’s theory that scholars have continued to explore is the importance of rationalizations to help justify criminal behavior.

The vocabulary and language shared among organizational members is generally considered a salient feature of the informal structure. In terms of employee theft, the use of linguistic exchanges provides justifications that minimize the guilt and shame associated with crime (Shover and Hochstetler,
2002). In part, this helps explain why otherwise moral and decent people can ‘drift’ into criminal behavior (Matza, 1964). One of the most complicated behaviors that social scientists attempt to explain is the person who takes the property of another without feeling any guilt or remorse. Most security professionals continue to be amazed by how many dishonest employees fail to appreciate the wrongfulness of what they have just been caught doing. Apparently, many people believe that stealing is perfectly acceptable, especially if you do not get caught. This belief is most commonly observed when the victim of the theft is a large, faceless bureaucracy, such as the government or a business corporation. Indeed, Smigel (1970) found that respondents were less concerned about the consequences of stealing from large organizations because they were considered impersonal, ruthless, wealthy and powerful and thus deserving of victimization.

According to Sykes and Matza’s (1957) techniques of neutralization theory and subsequent writings by other scholars, there are a handful of potential justifications offenders use prior to engaging in criminal behavior to reduce the anxiety caused by such acts.

Perhaps the primary reason for the continuing growth in the prevalence of dishonest employees is attributable to the fact that many conventionally socialized workers have discovered a way to overcome guilt for doing something that they know is wrong. In other words, normally honest and ethical employees are stealing without feeling remorse for their behavior. This process is not based on simple rationalizations in which one excuses or justifies unethical behavior ‘after the fact.’ No doubt many of us have engaged in these ex post facto rationalizations for our dishonesty after we have been caught doing something wrong or illegal. For example, the driver who receives a speeding ticket blames the police officer. The person who underreports their income blames the overly zealous tax auditor. The student who cheats on a test blames the instructor for preparing an extremely difficult exam.

These examples of ‘after the fact’ rationalizations are not causal explanations of behavior because they do not occur prior to the deviant act. To prove causation the factors which contribute to the origin of the behavior must be present before, not after, the offending behavior.

One of the most useful theories to explain why associates who have passed the rigorous interview and screening process will eventually steal is what criminologists, Gresham Sykes and David Matza (1957), call ‘techniques of neutralization.’ In other words, we need to understand how conventionally socialized persons negate the guilt or remorse that one should be expected to feel for their deviant behaviors. These techniques allow for the traditional ethical bonds of society to be temporarily broken or suspended. Prior to the introduction of this theory, crime was presumed to be a product of lower class life. Alternatively, this theory helped to explain why middle and upper class adolescents, after growing up in a morally and financially sound social background also engaged in delinquent behavior.
We have listed the major types below, along with a definition for each in words that a retail store employee might use to express the concept:

1. **Denial of Responsibility**
   ‘My store doesn’t make any sincere attempt to protect its merchandise. We have no working cameras or EAS tag alarms like other retailers do, so it’s not my fault when merchandise is missing. It’s obvious the company doesn’t care.’

2. **Denial of Injury**
   ‘My employer sells so much merchandise that nobody will miss the few items I take. They can afford it.’

3. **Denial of the Victim**
   ‘This company makes so much profit that they have no right to claim that they are hurt by a few petty thefts. I consider pilferage my “fringe benefit package.”’

4. **Condemnation of the Condemner**
   ‘The store has no right to condemn me for stealing small amounts of money and merchandise. My manager shouldn’t be surprised when we take things. In fact, if there is any victim around here it is me, given the pitifully low wages that we are paid. The company should not be surprised when their hard working employees steal. The more appropriate question they should be asking is, “why is everybody not stealing?”’

5. **Defense of Necessity**
   ‘I really need the money to buy food and pay my rent.’ ‘Or, If the company expects me to dress well at work then I am going to have to take money or merchandise to look presentable.’

