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Employer Perceptions Of Workplace Crime

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Employer Perceptions of Workplace Crime

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U.S. Department of Justice
Bureau of Justice Statistics

Steven R. Schlesinger
Director

Report prepared by
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Foreword

The study described in this report represents an exploratory effort to understand the current views of senior management officials regarding the nature and seriousness of workplace crime. Understandably, competitive marketplace factors make the collection of data in this area very difficult.

The findings of the study describe 208 responses to a questionnaire mailed to 1800 senior management officials. Because of the statistically low response rate, conclusions may not represent the views of management in general. The survey, which was augmented by on site interviews with corporate representatives, does present, however, at least a partial view of corporate thinking on these issues at this time.

Steven R. Schlesinger
Director

Acknowledgments

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Field research, interviews, legal research, and editorial assistance were also provided by a number of staff members at the Educational Fund. Dr. Ronald Morris conducted valuable preliminary studies early in the project. Nancy Warren was the Fund's principal research assistant for this project, with additional interviews and research by Jane Karas, Trudy Hayden, Alan Martin, Robert Kinscherf, and Donna Pevney. Luceil Sullivan was responsible for the overall administration of the project.

Word processing, proofreading, and other assistance was provided by Hope Campbell.

More than 300 people agreed to be interviewed in connection with this and other project work to date, including State and local law enforcement officials, directors and staff members at human rights and equal employment opportunity offices, staff members at a number of business associations and public-interest groups, and corporate legal, security, and human resources executives. Their generous and open cooperation is gratefully acknowledged.

The descriptions and conclusions contained in this report are the sole responsibility of the authors.

Contents

Executive summary

The goal of this 3-year project has been to learn more about the extent and nature of employee crime in private sector workplaces and to explore how corporate managers and professionals think about and act on such problems.

The overall approach to studying these issues was multifaceted. Through site visits and other face-to-face contacts in more than 30 organizations (in Florida, New York, New Jersey, Illinois, California, and South Carolina), more than 200 line managers and corporate legal, human resource, and security professionals were interviewed. Mail and phone surveys were directed at officials in State human rights, motor vehicle, and law enforcement agencies. Numerous ad hoc inquiries were made of staff people in industry associations and a wide range of public interest groups. In all, more than 400 interviews provided backround for our conclusions.

This report focuses on the results of a 1985 national mail survey of senior professionals in a wide range of private business enterprises. Included were manufacturing, mining, trucking, and utility concerns, banks and insurance companies, and a variety of retail, health care, entertainment, and other businesses ranging in size from less than 500 to more than 50,000 employees. The survey was anonymous. Respondents took a great deal of care in answering the questions we posed and in making very difficult judgments about crime patterns, costs, and crime control efforts in their organizations.

Since the response rate to the survey was only 12%, however, conclusions, although accurately descriptive of respondents' views and consistent with the background findings, may not represent the views of management in general.

How serious are the problems?

Most of the senior professionals who responded to the survey do not view employee crime as presenting a crisis for their companies, though respondents indicate that some employers are facing three or more serious problems simultaneously. Noncriminal offenses such as abuse of company services, chronic absenteeism, and substance abuse are viewed as no less troubling than more traditional areas such as major theft and fraud. Whether their companies have serious crime problems or not, respondents see the 1980's as a period of changing management definitions of "serious" workplace misconduct and its consequences.

Asked which employees are responsible for the most serious crime problems, a third of our respondents named management or senior staff titles in their companies. For major fraud, managers were viewed as the primary source of the problem by 60% of our corporate respondents. As might be expected, misconduct such as abuse of company services and petty theft are seen by two-thirds of the responding companies as coming from all employees or from a very broad employee group.

Evaluating *indirect* costs from employee crime, these senior professionals cite employee morale more frequently than productivity for most types of crime; a third see damage to public image as the most important indirect effect when major theft, fraud and kickback/bribe schemes are discovered.

Preference for internal controls

Our survey respondents describe a shift others have observed--from a public to a largely private system of "policing" in the United States. Most responding companies have shifted their emphasis from pre-employment to on-the-job controls. For almost all types of crime and misconduct, the respondents believe that internal controls are more effective than pre-employment screening. This is reflected in the types of crime-control measures they have recently introduced and in what they believe would have prevented the most recent major theft or fraud.

Overall, two-thirds report new crime control initiatives in the past 5 years, and half have recently tightened up on practices that the company previously overlooked.

The drug problem

Substance abuse is of considerable concern to a third of our respondents and to 55% of the blue-collar employers in our sample. White-collar companies in the sample worry more about its effects on productivity. Manufacturing and other blue-collar employers are concerned about the threat to job safety and fear that drug problems contribute significantly to employee theft.

Overall, respondents believe that drug use and abuse is a complex problem. Many fear that neither testing technology nor careful supervision are capable of supporting effective handling of drug problems.

Impediments to crime control

Respondents rated 10 possible impediments to effective crime control in their companies. Management misunderstanding and failures figured prominently in the complaints of these senior professionals--failures to recognize problems, to provide resources, to take tougher stands on abuses. Almost 60% believe that poor supervision makes crime policy implementation difficult. External problems were mentioned less frequently, but prominent among them is a failure of other companies to share critical information about former employees.

Respondents offered few suggestions for government or industry-wide action against employee crime. For the most part, these professionals do not see their crime control efforts as excessively burdened by government restrictions; nor are they looking to government or industry groups for solutions.

Many did suggest government should make it easier for employers to share information among themselves and to prosecute. But the clear sense here was that management first has to decide that these are important changes in practice that it wants to support.

Tension between conflicting policies and objectives

Many of the responding managers and professionals face considerable cross-pressures and a number of dilemmas as they try to cope with problems of employee crime and misconduct. Established company policies may not be appropriate for new problems; legislation and litigation press in contrary directions; and they may lack the internal consensus they need for effective crime-control efforts. Indeed, many of the senior professionals in our national sample express sharp disagreement with their own line managements over questions of resources, support, enforcement of existing policies, and prosecution.

However, it appears that corporations do have (and many are using) the tools they need to reduce employee crime and serious misconduct. The security and human resource professionals in the survey report that employee crime is in large measure a management problem and that most of the solutions lie inside the corporation, not outside of it, with government.

There is some predictable tension, as management tries to retain its autonomy in this area, while courts and legislatures review what happens to employee rights and dignity in the process of private-sector crime control efforts. The most recent examples of this tension are even now being played out in court tests of drug testing, legislative debate over polygraph restrictions, and challenges to employer electronic monitoring.

Summary of findings

Most serious crimes

- Major fraud, major theft, petty theft, and abuse of services were ranked about equally as the most serious workplace crime by the 208 respondents to the survey.

- Major fraud was considered the most serious crime by large and medium-sized companies (29%).

- No more than 5% of respondents in any category rated sabotage or violence as a moderate to serious problem in their company (table 3).

- Overall, and for each crime category, blue-collar companies and large companies rated employee crimes as more serious than white-collar and small/ medium-sized firms (table 3). Blue-collar corporations ranked petty theft as the most serious employee crime with more than half the respondents indicating that such offenses were moderate to serious.

- Abuse of services and petty theft were considered the most serious crimes by small-company respondents (32% and 27%, respectively) (table 5).

- 42% of large companies and 44% of blue-collar companies indicated that three or more problems were serious in their companies. This compared to 9% of small and 14% of white-collar companies (table 7).

Recent losses

- Approximately two-thirds of all respondents reported at least one theft or fraud that they considered major over the 2-year period 1984-85; 31% of the larger companies and 47% of small companies reported such events (table 4).

Substance abuse

- 35% of all respondents rated substance abuse as a moderate to very serious problem in their company (table 8). Concern was highest among large (55%) and blue-collar (48%) companies (table 9).

- Among blue-collar companies, a third rated substance abuse as serious or very serious. No other area of crime or misconduct was considered this serious by either blue-collar or white-collar companies or the total sample.

- In general, white-collar firms were most concerned about productivity losses associated with substance abuse; blue-collar companies were most worried about safety implications (table 18). In project field interviews, issues of company image, legal and insurance liability, and protection of company secrets were also frequently raised by corporate legal staff.

- Control of substance abuse represents a complex issue involving employee privacy rights, legal impediments to pre- and post-employment screening, and coordination of management and health and human resources personnel. These issues may be compounded where abuse arises in top management levels.

Employee offenders

- Although nonmanagement personnel were cited as the source of the respondent companies' most serious crime problem by half of all respondents, a third of respondents cited management and senior staff as primary problem sources (table 11).

- Similarly, of those respondents citing "abuse of services" as the most serious problem, a fourth cited management/ senior company staff as the principal cause. This may indicate changing attitudes toward previously accepted abuses in areas such as expense accounts, travel, and telephone abuse (table 11).

- Educating and encouraging top management to adopt more active crime control policies was viewed as a priority by respondents.

Crime control techniques

According to the survey respondents, workplace crime is overwhelmingly handled through the private sector without government involvement.

- For all crime types except violence/ intimidation, respondents indicated that on-the-job controls are strongly favored over pre-employment screening (table 17). Factors minimizing the value of pre-employment checks include:

--uneven quality of criminal history records and problems in data access;
--failure of prior incidents to be reported for inclusion in official records;
--refusal of prior employers to share information.

- Most common among recently introduced or improved internal controls were (table 17):

--upgraded physical security;
--expanded exit searches;
--audit and inventory control.

- Respondents indicated that serious thought is also being given to expanded use of undercover agents and (where legal) polygraphs and drug testing for both screening and on-the-job control.

- In attempts to limit employee crime, about half of the respondents have recently introduced controls on minor abuses that were formerly overlooked. About 60% imposed new controls on managers and others relating to expense accounts, travel, and receipt of gifts. Although abuse in these areas was not considered extensive, increased control was viewed as a means to send a message to other employees in the belief that prevention of minor abuses might help prevent more significant problems.

The survey

Findings are based on 208 responses to a survey mailed to 1,800 senior management officials in large, medium, and small companies across the Nation. The survey, which was augmented by on site interviews, was conducted in 1985.

Introduction and research approach

This project began in 1982 as an effort to identify the public policy issues expected to emerge in the 1980's concerning workplace crime. Then, as now, the problem of employee crime was receiving a great deal of attention inside major corporations and in business and professional media. The goal of this project has been to learn more about the extent and nature of current workplace crime and to explore how corporate managers and professionals think about and act on such problems.

Because of the Educational Fund's interest in private-sector organizations and the special legal and labor market situation of applicants and employees in such companies, this project looked only at the practices of private industrial and business organizations.

Table 1. Respondents, by size of company and area of specialty (n = 208)

Company size		
Survey classification	Number of employees	Percent of sample
Small (n = 105)	Less than 1,000	24%
	1,000 - 5,000	27
Medium (n = 47)	5,001 - 10,000	17
	10,001 - 20,000	6
Large (n = 56)	20,001 - 50,000	13
	More than 50,000	13
Industry type		
Survey classification	Industry	Percent of sample
Blue collar (n = 107)	Manufacturing, mining, oil & gas, trucking, utility	52%
White collar (n = 78)	Banking,	20
	Insurance	17
Other (n = 23)	Retail, resort, healthcare, etc.	11
Respondent's area of work		
Work area		Percent of sample
Security duties (V.P., Director, Manager)		38%
Human resources, employee relations, personnel		33
Audit, risk management, finance, administrative services		10
All other, including legal, line managers, factory managers		16
No answer		3

Research approach

Our approach to studying these issues has been to talk extensively with managers and professionals about their experiences and opinions. Through site visits and other face-to-face contacts in more than 30 organizations (in Florida, New York, New Jersey, Illinois, California, and South Carolina), more than 200 line managers and corporate legal, human resource, and security professionals were interviewed. Mail and phone surveys were directed to officials in State human rights, motor vehicle, and law enforcement agencies. Numerous ad hoc inquiries were made of staff people in industry associations and a wide range of public interest groups.

In all, more than 400 interviews provided the background for this analysis. These were supplemented with continuous monitoring of business and professional journals and legal review of relevant State law, arbitration, and civil litigation decisions. At a number of points, we made presentations before corporate legal and human resource groups to secure feedback on their current concerns.

The national survey

These extensive qualitative data were supplemented in December 1985 with a national survey of senior professionals in a wide range of private business enterprises. Included were manufacturing, mining, trucking, and utility concerns, banks and insurance companies, and a scattering of retail, health care, entertainment, and other businesses. Surveyed companies ranged in size from less than 500 to more than 50,000 employees (table 1).

