

The Impact of Information Technology Monitoring on Employee Theft and Productivity

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Abstract : This paper examines how firm investments in technology-based employee monitoring impact both misconduct and productivity. We use unique and detailed theft and sales data from 392 restaurant locations from five firms that adopt a theft monitoring information technology (IT) product. We use difference-in-differences (DD) models with staggered adoption dates to estimate the treatment effect of IT monitoring on theft and productivity. We find significant treatment effects in reduced theft and improved productivity that appear to be primarily driven by changed worker behavior rather than worker turnover. We examine four mechanisms that may drive this productivity result: economic and cognitive multitasking, fairness-based motivation, and perceived increases of general oversight. The observed productivity results represent substantial financial benefits to both firms and the legitimate tip-based earnings of workers. Our results suggest that employee misconduct is not solely a function of individual differences in ethics or morality, but can also be influenced by managerial policies that can benefit both firms and employees.

Keywords : information technology, monitoring, misconduct, employee theft

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