How to Combat Theft in the Workplace

Can employee theft in the wall and ceiling industry be prevented or is it an economic fact of life?

by Mary Frech McVicker

Do any of the following scenarios sound familiar? If so, your wall and ceiling company, like many other businesses today, might have a problem on its hands.

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- When Jeff finally had saved enough money to buy a home, he felt he had reached a milestone. Owning a home was something he and his wife had dreamed about for years. They’d spent several discouraging months looking for a house that was perfect in all respects, including price.

  One of the major assets of the house they finally selected was a large basement, even if it was unfinished. It was no surprise to anyone that Jeff’s basement soon became a beautiful recreation room. After all, didn’t he work for a wall and ceiling contractor? From Jeff’s point of view, taking a few sheets of drywall and ceiling tiles didn’t hurt anyone, because they were extras anyway, and he had given his boss a good week’s work.

- Janice was the sole support of two small children. She worked as a secretary/receptionist for a wall and ceiling contractor in Florida. To make ends meet, she began doing extra typing for people in the evenings after the kids had gone to bed. She always had been an excellent typist, and soon she had a substantial business going on the side.

  In fact, business was so good that she didn’t have enough time to finish
“Theft of supplies and equipment is a major problem for almost every contractor, large and small. In our industry, where employees can easily work for others in their off hours, supplies and equipment tend to disappear.”

everything in the evenings. She started typing during her lunch hours. She also discovered that if she took a few shortcuts and worked extra fast during business hours, she could pick up an extra hour or two a day to do her own typing. And because her work routine involved a lot of typing, who was going to know whose work she was doing?

- Marge was a competent accountant, and over the years, she had taken enough night courses to do all the bookkeeping for the wall and ceiling contractor she worked for. When her employer installed a new computer system, Marge took night courses in data processing and soon was the only person in the office who really knew their way around a keyboard.

After all these night courses, Marge felt she was dreadfully underpaid. So to make up the difference she felt was due to her, she helped herself to several hundred dollars a month. After all, by working so much she was saving the business the salary of at least one other person. Wasn’t the business still coming out ahead?

While all of these scenarios are purely fictional, they illustrate one of the biggest problems facing the business world today—employee theft.

The scope of employee theft is impossible to determine, but even the conservative figures are appalling. The U.S. Department of Commerce estimates that more than $40 billion is stolen every year by U.S. workers. The problem is just as bad in Canada. “Perhaps as many as 30% of all business failures are the direct result of inside theft,” according to police consultant and author Margart Kenda in “Crime Prevention for Business Owners and Managers.”

The problem affects all businesses, and particularly those in the construction industry, where direct supervision is usually absent. There are three broad categories of employee theft. Each has
its own difficulties in prevention.

• Embezzlement. Stealing funds from a business is a classic employee crime. The stereotypical quiet little bookkeeper who has been with the contractor for 20 years (and embezzling for 15 of them) does exist outside of the realm of crime fiction.

• Theft of supplies/equipment. This is a major problem for almost every contractor. It is not confined to large or small contractors. In our industry, where employees can easily work for others in their off hours, supplies and equipment tend to disappear. Theft of services is also a problem, especially where valuable computer time is involved.

Office supplies are particularly susceptible to theft. Employees take pens, paper, and other materials for children’s school supplies or for general use at home without even thinking twice. Many of your employees don’t even regard this as stealing, but as one of the “perks” you provide.

• Theft of time. This category of employee theft is the least measurable and most insidious. The scenario involving Janice, who uses her employer’s time to do her own work, is an example. Another involves the worker who spends an hour on personal telephone calls. Yet another involves the bored employee who intentionally works slowly or poorly.

Theft of time is receiving increased attention. It can be an open or discrete form of theft, but it is often difficult to identify. Nonetheless, there is widespread agreement that it exists and that it is a pervasive, growing problem.

Although this article deals mainly with the other two forms of theft, many of the points made about them and many of the suggestions for combating them are applicable to theft of time.

Combating employee theft is a multiple-step process. Learning how theft occurs and what can be done to prevent it is certainly part of the process. But another important element—one that is often overlooked—is learning about the problem itself. Why does it happen?

Employees steal for many reasons, not just to acquire money or goods. Others include:

• Rationalization. Employees don’t regard what they are doing as stealing.

• Resentment. “I’ve been treated unfairly.”

• Ego gratification. “How clever I am!”

• Boredom.

• Pressure from peers.

• Pressure from the company.

• Opportunity.

• Entitlement. “They owe me.”

• Challenge. “How clever can I be?”

Most thefts result from combinations of these reasons. At the same time, the believed reasons for theft may not apply universally. For example, not all bored employees steal. Similarly, people are faced with opportunities for dishonesty every day that they ignore.

This is not to suggest that these reasons excuse theft. Everyone has pressure, owes money and gets bored.
or resentful, but dealing with these concerns is part of life.

But employers often create or contribute to situations that are conducive to problems like theft. A classic example of this involves the business that makes unrealistic demands on its employees in terms of quotas, production increases, sales increases, service calls and so on.Having employees participate in setting their own goals is an effective means of reducing frustration and resentment, besides being good management.