This survey was initiated because our qualitative fieldwork simply did not involve enough organizations across the United States to provide a firm basis for judgments. Further, our fieldwork included many more large "Fortune 500" firms than small and medium-sized business concerns, since these are the strata into which the Educational Fund had greatest entry for frank discussions of issues and problems. We felt that, despite the limitations of the mail-survey approach, an anonymous survey could give us a valuable statistical picture of the range of experiences and views with respect to employee crime in companies across the United States.

Questionnaires were sent to 800 corporate officials selected at random from a list of senior security, human resource, risk protection, and legal professionals in "Fortune 1000" corporations. An additional 1,000 questionnaires were sent to human resource and security professionals selected from a commercial list containing a nationwide distribution of small (5,000 employees or less) manufacturing, banking, and insurance companies. Respondents representing 40 States returned 208 questionnaires, a response rate of 12%. Almost all respondents were senior executives with Vice President or Director titles.

Respondents were not evenly intermixed by size, profession, and industry. For example, security directors in our sample were disproportionately located in manufacturing firms; more human resource directors came from white-collar than blue-collar industries. (Many small and medium-sized companies do not have a security director position at all.) Such factors will be discussed below.

The response rate for our survey was low, but was consistent with our past experience with mailed surveys of corporate officials. This poses some problems for our analysis, although this may be offset somewhat by the wide distribution of responses by size and industry and because the depth and quality of the responses were better than expected. Most respondents took a great deal of care in answering the questions posed, making comments and amendments where they felt necessary. Comments were presumed to be candid since responses were anonymous.

It should be understood, however, that findings may not be valid for all employers nationwide.

We are also pleased with the fact that respondents cooperated in making very difficult judgments about crime patterns and crime-control efforts in their organizations. In several instances they were confronted with questions they had not thought about previously. With few exceptions, and with very useful comments, they made the judgments we demanded.

Beyond some simple descriptive information, no effort was made to gather detailed quantitative data about the companies in our sample. It was apparent from the fieldwork that, however much experience managers have with employee crime and serious misconduct, they usually lack systematic data about the extent and costs of different crime types and the effectiveness of different crime countermeasures.

A word of caution

Even if this survey were larger and its sample more varied it could not produce a comprehensive portrait of employee crime in the United States. No survey has done so and none can at this point, for several reasons. First, critical data simply are not available in most companies for reporting via nationwide survey. Second, even though they share stories and background comments readily, private compaines are very reluctant to share any statistical data they have collected internally.

Third, there is so much re-evaluation of the crime problem inside corporations today that even the categories of management concern are changing. To get any sense of what managements care about these days it is necessary to cover a broad range of misconduct problems in detail, not just the traditional crime categories such as theft and assault. This survey meets this need to a limited degree. More ground could not be covered because of practical limitations on the size of our questionnaire.

Finally, it is clear from all of the field and survey work that there is enormous variety of experience, conditions, corporate culture, and viewpoints as one looks at different industries, at individual firms within industries, and even within large companies. It thus makes little sense to attempt a general characterization of "employee crime" in the private sector.

As we moved from one company to another, site visits and phone interviews produced widely differing views on the significance of employee crime from private-sector organizations. In some, inquiries were almost greeted with a yawn, and employee crime seemed to be a non-salient, sidebar issue. At others, of course, there was almost a sense of desperation, and respondents were quite articulate in asserting that employee crime was having a significant effect on company operations and profits.

Presentation of the data

In the following eight sections the issue or problem each set of questions was intended to probe is followed by a description, with accompanying tables, of the responses obtained for those questions.

The analysis that follows in each section is intended as commentary on the likely meaning or significance of the data, based on respondent comments, site visits, and other qualitative data from the project.

The final section pulls together observations across the different areas tapped in the survey to identify some central trends and issues. This report does not provide a formal policy analysis or recommendations on the employee crime question.

Chapter 1
How serious is workplace crime and misconduct?

Most senior professionals responding to the survey do not view employee crime as presenting a crisis for their companies. But some employers are feeling the strain of facing three or more serious problems simultaneously. This is a period of changing management definitions of "serious" workplace misconduct and its consequences. Noncriminal offenses such as abuse of company services, chronic absenteeism, and substance abuse are as troubling as more traditional areas, such as major theft and fraud.

In the survey respondents had the difficult task of evaluating the seriousness of nine types of employee crime and misconduct in their companies. Looking across all the organizations responding to the survey, it does not appear that such problems are creating a crisis in most private-sector organizations today.

The types of misconduct cited most frequently as serious problems suggest that chronic rather than acute problems predominate. Common offenses, such as petty theft (37%) and abuse of company services and resources (38%), lead the list of moderate to very serious problems (table 2). For both of these, management faces the problem of large cumulative losses from many small incidents on a continuing basis.

Ranking these concerns by the proportion of respondents who say that the problem is moderately serious to very serious, petty theft and abuse of company services are ranked highest, at 37% and 38%, respectively; major theft, major fraud, and petty fraud are ranked at the next level; kickback/bribe and information theft problems rank next at 16-20% of respondents; and both violence and sabotage are uniformly regarded as of much less concern. (We discuss below how respondents defined "serious.")

Table 2. Respondents' perceptions of crime seriousness (n = 208)

Crime category	Percent rating crime as: Not serious (0)	Minimally serious (1)	Slightly serious (2)	Moderately serious (3)	Serious (4)	Very serious (5)
Major theft (e.g., thousands of dollars in raw materials and components, cash, supplies, tools, products, etc.)	33%	24%	15%	17%	6%	5%
Major fraud (e.g., thousands of dollars from kickback schemes, payroll records, accounts receivable, inventory, insurance, or other internal systems.)	38	24	13	11	9	6
Violence and intimidation (e.g., injury to supervisors, fellow employees, customers, or the public.)	67	27	13	2	0	0
Sabotage (e.g., employees deliberately destroy property, seriously disrupt the flow of work, or do serious damage to computerized files through "hacking.")	62	25	9	4	1	0
Information theft (e.g., internal documents or secret information is sold to a competitor or proprietary information is used illegally by employees or ex-employees for their own gain.)	45	29	10	10	5	1
Petty theft (e.g., loss of small amounts of office supplies, tools, etc.)	6	28	29	20	5	3
Petty fraud (e.g., "discounting" merchandise or products to friends, padding expenses, etc.	27	26	19	23	12	2
Abuse of services (e.g. unauthorized use of copy machine, telephone, mail, computer, or other organization resources.)	5	27	30	23	11	4
Kickbacks/bribes (e.g., money transactions that influence employee decisions in ways that harm the organization.)	41	24	15	12	7	1

Note: Respondents' perceptions were ranked on a scale of 0-5.

Table 3. Percent of respondents rating crime types as moderate to very serious, by crime type, company size, and industry

Crime category	Total	Company size: Small	Medium	Large	Industry type: Blue Collar	White Collar
Abuse of company services	38%	38%	34%	45%	45%	28%
Petty theft of supplies/tools	37	30	35	48	52	17
Major theft	28	12	33	44	31	17
Petty fraud	28	18	30	45	38	13
Major fraud	26	10	28	52	29	15
Kickback/bribe schemes	20	8	25	38	28	1
Information theft	16	6	22	33	22	8
Sabotage	5	4	4	9	7	0
Violence/intimidation	2	0	0	9	4	0

Broad picture misleading

Describing respondent evaluations across the entire sample of organizations obscures considerable differences by size and industry (table 3). For example, major theft is regarded as moderately serious to very serious by 12% of small firms but by almost half of all large companies. In fact, for all the crimes we listed, respondents from large companies are more likely than medium-sized or small companies to view each problem as at least moderately serious. Respondents from blue-collar industries, such as manufacturing, trucking, mining, and utilities, are also much more likely to regard employee crime problems as at least moderately serious than white-collar employers, such as banks and insurance companies.

Survey responses indicate that large companies and manufacturing concerns generally are also more likely to rate problems as very serious, a description respondents were generally reluctant to use. For example, 29% of large company respondents see major fraud as very serious at their workplaces, compared with 10% of respondents from small companies.

Sample restrictions

Not enough responses were received from line managers for a separate analysis of their experiences and opinions. Their evaluations might differ considerably from those in senior staff positions. It is also important to note that for reasons of budget and sample availability our sample contains few retail or health organizations. Other surveys suggest that they would have ranked some employee crime problems as more serious than our sample of respondents.

Recent incidents of major theft and fraud

Whether regarded as serious problems or not, responses to the survey indicate that, at least among respondent companies, incidents of major theft and fraud are common in the sense that most companies have some recent experience with one or more such events. Two-thirds of our respondents say that their companies suffered at least one major theft or fraud during 1984 or 1985 (table 4). There were considerable differences by size, with 82% of the large companies reporting such an incident in 1984 or 1985, compared with 47% for small firms.

Most respondents, even in this anonymous survey, refused to give details about these recent incidents, and many would not provide any information at all (23% for small companies). One bank vice president said: "The incident involved senior management, and we just don't talk about it. Very sensitive and very major." Further, a few security directors said that some "high-level" theft and fraud probably occurs of which they are not aware.

Four or five respondents said that it was difficult to describe a theft or fraud as taking place in a particular year because the events they had in mind were schemes extending over several years and only discovered recently. One risk assessment vice president said: "In our business, plans to embezzle on a large scale never take place in just that year. Sometimes it's a trusted person who has planned a clever thing for 7 or 8 years."

What crime misconduct is most serious?

Respondents were asked to decide which single type of crime represents the most serious current problem facing their company. About a third said that it was very difficult to choose, wanting

Table 4. Most recent major theft/fraud

Year	All	Company size: Small	Medium	Large
1985	45%	30%	62%	59%
1984	18	17	15	23
1983	11	15	6	7
Before 1983	13	15	3	9
No answer	13	23	4	2

to name two as equally important. A few said they could, with good judgment, name three or four areas.

Once again substantial variation exists among the companies (table 5). No one crime area is named by more than 20% of respondents as the most serious crime problem. There are somewhat greater concentrations if we look by size. Among small companies, one-third named abuse of company services as most important; another one-third (largely in manufacturing) named petty theft as most serious. Twenty-nine percent of both medium-sized and large company respondents see major fraud as the most important problem.

Ranking these "most serious" crime choices, major theft and fraud are consistently among the top four; violence and sabotage at the bottom (table 6). Kickback/bribe problems rank among the top four concerns for blue-collar, large, and medium-size companies. Other differences appear by size as well: Abuse of services is the primary concern only for small firms; it ranks seventh for large enterprises. Petty theft is first for blue-collar firms but fourth on the list for all others.

Table 5. Most serious crime or misconduct problem faced by respondent organization

Crime category	Company size: Total	Small	Medium	Large
Petty theft	20%	27%	19%	9%
Major fraud	19	10	29	29
Major theft	18	13	19	25
Abuse of services	18	32	6	2
Kickback/bribes	10	8	11	13
Information theft	8	7	11	7
Petty fraud	3	0	0	13
Sabotage	2	2	4	2
Violence/ intimidation	1	1	2	2

Are companies having serious problems in more than one area?

Several respondents commented that their problem was not one, "but juggling several concerns all at once." One-fifth of the respondents in the survey named more than three areas as moderate to very serious problems. Company size is once again important (table 7). Larger companies not only regard individual crime types as having more serious consequences, as we saw above; their senior professionals are more likely to see themselves as confronted by multiple problems they regard as at least moderately serious. Forty-two percent of respondents from large companies rated three or more crimes as moderate to very serious.

There are also large differences by industry, with 44% of blue-collar responding companies reporting three or more serious problems, compared with 14% of respondents from white-collar industries such as banks and insurance companies.

Table 6. Ranking of "most serious" current crime/misconduct problem

Crime category	Company size: Total	Small	Medium	Large	Industry type: Blue collar	White collar
Petty theft	1	2	3	5	1	4
Major fraud	2	4	1	1	2	2
Major theft	3	3	2	2	3	3
Abuse of services	4	1	6	7	6	1
Kickback/bribes	5	5	4	4	4	5
Information theft	6	6	5	6	5	6
Petty fraud	7	9	9	3	7	8
Sabotage	8	7	7	8	8	9
Violence/intimidation	9	8	8	9	9	7

Table 7. Percent of respondents rating crimes moderate to very serious

Number of crimes rate moderate serious, or very serious	Company size: Small	Medium	Large	Industry type: Blue Collar	White Collar
0 – 1 crimes	91%	74%	58%	56%	86%
3 – 8 crimes	9	26	42	44	14

We believe that the data on multiple problems are important. Together with respondents' comments and the field interviews, the data suggest that analyses of individual crime problems miss one reality confronting corporations: multiple problems, to be dealt with simultaneously, often without sufficient information to permit accurate judgments about relative costs. Thus, from the standpoint of understanding the impact of crime on entire organizations, it makes little sense to talk about problems such as petty theft and worker compensation fraud separately.