6. **Appeal to Higher Loyalties**
   ‘My friends and family are far more important to me than this company that I have been working at for just a few short weeks. So, I let friends have free or reduced price items when I ring them up at the cash register.’ ‘Or, ‘I need money to pay for my child’s doctor bills, since my kids and family comes before my temporary allegiance to this company.’

7. **Metaphor of the Ledger**
   ‘We all work really hard around here, especially during the holiday season I keep track of what the company owes me in my head. If I steal it is only fair compensation for unpaid extra hard work.’

There is substantial empirical research support for this theory. Richard Hollinger (1991) found that many of the above-listed guilt neutralizing techniques were statistically more likely to be utilized by employees to excuse their dishonest behavior. Moreover, he discovered that techniques of neutralization were slightly more likely to be used by older, than the very youngest employees. Apparently, older associates, who understand better right from wrong, are more likely to need sophisticated guilt neutralizing vocabularies to excuse their own crimes.
In summary, employees’ perceptions of how they are treated by management have a great deal to do with creating and perpetuating a ‘climate of dishonesty’ in the workplace. Research shows that the most productive explanations are based on variables directly related to perceived workplace conditions or the attitudes held by workers. Managers must be more attentive to the extent to which these neutralizing techniques are present within the culture of their organizations. If neutralizing language and expressions are commonly expressed by workers, managers should not be surprised to discover that rates of employee dishonesty are above an acceptable level.

Another important aspect of the workplace vocabulary occurs when peer subgroups define employee behavior that is acceptable and unacceptable. In a study of blue-collar workers at a Midwestern electronics assembly plant, Horning (1970) discovered that employees developed guidelines for the theft of property. More specifically, employees identified three types of property including company property; personal property; and uncertain property. In terms of company property, the subculture consensus held that expensive tools or items for which there was an established accounting procedure such as a checkout policy were off limits in terms of theft. Conversely, small, less expensive or plentiful company property including nails, screws, and bolts was considered acceptable for theft. Also, uncertain property in which there was no clear ownership such as tools replaced by newer equipment, scrap or waste materials, and broken or defective parts were viewed as acceptable for theft. In terms of personal property, there was a strong normative consensus that such property should not be stolen under any circumstance. According to Horning, the theft of personal property was considered more serious than the stealing of expensive company property. Indeed, employee’s feelings were so strong and adamant that the stealing of personal property was unthinkable and considered taboo.

In other instances, the informal structure of an organization may define potentially criminal behavior as normal or commonplace. In this respect, the subculture language redefines criminal behavior as acceptable. For instance, Vaughan (1998) suggests that engineers at NASA continuously redefined problems associated with the solid rocket boosters (the cause of 1983 space shuttle Challenger explosion) as ‘acceptable risk.’ According to Vaughan, the work group’s definition of the boosters as ‘acceptable risk’ became an institutionalized cultural belief that was not questioned by those within the organization. Ultimately, the vocabulary of the informal structure provided employees with the means to negate the moral dilemmas caused by apparent signs of danger and weakness associated with the boosters. Whichever theoretical perspective scholars adhere to, it is important to understand the different dynamics that influence employee behavior in order to develop effective control mechanisms to limit its occurrence.

**Understanding deterrence**

Perhaps the single most important factor influencing employees’ decisions to steal involves whether they believe that they will get caught or not. This is
known in criminology as the question of deterrence. Assuming that an employee wants to steal and has the prerequisite opportunity, he or she will be affected by the two primary dimensions of deterrence. The first dimension of deterrence is the offender’s perceived certainty of detection. In other words, in the offender’s own mind, what is the chance of getting caught? The second dimension of deterrence is known as the perceived severity of punishment. In other words, if the offender does get caught, what bad things do they believe will happen to him or her as a result? Notice that we have phrased this in terms of perceived deterrence. The actual (or objective) certainty of detection and severity of punishment are not really important. All that really matters is the perception reality on the part of the offender.