It’s not the obligation of employers to entertain employees; however, boredom and monotony are breeding grounds for many types of trouble. If boredom is a significant aspect of certain jobs or for certain employees, the worst thing an employer can do is ignore it. Sometimes the problem of boredom can be alleviated, dispersed, shared or combated. At the very least, it should be admitted.

Small businesses are frequently remiss in their personnel policies. But fair policies that are applied evenly can reduce many problems stemming from resentment or a feeling of entitlement. Too many contractors run their businesses like fiefdoms, favoring one employee over others in terms of pay, benefits, work assignments and advancement opportunities. Good employees should be treated well, but this should apply (and be clearly understood by all employees to apply) evenly to everyone.

Inviting Trouble . . .

Contractors often invite employee theft by their attitudes. This happens in several ways.

“It can’t happen here” is a commonly held opinion.

Many contractors don’t take the time and effort to institute proper controls in their businesses.

The attitude of the employer toward theft is significant in any size business. This attitude can be communicated in various ways:

• The employer doesn’t take the time to scrutinize and check reports for accuracy.
• Employees cheat on their expense accounts and are never required to account for them.
• Inventories (particularly supplies) are never checked, yet everyone knows items are taken.
• Employees are allowed to spend excessive amounts of time on personal business.
• Nothing is said to employees who habitually come in late or leave early.

These are all perhaps minor forms of cheating or pilfering. Yet, if employers say or do nothing, they send signals to employees that they do not care about these practices.

Other signals may carry more weight and, perhaps, lead to more serious theft. What if the employer cheats? What if he lies, does not report sales or cheats on taxes? And if employees know or sense this, what do they think? What is the employer communicating to them?

Many people who stole from former employers have said that they didn’t think their employers cared about theft.

Standards of ethical conduct, expectations of good work behavior, and fair, consistent guidelines for employees (all clearly communicated and followed by the employer as well) can establish an attitude that cheating, pilfering, theft—whatever it be called—is not allowed on any level.

What Can a Business Do? . . .

No cure exists for employee theft. But there are many possibilities for reducing the opportunities that lead to theft.

Some considerations are:

• Block access to the premises. Much employee theft occurs after hours. Lock the doors, set the security system, and don’t be generous with keys. Be aware of employees working after hours and when the business is closed. In fact, discourage this as a
practice. (There are good personnel management reasons for discouraging overtime as well.) If overtime is necessary, be there.

• Use a security system. Many small businesses shy away from them, because they think such systems are too big, too complex and too expensive. This is not necessarily so. Security systems come in all sorts of forms. Explore the options.

• Conduct frequent inventories. This is often quite feasible for small businesses. The inventories are such that owners can make frequent, informal checks. Such examinations can alert employers to theft. Careful scrutiny after making such checks often pinpoints the problem.

• Check supplies frequently. Supplies should be checked at least once a week. If there appears to be a problem, check more often and consider locking up the supplies. This may be a nuisance, but theft is a nuisance, too. And theft is usually more expensive than buying a lock.

• Check invoices. For instance, find out how much typing paper you are buying. How does this relate to the number of letters your firm sends out per month? Are the figures realistic? The same is true of inventory you purchase. Do your purchase orders correlate with sales and inventory? The numbers should make sense. For example, if you buy 20 dozen Dracaena marginata and can account for only 17 dozen of them through sales and inventory records, you have a problem.

• Be clear about policies on “borrowing.” If you think it’s all right for an employee to borrow equipment or tools over the weekend, establish a clear policy about who may borrow materials and under what conditions. Similarly, if employees are allowed to take certain supplies or inventory, be specific and clear about the policy.

• Make employees accountable for equipment assigned to them, and know where that equipment is.

• Know your employees’ work habits. In this area, small businesses have an advantage over larger ones. Most experts on employee theft agree that crime is often accompanied by deviations from normal patterns. An example of deviation might be secrecy about work. These changes may not be conclusive, and employers need to be careful about jumping to conclusions. But alertness for deviations from normal patterns of conduct or work is a recurring theme in recommendations from all experts on employee crime.

• Be sensitive to employees’ problems. Employee theft is often committed to “resolve” difficulties, often but not always financial problems. This is not to suggest that employees will steal when they find themselves under pressure. But pressure and the feelings of desperation that can accompany it sometimes push people to steal.

And they may not look on what they have done as theft. Many employees who steal fully intend to pay back what they owe.

Don’t pry, but try to be aware of your employees’ existence outside of
work. If an employee is having problems, try to be sensitive to those problems to the extent you can without being unfair to other employees. If it’s appropriate, try to help. At least try to avoid increasing the pressure on that employee.

- Establish fair personnel policies, and apply them evenly. Try to be flexible by learning about what employees need. This relies on close contact with workers, which is one of the advantages of small businesses.
- Be careful about giving out signature authority. Insisting on signing everything can be a nuisance, but don’t be too casual about signatures. Make regular, random checks on what has been signed.
- Watch for complaints from customers that goods were not delivered or that bills are inaccurate. Follow through on these complaints.
- Screen job applicants carefully. Check references closely.
- Some businesses use lie detector tests. This practice is very controversial, and many states now ban polygraph tests in job screening.