However, problems such as these are often dealt with on a day-to-day basis in separate departments that do not compete directly for crime-control resources. Corporations may be facing multiple problems that call for careful allocation of resources and perhaps even considerable coordination across units. Nevertheless, they often handle problems as though they are independent of one another and do not draw resources from the same pot.

Respondent views on what "serious" and "crime" mean

It has been an important aspect of our inquiry to pay attention to how workplace crime problems are defined and evaluated by managers. Though ours is a project dealing with crime, it was clear from our earliest field interviews that criminal code definitions have little to do with how senior management and staff think about employee behavior in their companies. Comments from our survey respondents and field interviews prompt several observations in this connection.

1. Definitions of crime and misconduct are undergoing change in many organizations, including some that do not have a serious crime problem of any type. The professional literature, too, has been addressing such concerns for some time. For example, there is growing recognition that many employees take company property at one time or another, but it is not clear how often this is regarded as theft--by the employees themselves or by management in their workplaces.

2. Some respondents had difficulty fitting their company's problems into our survey categories.

Several mentioned theft of time--time lost from unnecessary sick days, goofing-off, etc.--as a serious problem they did not feel comfortable placing under petty theft or fraud labels.

A Wisconsin manufacturer said: "We have some major traditional theft problems, and we handle these. But the real problems are worker compensation fraud and cheating on incentive-rated work. Very costly. All else pales by comparison. They both involve fraud. But I'm not sure that's what you had in mind."

Two respondents commented on ill-defined management fraud. One said: "Why did you leave out the fraud of executive compensation? Senior management has found many ways to take hidden and undeserved benefits in this company. We (Security) cannot touch them, of course; but the amounts involved are staggering."

An insurance vice president whose firm has its own crime problems and also insures other companies in this area, wrote: "We are generally seeing an increase in employee crime. As this rises past a certain point, we will see less acceptance of this as a cost of doing business--and begin to reexamine the premises of such cost-acceptance. We'll also begin to see redefinition of employee crime, with greater recognition that much misconduct we live with now really is crime."

3. Several respondents also said that corporations have focused too much on traditional crime problems. One security director said: "We often are looking at the wrong thing--and that's it--looking at things, rather than losses from time, from all the little sabotage, from disruption. We see theft of a $150 part as clear grounds for firing; but $150 worth of personal phone calls isn't hard to run up, and even though we are now looking at that differently, I still don't think we're ready to treat them as equally serious."

4. Actual crimes seem to prompt management attention and greater corporate expenditures on prevention. But several survey respondents stressed that crime threats are as significant as actual crimes. Occasional real incidents, they said, together with media attention to similar problems occurring elsewhere in the industry, can provide adequate justification for prevention expenditures.

One plant manager said: "The way they harp on inventory and shipping routines, you would think we have a big problem. But we do not and never have had in 11 years I have been here. They drive you nuts."

A bank loss protection director said: "What is a 'problem'? In a bank, major theft/fraud is always a possibility, so it has to be treated as a problem--even if there is no recent experience."

A conglomerate with more than 50,000 employees: "It is not that there are no problems. But a first class legal-audit-security program can keep fraud and theft to a minimum. These would otherwise be serious problems for us. But we have improved controls and made all employees aware that all violators would be prosecuted."

5. Finally, there were ample comments about the variety of considerations that can prompt senior line management to demand action on a crime problem and perhaps to provide the resources required. Over and over again it was noted to us that lowered productivity and direct dollar costs are not the only crime consequences that force management to view a problem as serious. A composite list of the factors mentioned follows:

--Single or periodic events that are very costly.
--Recognition that a chronic, common problem is more costly then anyone thought and that something can be done about it.
--Events that by their very nature are shocking and seem to require some kind of action--a shotgun assault on senior management, a death threat over a drug deal in the factory.
--Events that are not serious by themselves, but call into question the integrity of some critical company operations.
--Events that, if public, might prompt scrutiny or questions from stockholders, regulatory bodies, etc.
--Increased competition, falling profits, reduced market share, or other problems that prompt new cost-control efforts.
--Technology that offers new possibilities for screening, surveillance or identification and thus for reducing a problem long thought intractable because of cost.

Noncriminal misconduct as a problem

For purposes of comparison, survey respondents were asked to evaluate the seriousness of four types of noncriminal misconduct: chronic absenteeism; sex, race, and ethnic harassment; other harassment; and substance abuse. It is no surprise that these problems are viewed as serious with much the same frequency across our sample as traditional crime problems (table 8).

Chronic absenteeism. Thirty-one percent of our survey respondents regard chronic absenteeism as a moderately serious to very serious (categories 3-5) problem in their organizations. Few differences were apparent by industry or between security and human resource respondents, but small firms were more likely to report this as a problem than large companies.

Sex, race, ethnic harassment. With few differences by size or professional title 10% of our respondents report that such harassment is a moderately serious to very serious (categories 3-5) problem for their companies. Blue-collar companies are somewhat more likely to see this as a problem, as are large firms generally.

Almost one-fifth of our respondents also report that other types of harassment (e.g., age, union) are a moderately serious to very serious problem.

Substance abuse. Thirty-five percent of our respondents see substance abuse as at least a moderately serious (categories 3-5) problem, with 18% reporting that this is now serious or very serious (categories 4 and 5). Respondents from blue-collar concerns are more than twice as likely to report this as white-collar employers: Almost half the blue-collar companies see this as at least a moderate problem, and 22%, as serious or very serious compared with 17% and 7%, respectively for white-collar concerns (table 9).

There are also considerable differences by size, with 53% of the large companies reporting substance abuse to be a moderately serious to very serious problem and 30%, as a very serious one compared with 24% and 10%, respectively for small companies.

Table 8. Seriousness of noncriminal misconduct

Crime category	Percent rating crime as: Not serious (0)	Minimally serious (1)	Slightly serious (2)	Moderately serious (3)	Serious (4)	Very serious (5)
Chronic absenteeism	17%	25%	25%	19%	9%	3%
Sex, race, ethnic harassment	40	29	15	6	3	1
Other harassment	29	31	19	13	3	3
Substance abuse	13	24	25	17	13	5

Note: Respondents' perceptions were ranked on a scale of 0-5.

Table 9. Seriousness of substance abuse, by corporate size and industry type

Ratings on a scale of 0-5	Total	Corporate size: Small	Medium	Large	Industry type: Blue collar	White collar
Moderate to very serious (3-5)	35%	24%	35%	53%	45%	17%
Serious and very serious (4-5)	18	10	18	30	22	7
Very serious (5)	5	3	8	5	8	3

A number of respondents were almost apologetic in suggesting that they really did not have a substance abuse problem--but probably will have. A security director for a small manufacturing company said: "We should have a drug problem, given the size and composition of our workforce. But there's just no evidence of it. Luck? Or, are we just not seeing it?"

Table 10 ranks all the criminal and noncriminal misconduct problems mentioned in our survey according to the percentage of respondents who view the problem as moderately serious to very serious in their organization.

Table 10. Percent of respondents describing misconduct/crime as moderate to very serious

Abuse/misconduct	Percent of respondents
Abuse of company services	38%
Petty theft	37
Substance abuse	35
Chronic absenteeism	31
Major theft	28
Petty fraud	28
Major fraud	26
Kickback/bribe schemes	20
Other harassment	19
Information theft	16
Sex, race harassment	10
Sabotage	5
Violence/intimidation	2

Chapter 2
Which employee groups are responsible for the most serious problems?

Asked which employees are responsible for the most serious crime problems, one-third of our respondents named management or senior staff in their companies. For major fraud, managers were viewed as the primary source of the problem by 60% of our respondents. As might be expected, misconduct such as abuse of company services and petty theft are seen by two-thirds of the companies as coming from all employees or from a very broad employee group.

*

Having asked respondents which types of crime and misconduct are significant in their organizations, the survey also asked whether particular employee groups are seen as the source of these problems. Respondents answered this question readily, naming very broad categories of employees, noting specific management, nonmanagement, or professional titles, or indicating that "all" or "no special group" was responsible.

Verbatim examples:

- *Major fraud*: senior staff in audit, management with access to certain computer accounts, mostly mid-level supervisors and managers, and transportation fleet workers.

- *Information theft*: design engineers and marketing executives.

- *Kickback/bribe*: purchasing agents and buyers.

- *Abuse of company service*: management-expense accounts, everyone, every last one, mostly clerical, those with long-distance phones and computer access, first-level supervisors.

These responses were coded to see whether management or nonmanagement groups were mentioned as a source of the problem.

Table 11. Primary source of most serious crime problems

Employee categories	Percent of respondents
Management (specific management, supervisory or senior staff group, or management in general)	33%
Non-management (specific nonmanagement group or nonmanagement in general)	49
All employees about equally	16
No answer	2

How much do managers and senior staff contribute to the crime problems viewed as most serious?

Overall, about half the respondents cited nonmanagement as the source of the most serious problem; a third of our respondents, however, cited management and senior staff as the most likely source of their company's most serious crime problems (table 11). There were few differences by industry type; but medium-sized and large companies were more likely (40%) to name managers as a source of trouble than were small firms (29%).

We read these findings as a strong comment from senior corporate professionals and an indication that we have moved a long way from conventional thinking about lower-level employees as the most important sources of employee crime.

The extent to which management is viewed as the source of a problem varied according to the crime area considered most serious (table 12). Sixty percent of the respondents naming major fraud as the most serious problem cited management/senior staff as the source. Even for abuse of company resources, 24% of the respondents who see this as their firm's most serious problem also view management and senior staff as the most likely offenders. We think this reflects a change in thinking about the line between employee perquisites and abuse. (Some respondent comments pointed to internal disagreement in this area, noting with regret that their companies did not yet formally define management liberties as abuses.)

Table 12. Percent of respondents naming management or senior staff as principal source of company's most serious problem

Company's most serious problem	Respondents citing management/senior staff as a problem source	
	Percent	Number
Major theft	38%	37
Major fraud	60	40
Abuse of services	24	37
Kickback/bribes	55	20
Petty theft	8	40

All in all, these findings suggest that these corporate security and human resource respondents tend to think about the crime problems facing them in terms of opportunity structure, not character structure. No comments were volunteered from these respondents about bad apples, or to suggest that "it's not employee groups or titles, it's certain individuals."

A second observation is that the expectation of management wrongdoing makes sense in organizations that have effective crime control in place: employees must be highly placed or otherwise in a strategic position to commit major theft or fraud in a well-protected company.

Chapter 3
Are workplace crime problems stable or changing?

Between 50% and 80% of the 208 respondents viewed employee crime problems in their organizations as stable since 1980. Most of the reported increase is minor and is concentrated in larger companies and industrial firms. Respondents who do see a problem as increasing are generally more likely to view it as serious.

*

It is a stock in trade of business, media, and security journals to talk about workplace problems as new or growing worse, and such change is offered as good reason for paying greater attention to particular crime problems and for using various anti-crime services and resources. Having asked respondents how serious their current problems are, we sought to learn whether this set of senior professionals view the problems as stable or changing over the past 5 years.

The picture that emerged across these 208 companies does not indicate a uniform view that crime increased over the past 5 years (table 13).

For all nine types of crimes, almost 50% and up to 80% of the respondents reported no change in the level of crime. With the exception of violence and sabotage, between 20% and 40% of respondents, however, reported minor to significant increases in crimes with most of the increases described as minor.

With respect to major theft, the reports were quite mixed, with 22% reporting increases and 23% reporting decreases. Many respondents appended comments about the effectiveness of their security programs in achieving decreases.

Established areas of petty abuse lead the list of increases noted (table 14). It is not clear whether these respondents are seeing real change in these chronic areas or simply recording the sense that "it's not getting any better, so it must be getting worse."

Responses from largely blue-collar manufacturing, utility, mining, and trucking companies were compared with those from respondents with white-collar insurance and banking enterprises. Blue-collar companies are more likely to report change for every category of crime, but differences are not large except in the area of petty theft: 45% of manufacturers and other blue-collar employers report increases over the past 5 years, compared with 26% of the white-collar respondents.