Both the perceived certainty of detection and the perceived severity of punishment work together in combination to provide the optimal deterrent effect. Put in the context of highway speeding, the perceived certainty of detection consists of ‘what are the odds that I might get pulled over by the police if I exceed the speed limit?’ In addition, the severity of punishment amounts to ‘how many dollars will I be fined if given a ticket?’ For deterrence to work effectively, the law violator must believe two things. First, that there is a high probability of getting caught, and second, if caught, that the punishment will be severe or costly.

Research has shown that most new employees believe (albeit inaccurately) that they will be caught if they attempt to steal from their employers. Fortunately for most businesses, the vast majority of these easily deterred employees will never attempt to steal. Most troubling, however, is that further research suggests that there is a small but significant number of employees who believe that there is little or no chance that they will ever be caught. Unfortunately, as we all secretly know, these employees are factually correct in their assessment that the risks of detection are quite low.

Moreover, even if detected, many employees correctly assume that they will not be punished very severely. In fact, the more times that they successfully steal without detection increases their assessment that they are invincible to the efforts of loss prevention. This is especially true for young males. In fact, many long-time thieves actually believe that they will never get caught and are quite surprised when they eventually do (Hollinger and Clark, 1983b).

Given the virtually impossible task of detecting employee theft, the unspoken truth remains – most dishonest workers will never be caught. And, even if they are detected, they know that realistically the worst consequence which can happen to them is that they will be fired. Most employees who are actively engaged in theft believe that they will not be criminally prosecuted. Unless the offense is particularly costly or notable, these offenders are, more often than not, correct.

If your company is not known to aggressively prosecute employee dishonesty cases in criminal court, this situation provides very little deterrence, especially to those younger employees who report the very highest levels of theft even when the chances of detection are significant. So, if the employees at the bottom of the bureaucratic hierarchy believe that they won’t be prosecuted, and know that
they can get another job the very next day, how can the employer ever hope to prevent theft? The answer is that in most companies there is very little perceived certainty of detection and even lower perceived severity of punishment. It would appear that for the very experienced and confident employee thief, whatever loss prevention is doing to deter theft simply does not work very well.

Responses to employee theft and dishonesty

The primary function of any organization is goal attainment. In a business organization one of the more important goals is profitability. Crimes committed against the company by its staff and employees negatively affect the attainment of this goal. In order to protect its interests, companies devote considerable resources to combat employee theft and other potential sources of financial loss. Indeed, most corporations have loss prevention departments dedicated to focusing on crime prevention strategies. Preventing workplace crime requires a multi-stage prevention and detection strategy that includes keeping potential thieves out of the company, increasing awareness of crime-related problems, preventing and detecting the crime of both employees and customers, and finally handling offenders when apprehended (Traub, 1996; Hayes, 1993; Gross-Schaefer et al., 2000). Accordingly, most companies use a combination of four general prevention to limit sources of financial loss including: (a) pre-employment screening measures, (b) employee awareness programs, (c) employee or asset control policies, and (d) loss prevention and asset protection systems. In essence, such programs are based on deterrence principles which assert criminal behavior is the result of rational decision-making and opportunity. By limiting the opportunity to commit crime and/or increasing the certainty of apprehension, offenders will be less likely to commit a crime. As such, companies become more concerned with reducing the opportunity for crime rather than focusing on characteristics and motivations of offenders (Traub, 1996). In many ways, the prevention measures used by most corporations are closely related to Ronald Clarke’s (1997) concept of situational crime prevention. This concept suggests retailers can prevent crime by manipulating the environment to make criminal opportunities less attractive. The following discussion will examine each strategy in more detail.