Psychological tests are also controversial, but their use is usually legal. These tests are available through various consulting organizations, which administer the tests, analyze the results and give recommendations. Objections to these tests range from questions about their accuracy in measuring honesty to their intrusive nature.

- Split tasks, particularly those that involve money and checks. For example, the person who writes the checks should not be the one who processes invoices. This is basic financial management theory. Yet, in many small businesses with small office staffs, one person handles all the financial matters.

If possible, split up the bookkeeping tasks so that one person can act as the check or control on a particular task handled by another. If this is not possible, do some of the bookkeeping yourself or have an outside service handle some of it. In some respects, this may not be efficient, but absolute efficiency is not always the paramount objective.

- Have an outside audit. This is particularly critical if your bookkeeping is automated or done by computer. Audits will not catch every irregularity, nor are they designed to. But they can catch a lot, and the psychological effect of routine, impersonal checks is useful.

- Get an expert if you have a problem. Have a surprise inventory audit by an outside firm if you think records have been falsified.

Hire a security firm to do some checking. Such services can be hired for short periods or specific jobs.

One company that had some questions about a delivery person hired a security firm to follow him for several days. The security service discovered the delivery person was stealing inventory and selling it during business hours, and it provided good evidence of the theft.

- Be involved in your business. Stick
Business is not in a constant state of upheaval while they are gone when their jobs are performed by someone else. Such changes may provide clues about possible theft among the regular workers.

- Insist that employees take their vacations. Look for changes that show up while they are gone. Such changes may provide clues about possible theft among the regular workers.
- Plan your own work so that the business is not in a constant state of crisis. Attention to details and awareness tend to “slip through the cracks” during times of upheaval.

Resources . . .

The climate for employee theft is favorable today for several reasons. One is that employee theft, often called white-collar crime, is usually not prosecuted. Prosecution is expensive and messy; most small businesses and many large ones don’t have the resources to prosecute.

Public prosecutors, often greatly overworked, sometimes won’t handle cases involving “small” amounts of money. Even when employee crimes are prosecuted and convictions result, the penalties may be discouragingly light. In one case, not untypical, an employee who admitted having embezzled $37,000 was given six months’ probation. There were no extenuating circumstances in that case that might have accounted for such a laughingly light penalty.

Another factor that contributes to this favorable climate is reluctance on the part of businesses to confront the problem. Reluctance to admit what has happened is a theme that runs through discussions with victimized employers. It’s as if having had an employee theft is a secret sin and a blot against the business. But this is one area where businesses can help each other.

Business organizations vary widely in their level of involvement with important issues. Local chambers of commerce should be heavily involved in the issue of employee theft, because it is a problem, actual or potential, for all their members.

If your chamber of commerce seems unwilling to meet this need, start your own group. Contact other businesses like yours or other businesses in the area. Have a breakfast meeting and arrange for a speaker on employee theft. Someone from the police department or a security firm might be willing.

Can a group do anything besides talk? Certainly. But much depends on the group.

First, talk itself can be beneficial. It can yield information, suggestions, advice and clarification. It can create an attitude of resolve.

Second, the combined resources of a group can make it possible to hire a consultant, solicit and get advice (sometimes free), or help finance a legal fund.

When Theft Occurs . . .

When a theft has occurred, what should an employer do? What choices does he have?

- Do nothing. This is an option some employers choose. What they don’t realize is that by making this choice, they are also choosing to encounter many other problems, including further thefts and low morale.
- Prosecute. In considering this option, one must look at the amount of money involved, the evidence, the expense of the suit and the probable outcome. Outside advice from the police and/or an attorney should be considered.
- Interview the employee. This can be a delicate matter, and an employer needs to be very sure of his ground. Even with the most damning evidence, any interview or confrontation must be handled carefully. The employer might be raging inside, but a nonthreatening approach (“I think we may have a problem”) is best.

The outcome of any interview will depend on what, if anything, the employee says, as well as other circumstances. Various alternatives exist. The employer could fire the employee, fire and prosecute, give the employee another chance, require counseling or assign the employee to a different job. No one solution is right for every situation.

Finally, the employer should listen to what the employee is telling him, however indirectly. Employees steal for a variety of reasons, some of which may not be readily apparent but are controllable.

Insurance . . .

Too many entrepreneurs are not aware that many losses caused by employee dishonesty, default or fraud are insurable. Fidelity bonds, a form of surety bond, are available through many insurance companies. An insurance agent should be able to provide information about this.

Surety bonds are not a solution and should not be regarded as such. But they can reduce losses, perhaps ameliorating some of the harm caused by employee theft.

Conclusion . . .

Employee theft is not totally preventable. There are some factors that are not controllable, and the human factor is always unpredictable. However, an employer does not have to sit back and wait to be victimized.

By taking affirmative steps to reduce opportunity and increase an employee’s perception of risk, an employer can inject some factors of his own. This takes time and effort, and it’s not a particularly gratifying aspect of being an employer. But isn’t your business worth it?