Table 13. Perceptions of stability and change in workplace crime, 1980–85

Crime category	Percent of respondents indicating: Significant decrease	Minor decrease	No change	Minor increase	Significant increase	NA
Major theft	11%	12%	53%	13%	9%	1%
Major fraud	6	5	59	16	10	3
Violence/intimidation	8	4	80	3	1	4
Sabotage	6	6	76	7	1	4
Information theft	2	9	62	20	4	3
Petty theft of supplies/tools	3	11	49	33	4	0
Petty fraud	3	7	55	26	5	3
Abuse of company services	2	7	48	39	3	1
Kickback/bribe schemes	5	5	65	16	5	3

Along the same lines, 30% of the blue-collar respondents report change in more than three areas, compared with 19% of the white-collar firms.

Respondents from large companies were twice as likely as those from medium and small companies to report some increases across the different crime types and to report that a number of crime problems seem to be increasing simultaneously. These differences by size were least for abuse of company services and petty theft and largest for kickback/bribe problems and major theft.

As one might expect, these differences by size parallel respondent ratings of how serious their workplace crime problems are. Respondents from larger companies and blue-collar employers are more likely to evaluate any particular problem as serious and as increasing than are respondents from small firms and from white-collar employers generally.

Table 14. Percent of respondents reporting increases in crimes, 1980–85

Crime categories, by rank	Percent reporting increases
Abuse of services	42%
Petty theft	37
Petty fraud	31
Major fraud	26
Information theft	24
Major theft	22
Kickback/bribes	21
Sabotage	8
Violence	4

Note: Substance abuse does not appear in this ranking because the respondents were not asked to provide information about recent changes in this area. (See Chapter 7.)

What does "change" mean?

While it seems clear that respondents were not experiencing a crisis of rapidly increasing crime in several areas, they were no happier with this question than with the request to say how serious each type of crime is. These professionals are often in the position of having no reliable data on the basis of which to judge such changes for their own purposes, much less for systematic research. Some commented that the level of crime may not be changing but other changes may make it appear so. For example:

- "Level is about the same; but we're tougher."
- "Depends on what you mean by 'increasing.' Frequency isn't everything."
- "Real change is in standards. We can't afford the abuse of expense accounts, vehicles, LD phone lines, etc., that at least some employees had become accustomed to."

Others commented to the effect that frequency (asked about on the survey instrument) is not a significant consideration:

- "You should have asked about changes in the cost per incident, too. The same number of fraudulent sick days are more expensive now than 5 years ago—even accounting for inflation."
- "Major thefts and frauds do not have to occur frequently. Frequency is not a test of whether you have a problem or not."

Chapter 4
Direct and indirect costs of employee crime

Respondents were reluctant even to provide estimates of dollar losses from employee crime. Comments from several companies indicate that they would not even try to cost out losses unless a problem had clearly become much more serious than usual.

Evaluating indirect costs from employee crime, the senior professionals from the responding 208 companies cite employee morale more frequently than productivity for most types of crime; one-third see damage to public image as the most important indirect effect when major theft, fraud, and kickback/bribe schemes are revealed.

*

The current literature on the costs of workplace crime presents a mixed picture. On the one hand, it is said that crime costs seriously affect profits, produce many failures among small businesses, and are often passed along--increasing the cost of consumer goods and services significantly. In contrast, it is generally recognized that most cost estimates are at best informed guesses and that most companies do not know and usually cannot measure accurately the losses they suffer from different types of crime by employees or outsiders.

There is agreement that the costs of workplace crime are probably enormous, but the range of guesses spans several orders of magnitude. The professional business literature contains many accounts indicating that when companies do gather the necessary data, they are often surprised at the magnitude of losses they have been sustaining.

The most thorough recent report we have seen on the question of crime costs appears in Chapter 3 of the 1985 Hallcrest Report on Private Security and Police In America. The authors conclude:

"Thus, after reviewing the available crime cost data, it appears that the costs of economic crime are not precisely known. The literature provides estimates which are, to a large degree, based upon earlier estimates adjusted for inflation. Even using similar crime index and inflation-adjusting techniques, the direct cost of economic crime was at least $67 billion in 1980, and other estimates, though not substantiated, would place economic crime at $200-$300 billion. The cumulative direct and indirect costs are much greater, and valid estimates are necessary if public and private organizations are to allocate their resources cost-effectively. But gross estimates of overall costs are useful for only gross policy decisions. Truly effective programs for specific crimes or specific industries must rest on data pertaining to those crimes or industries."

*

The field project interviews suggested that it is indeed difficult for corporate managers and professionals to talk with any precision about crime costs.

And given limitations of the survey, no attempt is made to estimate such direct loss. It was much more common to encounter persuasive common sense: For example, "We've got 24,000 employees; if half of them make $5 in forbidden personal calls a month that's three quarters of a million right there." A lack of data is often a basis for internal disagreement about what priority should be given to particular problems.

Respondents were also very reluctant to attempt systematic cost comparisons even when reassured that their educated guesses were valuable. Their comments indicated that it was impossible for them to compare costs across several types of crime and misconduct.

They also indicated that any comparisons would be distorted because the data would be uneven. For example, it is easier to report losses from major crimes such as fraud and theft than to even guess at losses from cumulative-effect problems such as abuse of company services or petty theft.

One respondent from a manufacturing company said:

"There is sort of base level for your average employee: a little time is wasted, some assembly parts go home with him--but not much. That might come to a couple of hundred. But that's not what we're talking about, is it? The problem is after that, beyond the minimum level that everybody takes or wastes."

Respondents from companies that have few crime problems of any significance--more than half--complained that they had little experience to draw upon. As one said, "If it's not a problem for us, why would we bother to cost it out?"

Some firms devote considerable resources to measuring the costs of crime and misconduct on the job, and indicate both routine monitoring and ad hoc study data are sometimes used as a basis for policy formulation and the allocation of resources. But a number of respondents made it clear that a true picture of losses is sometimes available only after the new "crackdown" has begun. It is often in the process of new monitoring and enforcement of rules that the extent of a problem becomes known. The data are then used to justify or expand the crime control efforts in that particular area.

Beyond dollars—the other costs of employee crime

Respondents were asked to identify significant nonmonetary costs of employee crime; they were uniformly uncomfortable with this effort to probe the indirect effects of employee misconduct in their companies (table 15). Their comments suggest that this was a question that they had not been asked previously; many (13-18%) refused to answer because they had not thought about it or because it required a perspective on the company as a whole that they did not have. Clearly, if this kind of broad question is addressed at

Table 15. Indirect costs of employee crime, by type of crime

		Percent of respondents indicating that most significant indirect cost is				
Crime categories	Number	Employee morale	Productivity losses	Public image damage	Regulatory exposure	Market position damage
Major theft	181	25%	19%	30%	7%	18%
Major fraud	176	23	16	37	14	11
Violence/intimidation	171	68	13	16	1	2
Sabotage	171	29	42	14	3	13
Information theft	171	16	14	11	5	54
Petty theft of supplies/tools	178	63	28	3	2	4
Petty fraud	173	65	20	7	5	4
Abuse of company services	176	51	38	5	6	2
Kickback/bribe schemes	178	19	17	33	19	13

all in their firms, it is not part of the policy evaluation in which these respondents are involved.

Some who did answer reported that it was extremely difficult to identify the most significant indirect effect because they had no criteria for evaluating significance. ("What standard do I use to say whether damaged morale or damaged corporate image is of greater importance?") They also pointed out that the line between direct and indirect effects (implied in our question) could not be drawn very clearly. The responses on this question, therefore, are treated as a first cut at a very difficult evaluation task. Accepting this limitation, the data indicate that:

- Where major theft, fraud, and kickback/bribe schemes are concerned, respondents considered damage to the company's public image as the most important effect. Human resource directors are twice as likely to say this as security directors.

- For eight of the nine crime types, respondents mentioned employee morale more frequently than productivity as the most significant indirect effect. Logically, the two go hand-in-hand; but is is interesting to note that these respondents--security and human resource professionals alike--see morale as significant. It was our sense from the field interviews that they see damaged morale as the intermediary between the crime problem and production losses. Only for sabotage do respondents see effects on production as more significant than those on morale.

- Respondents from small firms worry that their market position could be damaged by a major theft--a view well supported in the literature on what causes bankruptcy in small business.

- More than half the respondents see damage to market position as the most significant area of indirect cost from information theft.

Chapter 5
Corporate crime-control initiatives

The survey reflects a shift others have observed--from a public to a largely private system of "policing" in the United States. One aspect of this is that most companies have shifted their focus from pre-employment to on-the-job controls. For almost all types of crime and misconduct, our respondents believe that internal controls are more effective than pre-employment screening alone. This is reflected in the types of crime-control measures they have recently introduced and in what they believe would have prevented the most recent major theft or fraud in their companies.

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The range of employer choices for reducing crime on the job is quite broad, as the following list suggests. It includes a number of different methods for screening and selecting employees: continuous and ad hoc physical surveillance and electronic monitoring, periodic drug or polygraph tests, a variety of physical security measures, and use of undercover operations. Employers can also gain control by rearranging work flows, altering the division of labor or formal lines of sign-off responsibility, and introducing more elaborate inventory, purchasing, and audit controls.

Crime countermeasure options

- Bonding
- Credit reports
- Employment-agency screening
- Reference checks
- "Honesty" questionnaires
- Psychological tests
- Training on company rules
- Policy Statements
- Ethical affirmations
- Polygraph testing of applicants
- Drug screening tests
- Criminal records checks
- Undercover agents
- Camera surveillance
- Theft detection devices
- Audit controls
- Periodic polygraphing of employees

- Physical security over premises and goods
- Computer software security
- Driver licensing/violation inquiries
- Pre-employment interviews
- Employment application inquiries
- Industry-wide dossier files
- Employee informants (hot lines)
- Inventory controls
- Job design, workflow, sign-off controls

Except for some restrictions on the use of polygraphs, arrest and licensing information, and credit and pre-employment reports, most companies are legally free to employ these measures. Indeed, one central feature of workplace crime control today is its essentially private character:

1. It employs largely private resources, and individual companies make unilateral decisions about what approaches and techniques to adopt.

2. A very large private police system has developed for corporate patrol, surveillance, and investigative work.

3. Several different types of internal justice systems operate, with their own standards and adjudicatory procedures.

4. Information about workplace crime and misconduct is largely secret; reporting to public authorities is voluntary and not common.

Employer decisions

Employers obviously use a number of different techniques to reduce employee crimes, but many companies emphasize one or another approach. In such broad management decisions a number of economic, technological, legal, and employee-relations considerations intersect. For example, the availability of new technology for surveillance or a new system for criminal-record dissemination can affect what approaches companies take. Similarly, legal restrictions on polygraphing or pre-employment inquiries can influence general decisions about the mix of security and screening techniques to be employed.

Since many types of controls are expensive to implement, such decisions involve some kind of risk assessment, often crude, because most companies lack reliable data to use as a basis for allocation of resources.

The human relations style of a company also affects the level of surveillance and how much each employee will be asked to reveal about his past. Employee relations philosophy can also influence the kinds of accounting controls that are deemed appropriate.

The views of managers and senior professionals on what causes employee crime can also affect the choice of controls. Some mangers regard controls on opportunities for theft as most important because they believe that a broad range of employees will steal under the right circumstances. An alternative view, emphasizing differences in employee character, encourages greater reliance on employee selection.

In most cases, managers with crime-control responsibility must make pragmatic choices, not moral ones. A security director may believe that a few bad apples account for most of the serious crime losses in his company. But lacking a means to screen such employees out of the workforce, he may be forced to focus on internal controls that make it more difficult for the crime-prone to be successful.

Crime-control professionals must also respond to senior management concerns. Theories of employee crime aside, when management feels itself besieged, it will sense a need to do something. For example, after two violent attacks by past employees, executives in one firm were thrashing about, looking for some way to prevent a reoccurrence. Few effective measures were, in fact, available to them; nevertheless, they wanted to set something in motion. Whether or not the actions taken are effective, a sense of control sometimes comes from establishing new rules or physical safeguards. Senior executives, no less than citizens or legislators, do not like to be told, "there's nothing you can do about it."

The shift to on-the-job controls

The recent management and security literature, the site visits, and the national survey all confirm that, for most types of employee crime and misconduct, corporate managers and professionals now turn to internal controls rather than to pre-employment screening.

The interviews confirm a continued commitment to reference checks as important deterrents, but reflect less confidence in criminal-record screening and suspicion about the usefulness of credit or broad pre-employment investigative reports. Managers and security professionals said that they have for some time been placing greater emphasis on physical security measures, exit searches, audit and inventory controls, and several types of administrative arrangements that make crimes more difficult to commit. They also said that they were using more undercover agents and more polygraphing on the job.

