

# Employee Theft On the Rise and Expected to Get Worse

by Chad Brooks, BusinessNewsDaily Senior Writer

Poor pre-employment screening and a decline in supervision are contributing to the rise in employee theft incidents, new research shows.

A study of 23 large retail companies by loss-prevention consulting firm Jack L. Hayes International shows that 71,095 dishonest employees were apprehended in 2012, up 5.5 percent from 2011. In total, more than \$50 million was recovered in those cases, up 7 percent from a year earlier.

"The seriousness of retail theft is a much greater problem than many people realize," said Mark Doyle, president of Jack L. Hayes International. "These theft losses are stealing profits from retailers and driving retail prices higher for the consumer."

Though the research didn't provide exact numbers, in general, more recently hired employees — those with less than a year on the job — and part-time employees with no vested interest in the company are the employees who tend to be apprehended more frequently, Doyle said.

Specifically, Jack L. Hayes International attributes the increase in employee theft to a number of factors, including the following:

- **Ineffective pre-employment screening:** The first step to controlling internal theft starts at the point of hire. Do not hire the "bad apple." Some retailers, in an effort to reduce their costs, have lowered their pre-screening requirements and are now hiring more "questionable" employees. When statistics show one out of every 36 employees is actually caught stealing by their employer, there has likely been some type of breakdown in the pre-employment screening process.
- **Less employee supervision:** With lower management levels, there is less supervision of employee activities, which results in more opportunities to commit theft.
- **Ease in selling stolen goods:** Merchandise stolen by employees can be quickly and easily sold, and for a much higher price, using online auction sites. This easy access to a much larger audience for stolen goods has resulted in more theft by dishonest employees looking for quick cash.
- **Decline in honesty:** The almost-daily incidents of business, government, law enforcement, celebrities, sports figures and church leaders being involved in

questionable activities make it easier for "borderline" employees to steal and to rationalize their actions. In addition, the part-time workforce is growing, and it is not uncommon to find that many such workers have less loyalty to their employer, and are more apt to take advantage of opportune circumstances.

"Customer service is still the best deterrent to theft, so [businesses] need to hire honest, motivated and outgoing employees," Doyle told BusinessNewsDaily. "Then, adequately train these employees with loss-prevention training and awareness programs, as they are the first line of defense on the sales floor."

Employees aren't the only ones increasing their illegal activity. The research shows that about 1.1 million shoplifters were apprehended in 2012, up 7.4 percent from 2011. In those cases, more than \$138 million was recovered, a 22.7 percent increase from the year earlier.

The study offers several reasons behind the growing number of shoplifting cases:

- **Increase in organized retail crime:** Losses from organized retail crime are reported to be over \$30 billion annually, triple what they were just 10 years ago. These thieves work in teams, often using distraction to commit their theft of items such as over-the-counter medicines, razors, baby formula, batteries, CDs and DVDs, tools, and designer clothing.
- **Reduced customer service:** Fewer employees on the sales floor serving customers creates greater opportunities for thieves to steal.
- **Increase in fraudulent returns/refunds:** Losses from fraudulent returns/refunds are estimated at \$16 billion a year. Thieves create fraudulent receipts with desktop publishing software and color printers, and then return stolen items to the store for their full retail value.
- **Low risk/nonoffensive crime:** While the amateur shoplifter is finding the social stigma of shoplifting to be lessening, many professional thieves find shoplifting is both a highly profitable and low jail-risk endeavor. Shoplifters know that violent crimes can draw jail time, while the prosecution of nonviolent crimes, such as shoplifting, is not always encouraged by law enforcement and, therefore, seldom results in jail time.

Doyle said he only sees the problem getting worse in the years ahead.

"I don't see anything in the immediate future that will substantially curb the theft epidemic," he said. "For every prevention technique we put in place, thieves work very hard to circumvent it."

The study was based on data from 23 large retail companies with 18,900 stores and more than \$596 billion in retail sales.

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