Pre-employment screening measures are designed to identify employees susceptible to criminal behavior. Such measures include multiple interviews, honesty tests, drug screening criminal, background checks, reference checks, and verification of past employment to name but a few. The use of multiple interviews provides employers with a sense of an applicant’s demeanor and personality. Hayes (1993) points out that conducting at least two interviews allows employers to determine if an applicant is consistent and truthful in their responses or if they are being deceptive. Honesty tests are another method of determining the credibility of a potential employee. Since the enactment of the Polygraph Protection Act of 1988, US companies can no longer use lie detector tests during the screening process (Shepard and Dustin, 1988). Instead, many companies have turned to honesty tests which typically gauge an applicant’s
tolerance of deviant behaviors. Drug screening has proven to be an effective prevention measure since it immediately eliminates candidates that test positive. Likewise, criminal background, reference, and employment history checks immediately alert employers about applicants with less than exemplary criminal or work histories. According to Traub (1996), pre-employment screening strategies set the foundation for an effective crime prevention program. By preventing potentially deviant employees from entering the company, retailers can create an environment in which criminal practices are less likely to be developed or undertaken.

A second area in which companies attempt to prevent crime is through employee awareness programs. In general, these programs stress the importance of protecting company assets, the impact and costs associated with crime, and strategies to reduce criminal activity. Some examples of awareness measures are anonymous telephone hotlines so that employees can report wrongdoings, honesty or monetary incentives, training videos or programs, newsletters, and bulletin board notices and announcements. Since sales employees are the main defense against sources of financial loss, it is important for companies to develop programs that increase staff awareness or ‘consciousness’ concerning retail crime (Bamfield and Hollinger, 1996). In fact, employee commitment to the company has been shown to substantially reduce rates of inventory shrinkage (Hollinger and Dabney, 1994). A formal and consistent policy on issues related to theft alerts employees of the company’s stance on crime and informs them of the consequences for violating such policies. Indeed, Traub (1996) notes the major purpose of employee awareness programs is to indicate that the company is serious about reducing crime. Not surprisingly, the use of certain awareness strategies have proven effective in reducing levels of inventory shrinkage. In particular, companies that use honesty or monetary incentives, telephone hotlines, and periodic training lectures or programs have noticed declines in shrinkage rates (Traub, 1996).

A third type of prevention category companies rely on to control retail crimes include the use of employee or asset control policies. These include the use of cash register controls, inventory bar coding and scanning techniques, controlled cash handling procedures, and employee package checks. The use of point-of-sale (POS) exception-based reporting systems are employed to detect or track extraordinary register activity including voided sales, excessive refunds or discounts, and under-or-overcharges (Traub, 1996). In addition, companies use bar coding and scanning measures to prevent price switching and under-ringing of merchandise. The goal of these register controls is to quickly isolate employees involved in high-risk or questionable transactions (Hayes, 1993).

Increasingly, retailers have utilized electronic access controls to monitor and discourage employees from entering sensitive or restricted areas such as merchandise warehouses or cash handling areas. One of the more effective employee theft measures has been the use of periodic or daily merchandise audits. For instance, Masuda (1997) found that the use of a preventive audit survey (PAS) which consisted of daily cycle counts of camcorders and VCRs on display. These
informal audits instantly lowered theft rates of these frequently stolen items. He asserted the drastic reduction was primarily due to the perceived risk and certainty of detection. In addition, Masuda discovered the PAS system also lowered theft rates of non-targeted products such as televisions, radar detectives and portable CD players. According to Clarke (1997), the implementation of prevention measures often creates a halo effect (called ‘diffusion of benefits’) whereby non-target crime items also experience a marked reduction in theft because opportunities for crime become uncertain and offenders perceive an increased risk of apprehension.

While the three previous categories focused primarily on internal threats (e.g. employees) to profits, the last prevention category centers on strategies to reduce external threats such as shoplifting. Most of these customer or loss prevention system techniques rely on surveillance and target hardening measures including closed-circuit televisions (CCTV), cameras, merchandise ink or electronic tags, the use of locks, alarms, and safes, and the use of store detectives or security personnel. Surveillance strategies significantly increase the risk of detection and apprehension, while target hardening devices attempt to physically obstruct offenders from valued merchandise by increasing the effort associated with committing crime.