Table 16. Relative effectiveness of pre-employment and on-the-job controls

Crime category	Percent of respondents rating most effective control as: Pre-employment screening	On-the-job controls	No answer
Major theft	33%	62%	5%
Major fraud	29	66	5
Violence/ intimidation	54	40	6
Sabotage	37	56	7
Information theft	27	67	6
Petty theft	15	81	4
Petty fraud	18	77	5
Abuse of services	12	84	5
Kickback/bribes	30	63	7

Responses to several questions on the national survey confirm this internal focus. Asked whether pre-employment or on-the-job measures are more effective, respondents favor on-the-job controls by at least 2 to 1 for seven out of nine crime categories (table 16). Only for the crime area with which they have least experience overall--violence and intimidation--is pre-employment screening viewed as likely to be the more effective deterrent. As might be expected, on-the-job controls are the most favored against minor abuses and crimes such as petty theft, petty fraud, and abuse of company services.

By size and industry, there are few differences except for major theft. In this area, respondents from large and medium-sized companies are considerably more likely to prefer on-the-job controls.

Security professionals are generally more likely than human resource executives to favor pre-employment controls, but the differences are small except in the area of violence, sabotage, petty theft, and petty fraud. As indicated, of course, in light of the limitation of the survey sample response, these conclusions may not apply to employers generally.

New measures

Slightly over two-thirds of the respondents' companies introduced new or improved crime-control measures in the last 5 years (table 17). As might be expected, these initiatives reflect their level of concern: Companies that experienced serious crime problems in three or more areas were considerably more likely (84%) than those with few problems (50%) to introduce new controls. At the same time, half of those who reported no moderate or very serious crime problems at all had introduced some new protections.

No more winking at minor abuses

The management literature is full of stories about the need for increased controls over minor abuses as part of the general corporate belt-tightening of the 80's. Whether such moves are economically necessary or for show, many companies are making some changes. Half the companies in the national sample, with no significant differences by size or industry, have recently introduced controls on minor abuses that were previously winked at. About another 10% said that they made such a move 6 or 7 years ago.

A number of respondents said that the new measures were necessary because profits had declined. One said: "Internal losses are always relative. In good times, some standards can be loose and inarticulate, and you do not even have to apply rules even-handedly. But in other times you have to force people to cut back, and you must make statements about even simple abuses."

Seventeen percent of the respondents said that controls were not added to curb any specific practices but to generally tighten security procedures and reiterate rules about theft, use of company services, etc. Twenty-three percent were directing control efforts at familiar abuses such as use of telephones, copy machines, and computer time. This often involved clarification of existing rules or setting new standards entirely.

Sixty percent reported new controls on abuses by managers and sales representatives, such as those involving expense accounts, travel, and receipt of gifts. Some commented that the dollar losses in these areas really are not minor, but they had previously been regarded as perquisites, unchallenged for many years.

Table 17. New measures introduced to control employee crime

Nature of new control	Percent of all respondents
On-the-job controls only	39%
No new controls	32
Both pre-employment and on-the-job control	25
Pre-employment checks only	4

Several respondents also noted that new controls on minor abuses were intended as a message that employees should shape up and that, if they were involved in more serious graft and theft, it was time to stop.

Employer use of criminal history records

The use of government arrest and conviction records for employment screening and investigation was of special interest to our project. A controversial policy issue in the late 1960's and into the 1970's, this area for the 1980's was explored by a great deal of survey and field work. Our legal monitoring and telephone surveys of State law enforcement and human rights officials produced a detailed picture, State-by-State, of the conditions governing employer access and use as of 1984. Unlike previous work in this area, this survey went beyond legal review to evaluate the administrative and other practical aspects of employer access.

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Two principal conclusions from this earlier work were largely confirmed by results from the national survey.

First, where employers need to screen a few employees annually, arrest and conviction information is generally available, even in States that forbid employer access to centralized or local repositories. Some local police files are open as a matter of public record in most jurisdictions, though they are inefficiently organized for screening purposes. Illegal access to more efficiently organized and comprehensive files at the State or local level can be secured as well, where the number of investigations is relatively small. All of the experts who were consulted--and most of the agency officials--accept as a fact of life that employers can make occasional illegal inquiries (directly or through intermediaries) without detection.

As the number of yearly inquiries an employer needs to make grows from a few into hundreds or thousands, however, legal cooperation from well-organized State and/or local record repositories is required if screening is to be cost-effective. For such routine high-volume screening, employer access differs across the States. Whether employer needs are met often depends on where they operate and whether they need statewide information or can effectively use local area files.

Most States (and several large city or county jurisdictions) now have computer-based, centralized repositories to which arrests and convictions are reported from law enforcement and court agencies. These vary considerably as to what information is on file, how far their files reach into the past, and how complete the records are.

Human rights laws at State and Federal levels generally prohibit use of arrest information where this might discriminate against protected groups. But it appears that the law in only a few States would substantially restrict use of conviction information for employment decisions.

Secondly, interviews with State officials and employers in "open-record" States such as Florida, showed that as of 1984 many employers did not always use the criminal record resources available to them. This surprised officials in States where industry associations had fought hard to win legal access for employment screening. Employers gave contrasting reasons for this, reflecting both changing workplace crime concerns and differences in the labor market conditions facing employers. Some employers said that criminal records are not generally useful because so few applicants in their industry have a criminal record and because many of the behavior problems that concern them now are not reflected in criminal records. For example:

- Drug use is not shown on records and many drug users do not have a criminal record.

- Most juvenile records are not available for use in screening young applicants.

- Most workplace crime is not on record because employers typically do not report or prosecute employees who are caught.

In contrast, some industrial employers said that many of their applicants had some kind of a record, but available information was not sufficiently complete or accurate to permit firm distinctions between minor offenses and those that might be of relevance for the job in question. Even minor additional screening costs were out of the question for low-level jobs; the hiring process must often move faster than useful records can be obtained.

Responses from the survey generally mirrored our field observations. Respondents stressed three types of problems: the quality and relevance of the records, excessive processing costs and the possibility of additional costs from possible lawsuits, and difficulties posed by changing law across 50 jurisdictions. This problem is of particular significance, of course, for multi-State employers who wish to have uniform hiring practices and human resources standards across all of their locations. But less than a third reported that legal restrictions on employee screening interfered with their crime control efforts.

Irrespective of their difficulties, respondents were asked the kinds of employee crime records against which screening would be most effective. They indicated that this was a difficult question because they wanted to qualify their answers heavily. For example, 50% said that criminal-record screening would be useful against major fraud. But many commented that this would be so only where the person had been prosecuted by another firm. Understandably, few respondents thought that record screening would be useful against minor abuses in which a wide spectrum of employees engage at one time or another.

Whether or not criminal record screening is useful in controlling crime, many respondents in field interviews said that no company wants to "get burned by somebody who's already done it to another company." In addition, several corporate attorneys said that there is increasing legal pressure to check criminal records as a precaution. Many believe that, if sued because of an employee's criminal actions, the company's liability losses would be less if they had at least gone through the motions of checking State and local records.

Why the focus on internal controls?

Our field and survey work suggests that a number of factors are operating--their relative weights depending on industry and State jurisdiction--that lead private-sector managements to focus on internal controls over employee crime and serious misconduct. Specifically:

- Development throughout the 1960's and 1970's of equal employment opportunity standards and legal pressure in the areas of testing and record checking.

- Development of some legal restrictions that make access to Federal, State, and local records more costly and less revealing.

- Development of employee privacy standards in many large companies that, along with other developments, sensitized human resource and security managers to the need for voluntary restraint in gathering and sharing information about employees.

- Growing reluctance of employers to share anything but objective employment information on past employees.

- Growing recognition that criminal records are neither relevant nor of sufficient quality to be very useful.

- Growing understanding that audit, inventory, surveillance, and purchasing controls are powerful tools, and support for this in the business-oriented media.

- Emergence of new crimes for which pre-employment screening is not considered useful.

It is not clear that this shift in interest to internal controls reflects a philosophical change away from pre-employment character assessment towards a belief that "opportunities create crimes, not morals." It is more likely a pragmatic shift along the lines of, "if we cannot identify the crime-prone, and cannot monitor the homelife pressures that might lead basically honest employees to crime, then let us at least make it more difficult for employees to hurt us and more likely that they will be caught if they do."

The manner in which employee offenders are handled by management is similarly pragmatic--there is no attempt to "do justice." Instead, the priorities are (1) getting rid of the employee with as little formal procedure as possible and (2) correcting the internal conditions that made the crime possible. From management's perspective, it may even be more important to punish those managers or supervisors who allowed the crime to happen than to punish the employee perpetrator.

For the new concern about drug abuse, managers in many large companies are seriously considering both pre-employment and periodic on-the-job screening. In this, they may be taking their lead from the growing number of government agencies that are already doing so. For some managements, this may be a pragmatic move because there are, as yet, few legal impediments to such testing, and their labor markets permit them to reject drug users without facing a shortage of applicants.

Chapter 6
Substance abuse as a special problem

Substance abuse is of considerable concern to a third of our respondents and to 55% of the blue-collar employers responding to the survey. Respondents from white-collar companies worry more about its effects on productivity. Manufacturing and other blue-collar employers are concerned about the threat to job safety and fear that drug problems contribute significantly to employee theft.

Overall, respondents believe that problems of drug use and abuse are complex. Many fear that neither testing technology nor careful supervision are capable of supporting effective handling of drug problems. The survey preceeded the increase in media attention, public concern, and employer attention that arose in early 1986.

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Chapter 2 (table 8) noted that 35% of respondents regard substance abuse as a problem ranging from moderate to very serious (categories 3-5) in their companies. Among other problems of employee crime and misconduct, it ranks third, ahead of even petty theft and kickback/bribe schemes (table 10).

Substance abuse is of special concern in large firms and in blue-collar industries.

Effects of substance abuse in the workplace

Several different kinds of workplace losses are mentioned in the management literature as the consequence of substance abuse. We selected seven of the most prominent and asked respondents to tell us which is of greatest concern in their companies. The list included:

--Productivity is impaired generally.
--Employees may hurt themselves or others on job.
--Drug users may steal from the company to support habits.
--Company image with customers is damaged.
--Relationships with fellow employees is disturbed.
--Substance abusers pose additional insurance costs or liability hazards.
--Alcohol/drug abusers cannot be trusted with company secrets.

Table 18. Most serious consequences of substance abuse, by corporate size and industry type

Most serious consequences	Total	Corporate size: Small	Corporate size: Medium	Corporate size: Large	Industry type: Blue collar	Industry type: White collar
Productivity impaired	36%	42%	35%	27%	27%	46%
Impaired may hurt selves or others on job	27	24	22	38	33	24
Drug users may steal from company to support habit	20	17	24	20	24	16

A few respondents complained that it was impossible to single out any one concern as most significant, but most identified one of the following as their greatest concern: decreased productivity, increased safety problems, and increased crime.

The mix of concerns is somewhat different among white- and blue-collar employers (table 18). Banks and insurance firms showed greatest concern about productivity generally; they are less likely than blue-collar companies to worry about safety or drug-related employee theft.

Respondents from manufacturing, mining, utility, and other blue-collar companies display somewhat more varied concerns. Most worry is expressed about potential safety problems; approximately equal concern is displayed about productivity and drug-related theft. (A few respondents from industrial concerns commented that drug abuse is the real problem behind employee theft in their companies.)

Other concerns--about company image, legal liability, and protection of company secrets--drew much less attention from our respondents. It is likely that, had we had a sample of corporate attorneys, greater concern would have been expressed about the effect of substance abuse on legal liability and insurance costs.

Drug abuse as the current concern

In the course of field interviews and other project contacts, the new problem of drug abuse was repeatedly brought to our attention, even though we did not solicit comments, because we were more interested in traditional crime areas. From these comments it is clear that concerns about substance abuse are really directed at drug problems. Alcohol abuse, though believed to be more common, is by comparison a well-understood problem; for managers and corporate professionals it is in this sense under control.

There is much greater urgency about the workplace effects of cocaine, marijuana, and amphetamines. Supported by increased attention in the business-oriented media, the current belief seems to be that the drug abuse problem has changed markedly as the children of the 60's and 70's entered the workplace. It is believed that the number of frequent users and abusers is greater now and that insurance costs and lost work time are greater than was generally recognized even a few years ago. As in the case of alcohol and stress problems, when serious problems of drug abuse hit management ranks, greater attention was directed toward policy in this area and to the allocation of increased resources for screening, surveillance, and counseling.

As a problem area, drug abuse cuts across so many internal boundaries that both describing and dealing with the problem are difficult:

- The legal picture is complex, with addicted users perhaps more protected in their job rights than occasional recreational users.

- Screening for drug use involves a number of difficult legal issues including EEO, disability, privacy, and company liability.

