

Worker thefts on rise

Some blame slow economy; others say more being caught

By ADAM GELLER
The Associated Press

NEW YORK — Not long after Donald McNeese had a falling-out with his boss at the Prudential Insurance Co., he allegedly settled on a scheme to exact revenge.

McNeese worked in the tax department of Prudential's Jacksonville, Fla. office and was frustrated at what he felt was unfairly low pay. Federal prosecutors say he took out his anger by stealing computerized personnel files for more than 60,000 company employees.

McNeese sold some of that information over the Internet, prosecutors say, and sent e-mail to workers designed to incriminate his former supervisor in the theft.

The Callahan, Fla., man admitted stealing the records and explained his motives when he was arrested this month, according to U.S. Attorney's offices in Florida and New York. Investigators say it may amount to one of the largest identity-theft cases ever.

While the vast majority of disenchanted workers would never go that far, the case highlights a growing, although usually hidden, problem for companies — theft by their own employees.

The company you keep

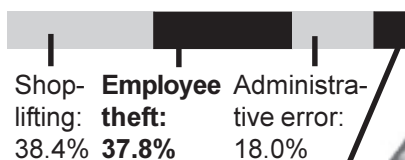
Workplace theft is on the rise and experts are debating whether the economic downturn is to blame. Also, layoffs and cutbacks may have left workers feeling that their employers owe them more than they are getting so they retaliate with theft.

Retail Theft

2000



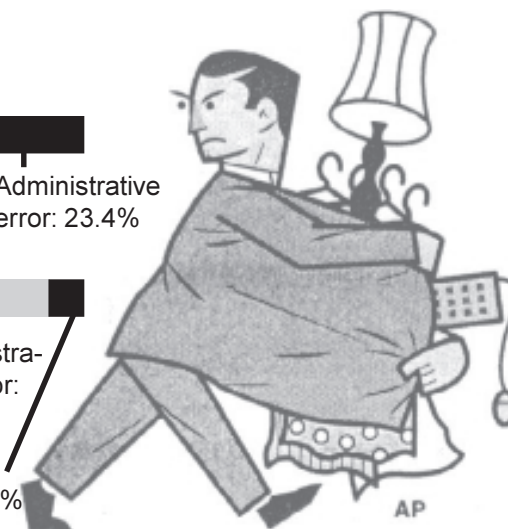
1991



Figures do not add up to 100 percent due to rounding

Vendor fraud: 5.8%

SOURCE: 2001 National Retail Security Survey



Just why incidents of theft are increasing is a subject of debate by security experts. They're split over whether the economic downturn is making the problem worse by raising tensions between employers and workers.

While the link between the economy and workplace theft is difficult to prove, there's little question that on-the-job stealing is widespread and rising.

Employee theft at retail stores nationwide climbed to \$14.9 billion in 2000 from \$13.2 billion the previous year. Employee theft is responsible for more than 46 percent of what the retail industry calls "shrinkage" — far more than theft by shoplifters, according to the National Retail Security Survey.

The figure, based on reports for 2000, compares to employee theft losses of 37.8 percent in 1991.

A survey by security firm Jack

L. Hayes International of 30 major retail chains, found the companies caught 73,300 employees stealing in 2000, up from 66,600 the previous year. The U.S. Chamber of Commerce estimates employee theft costs companies between \$20 billion and \$40 billion a year.

The increases could be symptomatic of the weak economy, some experts say. Layoffs, cutbacks and similar moves leave many workers feeling that their employers owe them more than they are getting.

"Especially in an economy like the one we're having now, where people are being told to work harder to cover for folks who have been laid off ... it's best for employers to look out for an increase in theft because a lot of employees see it as a way of getting what they're not getting in their paychecks," said James C.

Wimbush, an Indiana University business professor.

But other experts disagree about whether recessions drive up stealing, noting that employee theft has been a growing problem for years. They argue that increased scrutiny by employers could lead to more people being caught, which might be misinterpreted as an increase in theft. It's also possible that workers feeling insecure about their jobs may be less prone to steal.

"It's hard to distinguish whether they (companies are) really focusing more in bad times or whether there is just more stealing going on," said Tim Dimoff of SACS Consulting and Investigative Services, a Dayton, Ohio corporate security firm.

"It's a hidden form of deviance," said Richard Hollinger, a criminologist at the University of Florida who authored the retail security survey.

Better security

Hollinger notes that increases in employee theft might merely signal that employers are doing a better job of apprehending workers, or that they are attributing losses to employees in the belief that workplace theft is increasing even though they don't have proof.

Several security consultants who work with companies to investigate and prevent internal theft said they've been busy, but characterized the volume of cases as an indication of a long-term problem rather than a short-term increase.

"There's been a lot of stealing going on the whole time, that's our

feeling," said Mark Doyle, vice president of the Hayes firm, based in Fruitland Park, Fla. "Why is it increasing? Without a doubt, that's because the retailer is getting much better and quicker at identifying internal theft."

It's hard to know what motivates workers to steal from employers. But there is some hard evidence to suggest workers steal because of frustration with their companies and supervisors, rather than greed.

For example, in a study published in 1990, Ohio State University Professor Jerald Greenberg watched what happened at an auto and aerospace parts company when managers moved to cut costs.

The company, which Greenberg will not identify, had three factories in three Midwestern states. When the company lost two large manufacturing contracts, it decided to cut employee pay by 15 percent for a 10-week period. At one plant, managers made the change with only a cursory explanation to workers. At another plant, pay was kept stable. At the third plant, pay was cut. but only after a high-ranking corporate executive was sent in and met at length with workers to explain the cuts.

In the weeks that followed, the theft rate was unchanged at the plant where pay was maintained. The theft rate jumped from 3 percent to 8 percent at the plant where employees got only a cursory explanation.

At the plant where they received a full explanation, theft increased from 3 percent to less than

5 percent.

The company "didn't hang extra security cameras. They didn't have metal detectors. All they did was have the bigshot go in and treat them (employees) well,"

Greenberg said. "Nobody likes getting their pay cut, but they felt like it was less unfair."

Security experts say the current downturn has yielded similar examples.

Survival instinct

Dimoff points to a Cleveland-based data processing firm he has worked with but would not identify. In January, the company told its nearly 100 employees it was going to shut down.

"A week and a half later I got a call that they (employees) literally walked out of there with a total computer system," Dimoff said.

"They're acting out of resentment, out of entitlement and they're acting out of survival — I'm getting laid off in a week, I better get anything and everything I can."