Concerning surveillance measures, the presence of CCTV often serves as a psychological deterrence. Offenders know they are being closely monitored and thus will be more reluctant to commit an offense. In a study of supermarket thefts, the presence of CCTV dramatically lowered levels of shrinkage after being implemented (Brown, 1997). Similarly, security guards and store detectives also provide surveillance particularly over merchandise and items that can be concealed easily. Another monitoring strategy includes placing small and/or frequently stolen merchandise near employee work areas or stations.

Beyond surveillance or monitoring devices, retailers rely on several target hardening devices. For instance, electronic article surveillance (EAS) systems such as merchandise tags and electronic equipment source tags are specialized devices that can only be deactivated by cashiers using detachable machines. If illegally removed, audible alarms are sounded. In this way, EAS systems dramatically increase the risks of committing criminal offenses. Studies have shown that the use of EAS tags on clothing items significantly reduced levels of shoplifting (DiLonardo, 1997). Similar to EAS tags, retailers also rely on benefit denial devices (BDDs) such as fluid, ink, or mechanical tags that damage or destroy merchandise when tampered with (Hayes, 1993). Such devices remove the potential gain of stealing since offenders will be unable to use or re-sell these stolen goods.

Another loss prevention strategy company’s use to limit customer theft is the use of refund controls. Challenger (1997) found that an authorization program introduced by Target stores reduced the number of customer-related frauds since ‘proof of purchase’ sales receipts were needed to obtain a refund. In essence, the refund system prevented offenders from stealing items and returning them for cash or store credits. The use of check approval screening systems also limits the ability of individual to fraudulently forge stolen checks.
In sum, the four major prevention categories including pre-employment screening measures, employee awareness programs, employee or asset control policies, and customer or loss prevention strategies are indicative of Ronald Clarke’s (1997) concept of situational crime prevention. This concept refers to measures that manipulate the environment in order to reduce criminal opportunities. In effect, the situational crime prevention measures can make a company less vulnerable to victimization since these countermeasures can (1) increase the perceived effort of criminal behavior, (2) increase the perceived risks associated with crime, (3) reduce the anticipated rewards of crime, and (4) increase the shame or stigma related to criminal behavior. According to Clarke, these situational measures create physical and/or psychological deterrence barriers that make offending more difficult. While the use of these prevention strategies have proven to be effective, Shapland (1995) argues that many crime-prevention measures used by organizations have been implemented without regard to the actual crime problem and without consideration of location or geographic factors. In a study of manufacturing and wholesale organizations in England, Shapland (1995) found that the organizational design and layout as well as location were significantly related to the crime rate of the organization. Thus in order to develop effective crime prevention programs, organizations must implement policies that account for the potential impact of location factors.

Conclusion

It should be quite apparent by now to the reader that employee theft and staff dishonesty is not an easily understood phenomenon. It is hard to measure, difficult to theoretically explain, and almost impossible to prevent. Nevertheless, it has been well researched over the years, yielding a literature with many consistent findings and conclusions. First, while the typical worker is not dishonest, many employees do steal at work. In a typical year approximately one-third steal property and two-thirds engage in counter-productivity (i.e. production deviance) (Hollinger and Clark, 1983). Most do not think that what they are doing is very wrong, and some even justify their behavior. The majority of these employees feel disgruntled about their employers, supervisors, and workload. It should not be surprising then that one of the best predictors of employee deviance is the percentage of ‘turnover’ of staff in the workplace. People who are unhappy don’t work productively, may steal, and eventually leave for ‘greener pastures.’ This should clearly suggest to employers that the way that employees are treated will affect every aspect of the work experience. Moreover, unhappy, marginalized and disgruntled staff will definitely be a detriment to the profitability and growth of the business in which they are employed. They will seek higher levels of remuneration, often in an illegal and unauthorized manner. Perhaps the old adage, ‘pay me now or pay me later,’ is an appropriate summary to the material covered in this chapter.
Key readings

References