- Managing drug abuse problems requires attention across several areas of staff responsibility--human resources, legal, security, health, and counseling. Line managers may have substantial responsibility for identifying problems and tracking changes in behavior and employee productivity.

- Senior management abusers pose particularly difficult problems where decisions have to be made about screening them and providing counseling and treatment resources.

Substance abuse is also an area of sharp disagreement. A few of the professionals with whom we discussed substance abuse were able to articulate a need for tolerance coupled with fine-grained surveillance and decision-making in their companies:

• A human resource director for a toy manufacturer said: "Limited use of marijuana is probably a plus for us. Given the intensely boring nature of this minimum-wage work, I think it helps a lot of people get through the day."

• Similar opinions were expressed by a restaurant manager concerning some types of kitchen work and by a word-processing supervisor who believes that "the company probably ought to pay for all the Valium; lots of the crazy deadlines depend on it."

However, we heard from the same managers that they face a dilemma because certain employees "don't know how to use drugs to their own advantage and ours," and they believe that drug use shouldn't be allowed at all for certain types of jobs. At a toy factory, they worry "a lot about the forklift guy who is flyin' high and is a real danger."

The dilemma expressed by the managers we interviewed is how to let some employees get away with "working under the influence" while monitoring and disciplining others. Several said that they are much more comfortable in doing this with respect to alcohol use than with drugs. They feel that supervisors are more familiar with the effects of alcohol, and that the patterns of behavior and job problems that signal serious drug abuse problems are better known for alcohol than for the wide range of other drugs that can affect performance and behavior on the job.

In marked contrast, managers in some companies told us that their corporate culture is changing in such a way that there is less tolerance for the three-martini lunch or even for occasional drug or alcohol use. There is much concern, they said, but little sympathy, for drug use by managers or other employees.

The crime in drug abuse

Drug abuse is not always viewed as a crime problem, but there are a number of criminal aspects. In many jurisdictions, possession of a controlled substance is a misdemeanor. This criminal code status is useful to employers for justifying company policies and taking disciplinary action against employee users.

Drug sales are more serious criminal matters, but our interviews indicate that there is much variation from one company to another. It is not clear that most of the drugs used by workers are sold in the workplace. But many employers worry about even minor sales or "sharing" of drugs in their facilities. Some workplaces have seen drug sales lead to violence among employee-dealers and customers. This was one of the problems that prompted one large manufacturer to undertake a 2-year undercover operation aimed at reducing drug sales at some of its factory locations.

The Fund has extensive contacts with legal counsel in large manufacturing and service companies across the United States. Through these we have been impressed with the level of concern about the growing legal liability companies face when their employees commit crimes against customers or injure them. They believe that company losses--in settled and decided cases--are greater where the employer cannot show that a good-faith effort was made to identify substance abusers and keep them out of certain jobs. They express similar concerns about violence by employees who have previous convictions for violent crimes but were never screened for this at hiring.

Whether or not company losses are in fact generally greater when they fail to screen thoroughly, interviews and respondents to the survey indicate that the concern about this is at a high level now and is, of course, one of the factors companies take into account in considering new control approaches.

This survey and fieldwork suggest that a growing number of companies have a need to make careful screening and on-the-job decisions about employees who use drugs on or off the job. The reality with which they struggle is that neither the testing technology nor observations by their supervisors are capable of supporting fair and careful handling of drug abuse problems.

Chapter 7
Internal and external impediments to crime control

Respondents rated 10 possible impediments to effective crime control in their companies. Management failures figured prominently in the complaints of these senior professionals--failures to recognize problems, to provide resources, to take tougher stands on abuses. Almost 60% believe that poor supervision makes crime policy implementation difficult.

External problems were mentioned less frequently, but prominent among them is a failure of other companies to share critical information about former employees.

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Private-sector companies appear to have a very wide range of resources and techniques for coping with the crime problems they regard as pressing. Yet in interviews and in the media there were consistent complaints from security and other professionals that their crime-control efforts are often hampered by one problem or another. The comments expressed were pooled, and survey respondents were asked to judge the extent to which 10 problems interfered with crime-control efforts in their companies.

The top four concerns among the respondents to the survey are poor supervision, management failures to take a tough stand on abuses, line management failure to recognize the extent and costs of employee crime problems, and unwillingness of other companies to share information. With the exception of information sharing, these concerns are ranked first by both blue- and white-collar company respondents (table 19).

As might be expected, where companies see themselves as having serious problems, they are consistently more likely to rate the impediments on our list as serious. For example, 77% of respondents who report more than three serious crime problems say that poor supervision interferes with their efforts to control these; 38% of companies with minor crime problems believe that poor supervision reduces their ability to deal with these problems.

Table 19. Impediments to better crime control

Impediment	Percent reporting extent of impediment as: Moderate[a]	Very serious[b]
Poor supervision of some areas	37%	20%
Corporate refusal to share critical information about applicants	24	26
Management unawareness of the extent and costs of the problem	29	20
Management reluctance to take a tough stand on minor abuses	39	11
Management reluctance to allocate resources for internal crime control efforts	27	12
Increased employee awareness of rights	29	8
Employees attitudes toward extreme measures necessary to control the few "bad apples"	25	7
Need to protect company image (interferes with more open and forceful prosecution)	22	8
Legal restrictions on investigation, surveillance of employees	21	8
Economic constraints linking use of pay/ benefits to increase employee loyalty	19	3

[a]Category 3 on 0 - 5 scale. [b]Categories 4 or 5 on 0 - 5 scale.

In general, respondents from blue-collar companies see these impediments as more serious than respondents from white-collar firms. But these blue- and white-collar industry professionals tend to rank the impediments in similar fashion.

Inadequate supervision. Fifty-seven percent of the respondents also believe that the poor quality of supervision has a moderate to serious effect on their ability to implement crime control. This view is much more common among security professionals (71%) than among human resource V.P.'s (40%). Seventy-five percent of our respondents from large firms believe that poor supervision makes tight crime-control policies and procedures difficult, compared with 50% of respondents from medium and small firms.

Other companies will not share. About half of our respondents view this refusal to share critical information as a substantial impediment; 26% say that the problem seriously interferes with their efforts to control crime. Legal concerns--the possibility of privacy or defamation lawsuits--in fact lie behind corporate reluctance to share information. But this problem is not generally viewed by respondents as a direct legal restriction.

Management underestimates costs. A common theme in the security literature is that managers do not realize the extent and costs of employee crime. Forty-nine percent of our respondents see this as a moderate to serious problem, with large firms (66%) considerably more likely than small companies (42%) to view this as a problem. There were differences of similar magnitude between blue-collar companies (58%) and white-collar companies (36%). Human resource officials were less likely (45%) than security professionals (60%) to hold this view.

Tough stand on abuses. With few differences by size or profession, about half of our respondents believe that management's failure to take a tough stand on minor abuses interferes with company efforts to gain control over misconduct. We noted above that the definition of employee behavior as a problem is one of the points of tension between senior professionals and line management.

White-collar firms were less likely (40%) than manufacturing companies (54%) to see this failure to take a tough stand as a problem.

Insufficient funds. The failure of management to allocate sufficient resources for crime control is also a chronic complaint among security directors. Sensitive to budget cuts and their marginal position in many firms, 46% of those responding to our survey said this was a moderate or serious problem. Surprisingly, human resource professionals were about as likely to see this as a significant problem. Respondents located in blue-collar companies were considerably more likely (48%) than those in white-collar companies (29%) to report this problem.

Employees' rights. Almost 40% of our respondents believe that new employee-rights consciousness makes it difficult to use some kinds of crime-control approaches that might otherwise be effective. This, too, is an evenly held position, with few differences between security and human resource professionals, or by industry. Only in blue-collar companies, perhaps because of their greater experience with both crime problems and union and EEO court action: do we find somewhat greater concern about this issue 44% said this was a problem compared with 32% of respondents from white-collar firms.

Tolerance for extreme measures. In light of their responses throughout the survey, it is not surprising that only about a third of our respondents feel restricted by the fact that "good employees" would not tolerate the extreme measures necessary to control a few bad apples. There were few differences by size, industry, or professional title.

In three respects, this is a loaded question because it contains a number of assumptions: that bad apples are the problem, that extreme measures are required, and that, if so, these measures could not be applied selectively. Respondents indicated throughout our project that they were in fact installing a wide range of measures--from exit detection devices to undercover agents and special audit teams--to cope with various problems. The only suggestions concerning intolerance for security measures were that managers did not like to subject each other to rigorous examination.

Company image. In the course of our field interviews a number of respondents mentioned that their organizations did not report crimes, file lawsuits, or press for prosecution of employees who are caught because the attendant publicity might damage the company's image. Commenting on the indirect effects of serious crime, more than a third of our respondents echoed this worry with respect to major theft, fraud, and kickback schemes.

Asked if this restraint on prosecution generally interfered with company efforts to control crime, slightly under a third agreed. This opinion was offered in equal proportion by security and human resource professionals, with few differences by size or industry. Thus, a number of our respondents disagree with their company's no-prosecution policy. A few offered the suggestion that management should prosecute and that industry should lobby for legal changes that would encourage this.

Legal restrictions. With few differences by size, industry, or profession, a fourth to a third of our respondents regard legal restrictions as at least a moderate impediment to effective crime control in their companies. That so few see this as a problem is perhaps striking because, in the past, such restraints have been the object of much corporate complaint. Thinking in terms of direct effects, however, this response is not so surprising: For managers who no longer regard criminal records as a primary resource and who are using a wide range of surveillance and administrative controls without interference from State or Federal law, there is little sense of legal interference in most of their crime-control activities.

Low pay and loyalty. Last on the list of perceived impediments was the question of whether current economic problems made it difficult to keep pay and benefits at a level that would promote employee loyalty (and reduce crime). Although there is some literature that suggests a relationship between how employees are treated and their propensity to stall at work, few of our respondents appear to think in these terms; 22% did say that this might have at least a moderate impact.

Chapter 8
Respondent views on government and industry action against workplace crime

Respondents offered few suggestions for government or industry-wide action against employee crime. For the most part, these senior professionals do not see their crime-control efforts as excessively burdened by government restrictions, nor are they looking to government or industry groups for solutions. Many did suggest that government should make it easier to share information among companies and to prosecute. But the clear sense here was that management itself has not decided that these are important changes in practice that it wants to make.

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Respondents did not appear to have a clearly defined wish list for Federal, State, or industry action against workplace crime. Asked for suggestions, 30% offered none or suggested that perhaps the government "ought to stay out of it altogether." Another 5% said explicitly that each company has to "grapple with its problems in its own way." Overall, responses on this question reflect what we found throughout: Professional respondents in this national sample do not view their crime-control efforts as excessively burdened by legal restrictions; nor are they looking for government to reduce employee crime.

The suggestions offered fall into three general categories: information sharing, more prosecution, and education and training. These are described below. Their implications are discussed further in the concluding section of this report.

Information sharing

As noted above, about 30% of our respondents believe that legal restrictions on surveillance and screening are a moderate to serious impediment to their efforts to reduce employee crime; about 50% believe that the corporate practice of not sharing criminal involvement information about former employees is also a serious problem. These are related privacy concerns in several respects, and several respondents suggested that government action is in order to ease the restrictions they face and to encourage employers to share information more readily. Ten percent suggested that government should improve the quality of and access to criminal history records. Twenty percent suggested that government assistance of some kind might be necessary to increase the sharing of "honest, accurate references" among private organizations. Specific comments included:

- "Relax restraints on Federal enforcement in our industry; in other words, help us, for a change."
- Risk manager for a phone company of more than 50,000 employees: "Encourage open arrest records."
- Security director for a manufacturer with more than 50,000 employees: "Provide central file of all those prosecuted for criminal and civil fraud abuses and encourage management to prosecute."
- Security director for a business service firm of more than 20,000 employees: "Make it easier for organizations with a proven need to know to get appropriate crime records. Be more realistic in allowing businesses to pass on negative information on employees to other organizations with need to know."
- "Something needs to be done to reduce the conflict between corporate EEO and security. Security wants you to hire 'good employees.' EEO says 'you can't even ask certain questions.' Stupid. Security should develop new standards for hiring."
- "Allow for personnel record circulation among banks; plus stronger prosecution."
- Factory manager, concerning drug-related theft: "Throw them out! And give their names to all the companies in your industry. Get through to them that we don't want or need them around and that they aren't going to work again in our shops."

In both field interviews and the survey, there was a good deal of frustration at the complexity of the information-sharing issue. The fear of employee litigation after a company has shared information about an employee's crime involvement is real enough: Cases surface periodically and are discussed among company attorneys and in the literature.

