

Do The Math!



The Price of Theft

By Jay Goltz

Most people are honest. They don't steal. On the other hand, there are a significant amount of people who do steal. I'm not talking about people who would hold up a liquor store or break into your house at night. Specifically, I am talking about people that would steal from their jobs. They might not call it "stealing," but it goes by many other names. It could be called a perk. It could be called pilferage. It could be called insignificant. It could be called "owed" because of all the hard work not compensated for. Large retail chains have investigated and know that half of the "shrinkage" (as it's called) is from employees. It's a fact of life.

The question is, what's it costing the average production frame shop with, let's say, 20 employees? The answer could be all over the place because my guess is that in some companies it's rampant while in others it's minimal.

First of all, what can you steal from a production framing facility?

Materials. Workers might need framing for their houses, their friend's houses, or their mother's houses, and they cut some extra frames that mysteriously go out the door. Some go out the door when the boss is not around. Some go out the door in the garbage to be picked up after work. Have you heard of that one? It's common.

Tools. If you don't monitor the tools in your facility, you will constantly be buying new ones. Instead of "borrowing" pens, they'll be taking screwdrivers, wire cutters, magic markers, and anything else that someone might need at home. This is the kind of borrowing that never comes back.

Time. I'm talking about time other than lunch periods and breaks. I'm talking about gabfests in back, Internet surfing, and getting ready to leave (going to the bathroom, getting on the coat, etc.) before punching out.

It all adds up. It's probably impractical to totally eliminate it, though you should try. First of all, every order that gets worked on should have paperwork that goes with it that is numbered and tied into your computer system. That way a manager can monitor whether someone is working on something that is an actual order

that goes into the billing cycle.

It also doesn't hurt to occasionally check the garbage. Even if someone is not putting materials in there to retrieve later, it can be eye-opening to see what's being thrown out. Tools need to be issued to individual employees and locked up when not in use. Otherwise workers will pilfer from each other, and the tools will be gone when they're needed.

Time pilferage is a matter of putting rules in place and managing. In other words, watching what's going on. Not only does it add up to significant money, but the habit also spreads. First, one guy puts on his coat before punching out, then the others notice and all start doing it. The next thing you know, everyone's getting ready five minutes early.

So let's do the math:

Materials	1 frame/wk	\$30/wk	x52 wks	\$1,560/yr
Tools				\$1,123/yr
Time	5mins.x20 empl. 100 min/days @\$18/hr	\$30/Day	x250 days	\$7,500/yr
Total				\$10,183/yr

Frame materials

Most of your employees are honest. But if you have 20 employees, perhaps one frame a week is stolen at the cost of \$30 each. After 52 weeks, that's \$1,560.

Tools

The calculation? Your experience and receipts will prove the actual number! But let's say it comes to \$1,123 a year.

Time

Each person pilfers five minutes a day. If you have 20 employees, with taxes and all of the costs of an employee, that's at \$18 an hour. 20 employees x 5 minutes = 100 minutes or 1.67 hours x \$18/hour=\$30 a day. At 250 working days per year, that's \$7,500.

Altogether, the total would be \$10,183 a year. That may be an insignificant amount in the big picture, but it's still your money—or at least it used to be!