Yet the failure of companies to prosecute puts the risks of sharing even accurate information wholly on the employer. There is no objective third party making decisions and creating a file of conviction information.

The employee-privacy tradition that has developed over the past 15 years is largely voluntary. Explicit legal restrictions on sharing employee information are in fact few. There is no Federal privacy law covering most private-sector employers, and State privacy laws restricting sharing are few. Yet, voluntary or not, corporate policies on privacy were developed in part to avoid strong Federal or State legislation; there is some fear that increased sharing of information might prompt unwelcome action in this area.

Some employers do in fact share the information they mutually need through the informal network of security directors. In some areas, this involved a return to the use of off-the-record, coded communications that prompted so much privacy concern in the 1960's and 1970's. Other managers admit that many private corporations have no real stake in sharing information about past employees. They may want to rid themselves of a thief or embezzler quickly, but do not see why they should incur any risks at all by informing other employers.

Many of the comments seemed directed as much at management as at the government, observing that companies did not seem to realize that "we are all in this together," and that employers may have gone further than necessary in refusing to share accurate information about the crime involvement of former employees. A few also said that they thought corporate legal advisors were overcautious and unrealistic in recommending against greater sharing. One said: "Provide authoritative legal advice to companies to offset overcautious advice of corporation lawyers who favor inaction, acceptance, or settling out of court in preference to taking a stand."

Few respondents made any comments at all about restrictions on polygraphing. Those who did were straightforward in opposing any Federal legislation that would close down this option for employers. A few agreed with the security director of a Southern manufacturing company who said: "Do not block polygraph use; very effective since companies won't share honest references."

More prosecution

Privacy issues are also bound up with the related question of whether companies should report employee crimes and press for prosecution more frequently. Some employers fear legal exposure if they accuse employees publicly and countersuits if they sue to recover lost property and damages from employees who have committed crimes against them. Where relatively minor crimes are concerned, some managers suggested that employees deserved a chance to move on to another firm and start over clean; prosecution would make this impossible.

Most of the respondents who chose to comment see the question of prosecution as multifaceted. They directed some suggestions to management, saying that corporations had to realize that prosecution is important and should develop a public stance on this. A few respondents said that trade associations would have to both educate some employers and lobby hard to get legal arrangements or protection that would let companies feel more comfortable about reporting crimes and pressing for prosecution. Government, respondents said, should respond to industry initiatives in this area by (somehow) reducing the risk of litigation from alleged employee criminals who have been reported to authorities and by following through on industry complaints. Several respondents noted that employers do not prosecute; government does. They felt that one of the reasons employers do not even bother to report crimes is that they do not think the criminal justice system will handle the cases successfully.

Four or five respondents suggested strongly that it would be good if government forced employers to report serious criminal incidents and then made a commitment to prosecute these. Only then, some said, would we have a base of objective conviction information for screening applicants.

More important, some said, would be the examples set to counter the current feeling that white-collar criminals get off lightly:

- "Prosecute, whatever the cost, major theft and fraud!"

- Assets protection director of a manufacturing company with 30,000 employees: "Judicial system does not provide appropriate remedies for many of the crimes committed. This needs to be rectified first."

- Virginia bank: "Restitution is as important as punishment; this should be a priority of the court system."

- "Industry should lobby hard for some way to legally, safely share information about employees. Better to do it openly, not on the sly (as is happening now)."

- Loss prevention director of a Southern paper company with 40,000 employees: "Industry should lobby. Tough laws. Send defrauders to jail. I mean 'rockpile' jail, not country club. Do it every time. Publicize it. Attack their assets. Make it very hard for them to ever work in the same job again."

- Director of corporate security of a California utility: "Industry needs to publicize the problem. And encourage prosecution--so that there are records to share. Develop legal stuff necessary to support employer prosecution, so employers do not fear prosecution."

- "Industry should encourage prosecution of 'white-collar' criminals rather than termination."

- "Might try forcing more prosecution of white-collar criminals. Also, legal environment makes this difficult; so, would have to do something to take care of that problem, too."

- Communications company: "U.S. Attorneys look for cases with large dollar losses. Better cooperation is needed for prosecutions--employers need some rights equal to employees."

Education and training

Nineteen percent of our respondents suggested that government and/or industry should broadly educate management about the real costs of workplace crime and that it would perhaps be useful to share information about which crime-control approaches are effective. A few also suggested that substantial education and training was needed inside corporations to clarify and reinforce rules and standards.

- Large oil company: "Help clarify the problem and give guidance. But no new laws; problem won't be solved through Federal laws."

- "Share information about approaches. Industry-wide campaign on the really costly areas--fraud connected with insurance."

- "Need concerted effort to train employees and executives in very basic business ethics. Too few clear statements of what is wrong and what is right."

- "Educate all employees at all levels as to the cost of employee crime in this company and then prosecute, always."

- "Education, then strict enforcement is the only sequence that works! You have to change the standards and clarify them before you can enforce them."

- Midsized Midwestern manufacturer: "Clearly communicate company policy. Share crime information where appropriate; good liaison with public law enforcement--all of which assumes enlightened and supportive posture by senior management."

- "Real effort to improve supervision."

Many managers and professionals face considerable cross-pressures and a number of dilemmas as they try to cope with problems of employee crime and misconduct. Established company policies may not be appropriate for new problems; legislation and litigation may press in contradictory directions; and they may lack the internal consensus they need for effective crime-control efforts. Indeed, many of the senior professionals in our national survey have sharp disagreements with their own line managements over questions of resources, support, enforcement of existing policies, and prosecution.

However, it appears that corporations do have (and many are using) the tools they need to reduce employee crime and serious misconduct. The security and human resource professionals in this survey report that employee crime is in large measure a management problem and that most of the solutions lie inside the corporation, not outside of it, with government.

There is some predictable tension as management tries to retain its autonomy in this area, while courts and legislatures review what happens to employee rights and dignity in the process of private sector crime-control efforts. The most recent examples of this tension are even now being played out in court tests of drug testing, legislative debate over polygraph restrictions, and challenges to employer electronic monitoring.

Chapter 9
Concluding observations

Although extensive policy analysis and recommendations were not commissioned for this report, it is useful to draw together the section-by-section observations we have presented so far. The comments that follow apply to many of the private-sector workplaces studied or described by respondents. As noted in the introduction, however, in light of the limited response rate to our survey, they cannot apply to all. There is simply too much diversity in the experiences and policies of different firms to capture them perfectly with broad statements.

Defining the interested parties

In discussions of employee crime there is a natural tendency to talk as though only two parties are involved: employee and company. For example, this report has focused on crime that employees commit against business enterprises directly. But some employers worry about crimes against customers that expose the company to ill will, bad press, and sometimes to large damage suits. Such problems range across employee violence and fraud, misuse of private information about customers, shortchanging at the register, and short-count-kickback schemes at the loading dock.

It is important to keep in mind that crime by employees and outsiders cannot always be easily distinguished. Many serious problems involve collusion with outsiders--as major partners or investigators or at least as helpers, suppliers, and fences for stolen goods. Most major theft, for example, requires outside assistance if the employee is to profit from the theft. Information theft, by its very nature, requires outside interested parties.

There is also a tendency to localize the costs of employee crime because of the ways in which responsibility is assigned and because it is difficult to track costs that are transformed as they are passed along. Senior managers talk about costs to the company; at lower levels there is worry about "an incident in my unit" or concern that inventory shrinkage in Store A is growing faster than at Store B. Yet the literature on employee crime is quite clear in asserting that crime costs get passed on beyond particular units and ultimately beyond companies to society--in the cost of goods and services. Tax deductions and price increases clearly represent powerful means of recovering employee crime losses.

Crime control also has its costs. Both the technical and administrative countermeasures applied and the human resources traditions that develop in response to crime problems affect the quality of worklife. All employees bear the psychological and social costs of surveillance, testing, and suspicion; and the content and character of many jobs is defined by crime control considerations.

Employee crime is partially a management problem

Although half the respondents indicated that nonmanagement personnel were the source of the most serious problem, a theme throughout this project has been the substantial extent to which control over crime is seen as a daily management problem rather than a matter of better personnel selection, changing workforce characteristics, or technical security precautions. The obvious respects in which this is true were spelled out by the 208 survey respondents:

- Managers and supervisors themselves are viewed as committing much workplace crime; a third of our respondents see management employees as the most likely perpetrators of crimes that are most damaging to their companies.

- Much of the respondents' new concern about substance abuse grows out of the disruption caused by use of cocaine by managers and senior staff.

- Many recent major theft/fraud incidents are seen by respondents as resulting from some failure of line managers and supervisors to follow security/audit procedures.

- Management action/inaction is viewed by our respondents as an impediment to crime control in their organizations. They see the following problems: Management refuses to take a tough stand on minor abuses (49%); worries about company image prevent prosecution (30%); managers do not realize the extent and real costs of the employee crime problem (50%); poor supervision makes policy implementation difficult (57%); management refuses to allocate sufficient dollars for crime-control efforts (39%).

- Top management support is viewed by respondents as a critical--but often lacking--ingredient in effective crime control.

The shift to internal controls moves from thinking about individual employee characteristics and crime propensities to thinking about the structure of jobs and the kinds of controls that must be put in place and made to work on a daily basis. The emphasis on internal controls also shifts some responsibility from the personnel/human resource function to line management, risk management, audit/finance, and security departments.

As noted above, it is not clear that this shift to internal controls represents a change in management thinking about individual values and morals or ethical responsibility for crime. It may just be a pragmatic shift in the primary focus of control from selection to on-the-job measures.

More rules in writing

It is a common perception among both security and human resource people interviewed that, for some types of employee misconduct, company rules are not even clear, to say nothing of being enforced. In some cases this is seen as oversight, rather than a management failure, as in: "We just sort of assumed that everybody knew they shouldn't steal whole boxes of pencils from supply." But often the view of our field and survey respondents is that management does not really care enough to clarify the formal standards and policies or that some level of (costly) minor abuse is acceptable to senior management.

Many managers and staff professionals interviewed or surveyed believe that employees at any level needed to be told much more explicitly how their selfish actions hurt the firm, as this is not always obvious. "The whole set of rules has to be set forth now: from 'executive ethics,' to no stealing pencils, to 'do not borrow money from petty cash for unofficial short-term loans.' "

In the view of many of our survey and field respondents (and in the management literature as well) putting rules and conduct standards in writing is a necessary condition for both enforcement and fair treatment. The tradition of clearly stating rules is well established in union settings. Contract grievance and arbitration procedures have long demanded clear rules; and the tradition of progressive discipline drives the employee communication process in unionized firms because employees must be notified of infractions and, under most circumstances, must be given some opportunity to correct their behavior before discipline can be applied.

Notions of industrial due process have passed, without the formal mechanisms, into the philosophy of many nonunion human resource departments. But many of our respondents said that establishing clear theft, fraud, harassment, and other misconduct policies remains a great first step to be taken in their organizations. Many managers believe that clarification and communication of standards is no small task. One human resources vice president said:

"It's not something you do in an afternoon. That's partly because the rules are changing and partly because, once you state rules clearly, people can see where they apply and where they don't. The inconsistencies--across units and across levels--show up, and you have to be consistent."

A final aspect of management responsibility for crime control is that, to deal with crime, managers may have to admit that they have a problem. Corporate cultures differ in the extent to which they encourage or discourage such action. In many companies, the interviews and surveys indicate that managers are under implicit pressure to hide their problems and to handle things themselves. They must realistically ask: "If I seek help for this from Audit or Security, who will know about it and what will they think of me?" In other words, the corporate culture has to support supervisors and lower managers when they seek help.

Weighing the costs of countermeasures

Respondents said repeatedly that there is no single, optimal solution for any particular crime or misconduct problem. Some of the more sophisticated professionals we interviewed were adamant in arguing that a number of different factors had to be weighed in order to tailor a preventive approach to their organization. Among these were:

--The extent and cost of the problem in light of the volume and trend of company profits.
--The degree to which continuing crime disturbs normal operations, even if the direct dollar losses from the problem are low.
--How the proposed countermeasures might interfere with the flow of work.
--Whether the proposed countermeasure will lead to clear application of discipline if employees are caught.
--The direct cost of the countermeasure.
--The possibility that allowing minor abuses to continue may lead to more significant crime problems.

Some respondents said that a cost/benefit approach is required: Companies really ought to allocate their crime-control resources carefully, they said, applying most resources to problems that are both most costly and most likely to respond to crime-reduction initiatives. The problem with this idea is that companies do not know, and currently have no way to measure accurately, either the costs of crime and misconduct or the effectiveness of crime-control approaches.

The cost/benefit approach also suggests a need for coordination across units that traditionally deal with different employee misconduct problems. More of this seems to be happening, for instance, as security units become more involved in investigating insurance fraud or legal, audit, and security departments coordinate efforts to reduce a particular problem. But many of our respondents in field interviews said that this kind of cooperation did not happen often. A further concern for some security directors is that they are specifically or implicitly warned away from any action with respect to senior management crime or misconduct.

It is not a new observation to say that top management pressure is required to overcome natural resistance to cooperation across corporate units; but where employee crime matters are concerned, our respondents said that this kind of senior management support is often lacking.

Professional resentment and frustration

Many of the professionals contacted for this research described a reservoir of resentment and frustration about corporate efforts to control workplace crime. It is a common complaint from staff professionals who have responsibility for controlling employee behavior that senior management does not provide sufficient visible support; provides too little training; and places too little pressure on line managers and supervisors to observe security, audit, and other preventive routines.

Many expressed the view that management does not grasp the consequences of one or another employee crime problem and noted with some pain that senior management often pays more attention to intractable problems or ones that others regard as of low priority.

In many companies this is probably a true picture: Management ignorance and inattention costs the firm a great deal. But there was considerable honest disagreement between line management and senior staff about what is important and where resources should be devoted.

With respect to resource allocation, one risk manager told us: "A company that is on a roll--expanding, making money, increasing its market share, whatever--may be wise to put all its resources into keeping that going, even if it means accepting some crime losses in the process. You can get into trouble this way, of course. Companies that expand rapidly often end up hiring some people who rip them off good in the rush."

There is disagreement about the acceptable consequences of different control approaches. For example, protecting the company image by not prosecuting employees or seeking assistance from public authorities is not just a frivolous concern of the public relations department. This concern is tied up with regulatory exposure and, more generally, with preventing disclosure of company operations that might invoke scrutiny from stockholders or public authorities. Yet, many of the staff professionals interviewed would like to see things a little less private, with forced reporting and prosecution of serious crimes. This, they say would provide a clearer message inside, as well as providing public files of conviction outside.

Management and staff may also disagree about what behavior should be called misconduct. In the view of some managers responding to our study, a certain amount of employee crime is expected as part of the informal contract under which low-paid, insecure, boring, and unpleasant work proceeds. Retail owners openly admit that they expect employees to steal and that they do little to stop it unless it gets out of hand. One manufacturer said, "Some drug use and assembly-line theft sort of comes with the territory in minimum wage jobs."

More generally, the study indicates that fraud is a familiar aspect of doing business. Some companies face extortion, many say they have to watch suppliers carefully, and some retail respondents described to us the problem of keeping security guards from "stealing more than the crime they prevent." Some companies also participate in payoffs themselves, and some corporate tax departments may devote considerable attention to staying barely within the letter of the law.

Managers, supervisors, and senior staff all seem to have slightly different sets of experience with crime. Coupled with a lack of hard data on the extent and effects of different problems, these differences of background and experience provide a continuing basis for sharp internal disagreement about employee crime and its control.

Companies face conflicting demands

Many complaints were heard about the cross-pressures private-sector companies face in the mid-1980's:

• Many employers face new problems, such as increased drug abuse, which they believe require strong and immediate action.

• Sharply lower profits and other business considerations encourage employers to push for higher productivity and reduced costs from crime and misconduct.

• Litigation pressure in the liability and employment-at-will areas has forced many large firms to alter their personnel practices.

Many of the field and survey respondents feel restricted by privacy and equal opportunity laws that they see as preventing access to criminal information, information from other companies, and use of on-the-job search and surveillance. Management newsletters warn of the increasing number of employee privacy lawsuits that follow new efforts to monitor phone conversations in the workplace.

More powerful, if diffused, has been the development of human resource and privacy policies inside many large corporations that may now conflict in spirit with crime-control initiatives such as the use of undercover agents and drug testing. Employee privacy policies established in the 1970's represent legally voluntary restrictions; but, once in place, respondents note that they must be taken into account as part of the context into which new approaches must fit.

Beyond the internal dilemmas some employers worry that the private-sector will not be allowed to work out solutions without government intervention at the Federal or State level. At the same time employers may favor some legal actions expanding the definition of crimes (such as computer crime laws) or targeting employee crimes (such as those by computer hobbyists or "hackers") for greater prosecution effort.

As our respondents describe the situation, managers do indeed feel cross-pressure but are far from powerless. Companies are taking new kinds of crime-control initiatives. Some companies have used surveillance and "sting" operations to combat drug sales and use on the job. Drug testing is increasing and many large employers have it under active consideration. Our respondents report that new audit, inventory, and security measures are constantly being introduced.

Implications for employees

Though we occasionally heard comments about the "new" workforce that "knows its rights and will throw them in your face at a moment's notice," our respondents make it clear that private-sector companies will implement new controls when they feel these are necessary. As reported by survey respondents and in field interviews, new crime-control initiatives introduced over the past 10 years have placed employees--in union and nonunion settings and at all levels--under greater restrictions, with less on-the-job privacy in many work settings, with more rules to follow, and with jobs that are more fragmented than ever before. Employees today face more:

--*surveillance* by undercover agents, increased use of closed circuit TV to monitor areas (and to provide security for employees), and screening by electronic theft-detection devices;
--*fragmented work*, as tasks are broken down and separated to reduce opportunities for theft/fraud;
--*scrutiny and investigation*, as more questions are asked about health and worker compensation matters;
--*drug and polygraph testing*, especially in certain industries; and
--*electronic monitoring* to catch telephone abuse and to track employee movements and work patterns (location monitoring).

Respondents also note that many employees, from executives to factory operatives, also have fewer informal perquisites at work today. Access to phone lines, copying, postage, vehicles, expense accounts, computer time, supplies, parts, products, and materials is being sharply reduced in many settings.

Appendix A
Company profile

To suggest the range of information provided by survey respondents, we selected one return and converted the comments and responses into a narrative. The name, "Eastern Operations, Inc.," is fictitious. Since the survey was anonymous, the identity of this company is unknown.

SURVEY PROFILE

"EASTERN OPERATIONS, INC."

Eastern Operations owns media services on the east coast and has in excess of 30,000 employees. Its Vice President for Loss Prevention views only two internal crime problems as even moderately serious: major instances of fraud and problems with kickbacks and bribes. He sees sabotage as "potentially a problem from terminated employees; but this is more a worry than a problem we've really faced." Of the real problems, major fraud is regarded as the more serious, and managers who handle major contracts are seen as the most likely employees to become involved in such crimes.

The respondent also notes that there are certainly losses due to employee abuse of company resources such as telephones, computers, and motor vehicles. "But management allows wide latitude here; the 'losses' are allowed, expected."

Over the past 5 years, this loss-prevention specialist believes that the company's internal crime problems have remained relatively stable, with minor increases in the areas of information theft and kickbacks and bribes.

The most recent incident of serious theft or fraud occurred in this company in 1984. The respondent believes that nothing could have prevented this particular incident of fraud because the perpetrator was part of management and was trusted.

The respondent estimates that, in 1985, the company's moderate losses from employee crime and misconduct amounted to more than $6 million, largely from the effects of major fraud, kickback/bribe schemes, and petty fraud--including abuse of sick time and worker compensation. He believes that the company lost at least $5 million from the effects of kickback arrangements alone, more than $500,000 from fraud, $1 million from petty fraud (in which a wide range of employees engage), and at least $200,000 from frequent minor instances of sabotage and petty theft.

As a general matter, the respondent estimates that the company recovers 75% of its losses due to major theft and fraud and perhaps 25% of its losses from petty theft and fraud. Recovery is not greater, the respondent says "because it is often difficult to know such losses have occurred, much less prove it. Our insurance deductible is also higher than our provable losses in many cases."

Indirect effects

Asked to comment on indirect costs growing out of workplace problems, this vice president describes productivity losses as most significant, though major thefts and fraud are seen as damaging to the company's image as well. He believes that the most worrisome effect of violence on the job, should that occur in the company, would be on employee morale.

Other types of misconduct

Contrasting traditional crime areas with other types of workplace misconduct, it is this respondent's view that only substance abuse warrants a serious rating. "We have seen some very sad (and very expensive) drug abuse cases here recently." The effect of drug abuse on relationships among employees is seen as its most serious impact at Eastern Operations; this is the manner in which it disturbs productivity.

From this respondent's perspective, the company is least concerned about the possibility that drug abusers may steal from the company to support habits. "That can happen, of course; but the people I'm talking about generally do not steal in this way; and if they get into real trouble with drugs they couldn't support a cocaine habit via petty theft anyway."

The chronic absenteeism that plagues some companies and industries is regarded as no problem here. Sex, race, and ethnic harassment are viewed as only moderately serious problems for this company.

Controlling crime

As a general matter, this respondent believes that on-the-job controls are most effective. They are viewed as most effective against theft and fraud, abuse of company services, and information theft. Pre-employment screening is viewed as more effective in preventing the development of kickback/ bribe schemes, "if you can find out informally that an applicant has done this at another firm." Pre-employment screening is also seen as effective against drug abuse "...again, only if you can get the word about somebody's problem."

Over the past 5 years, the company has introduced or strengthened several on-the-job crime-control efforts. These include "more auditing, education, training, and screening of those who negotiate contracts."

The company also recently placed stricter controls on certain practices that were winked at previously. "This was with respect to vendor-paid lunches, gifts, etc. Our real goal was to put certain employees on notice that we were going to begin to crackdown on the more serious abuses in these areas; sort of an announcement."

Use of criminal records for screening

This respondent generally regards criminal-record screening as most useful in preventing major fraud--providing the person had been prosecuted by a previous employer. He regards such screening as least effective in preventing petty theft on the job. Two problems discourage greater use of criminal-record screening through State or local files: that information in such records is largely irrelevant for Eastern Operation's purposes and that few of their applicants have any kind of a record at all. In addition, this company operates largely in States in which private employers do not have access to centralized criminal history files and in which EEO law and enforcement would discourage most such record checking.

Why isn't crime control better?

Asked to describe what problems interfere with this company's efforts to control crime, the respondent noted only one serious impediment: that managers often don't realize the extent and the real costs of employee crime. This respondent also believes that management's reluctance to prosecute--out of fear for the company's image--interferes moderately with efforts to control crime on the job. Management in this firm is also described as generally unwilling to take a tough stand on minor abuses.

Managers commit some of the crimes that are a problem for Eastern Operations, and this respondent believes that managers would not tolerate the kinds of measures that would be necessary to effectively control the criminal behavior of a few bad apples. Legal restrictions on investigation are also described as a moderately serious impediment to better crime control: "Managers might sue if we did the kind of digging that is really useful."

What should the Federal government and industry do?

This respondent, like many others, had no specific suggestions for Federal or industry action on employee crime problems. "I really see this as a problem we have to solve. But I suppose that some publicity about crime losses and drug abuse helps--if nothing else--to convince management that it ought to be doing more."

Summary

This large company was estimated to have lost more than $6 million to employee crime in 1985. Nevertheless, its Vice President for Loss Prevention describes no kind of employee crime problem as more than moderately serious. The firm has recently tightened up some audit and security procedures. However, this respondent believes that impediments to more effective crime control are largely matters of management attitude: Management doesn't take crime problems seriously enough and doesn't prosecute. He believes that managers themselves would probably be unwilling to put up with the kinds of audit and security measures necessary to reduce significantly the frequency of fraud and kickback abuses.

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National Crime Survey

Criminal victimization in the U.S.:
- 1985 (final report), NCJ-104273, 5/87
- 1984 (final report), NCJ-100435, 5/86
- 1983 (final report), NCJ-96459, 10/85
- 1983 (final report), NCJ-96459, 10/85
- 1982 (final report), NCJ-92820, 11/84

BJS special reports:
- **Robbery victims**, NCJ-104638, 4/87
- **Violent crime by strangers and nonstrangers**, NCJ-103702, 1/87
- **Preventing domestic violence against women**, NCJ-102037, 8/86
- **Crime prevention measures**, NCJ-100438, 3/86
- **The use of weapons in committing crimes**, NCJ-99643, 1/86
- **Reporting crimes to the police**, NCJ-99432, 12/85
- **Locating city, suburban, and rural crime**, NCJ-99535, 12/85
- **The risk of violent crime**, NCJ-97119, 5/85
- **The economic cost of crime to victims**, NCJ-93450, 4/84
- **Family violence**, NCJ-93449, 4/84

BJS bulletins:
- **Households touched by crime, 1986** NCJ-105289, 6/87
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