

Cracking Business Crime



A report by the Federation of Small Businesses



**Federation of
Small Businesses**



**Cracking
Business
Crime**

Contents

Foreword

3

Executive Summary

4

Introduction

5

Incidence of crime

6

Effect of crime

12

Reporting of crime

13

Crime deterrents

18

Crime prevention

20

Conclusion

27

Foreword



Crime against business is an increasing concern to us and our members in the FSB. The Home Office estimates that crime against commercial or public sector organisations is almost twice the estimated number of crimes against individuals and households. As much of this crime goes unreported, however, police figures do not reveal the extent of the problem.

Crime against business has been seen in the past as 'victimless' because the nature, scale and cost of this type of crime can be hard to quantify. For this reason, and the fact that it is not a Key Performance Indicator for the police, it is not given the priority by the Home Office, criminal justice agencies and police that it deserves.

Business crime was low on the government's agenda until a few years ago when the Home Office launched a consultation on business crime in February 2003. The issue has been climbing up the agenda since then.

Small businesses make a vital social and economic contribution to the UK, making up 56% of employment (12.6million people) and 52% of total UK turnover. It is vital therefore, that:

- Crime against business is seen as a core priority by the Home Office and police forces
- Business crime is made a Key Performance Indicator
- Home Office allocates increased funding to tackle the problem.

As the leading representative body of the UK small business community we hope that this research will be put to good use in making the fight to tackle crime against businesses more effective. We have worked as part of a tripartite approach with the police and criminal justice agencies and acknowledge the sterling work that our police forces are doing in the fight against terrorism.

This report is the business contribution to tackling crime and we challenge the other two stakeholders to take the work in the report forward.

David Croucher
Chairman, Home Affairs
Federation of Small Businesses

Executive Summary

- » Over half (58%) of all small businesses in the UK have suffered at least one crime during 2003 - 2004. The most frequent crimes are vandalism and vehicle damage.
- » Crime, and the fear of crime, can directly impact on day to day business activities. It can damage a business' image, resulting in the loss of existing customers and deterioration in the quality and range of services offered by the business, which will limit turnover and restrict business development.
- » The police must record business crime as a distinct category from domestic crime, with greater classifications to give a deeper understanding about the extent of the problem. This would provide much needed statistics on the extent of crime against business, and help to facilitate more effective crime prevention initiatives.
- » Crime against business should be made a Key Performance Indicator by the Home Office so that police forces afford it the same priority as they do domestic crime.
- » Businesses, in turn, have a duty to report all crimes to the police. If police are not informed of crimes that occur in their area, they will not be able to allocate resources to tackle the problem.
- » A commitment to tackle business crime is not just needed by the police and Government but also by the entire criminal justice system. Small businesses are concerned that the impact and seriousness of crime against business is overlooked by the criminal justice system.
- » Overwhelmingly owners state that current deterrents are not sufficient to protect small businesses from the threat of criminal activity. A prison sentence is not suitable for all offences, but the punishment must fit the crime if the judicial system is to retain business confidence.
- » The Sentencing Advisory Panel and Sentencing Guidelines Council must revise the sentencing guidelines to ensure that all crimes of a similar nature are treated equally. The Crown Prosecution Service must give higher priority to prosecuting offenders for crime against business.
- » The FSB is concerned that the introduction of Penalty Notices for Disorder (PNDs) for theft and criminal damage is effectively decriminalising these offences in the eyes of criminals. Many small businesses view the PNDs as simply downgrading these crimes to anti-social behaviour.
- » Business owners have a duty to protect both their premises and staff from crime and need to be more proactive in securing their assets. Too often failing to physically secure the premises can be disastrous for the business, seriously threatening its viability.
- » The FSB is concerned that current planning regulations prevent businesses from installing crime prevention measures, such as metal shutters and CCTV. Planning regulations relating to crime prevention measures must be relaxed to allow businesses to protect their premises.
- » Business Crime Partnerships must move away from being primarily retail focussed, to be more inclusive of the wider business community. This will help to ensure that all businesses regardless of sector are able to benefit from BCPs, and that crime is not simply displaced from one sector to another.
- » The provision of an advice and support service for businesses to help combat crime is vital. Many small businesses receive no crime prevention advice and lack the resources to invest heavily in crime prevention measures.
- » The FSB advocates the paying of compensation to businesses who have been the victims of crime. Small firms often have low profit margins and dealing with the aftermath of a crime can seriously threaten their viability. Establishing a business crime compensation scheme would help prevent otherwise viable businesses from closing down.
- » The FSB welcomes moves to tackle crime and disorder more effectively at the local level, but is concerned that many Crime and Disorder Reduction Partnerships are not addressing the issue of business crime. CDRPs need to engage with business and ensure that their strategies include proposals for tackling business crime.

Introduction

Crime, and the fear of crime, is a concern for many small businesses. Small Businesses are often very vulnerable to crime, as they lack the human and financial resources of larger businesses to implement crime prevention measures.

Business crime affects profitability, deters investment and can hasten business closure. Scarce financial resources are drained partly through crime prevention measures, but predominantly through the after-effects of crime. Small firms often have low profit margins and such costs can seriously threaten the viability of the business. In a time of escalating insurance premiums this only makes problems worse.

The effect of crime on small firms can also be devastating for the wider community. The consequences of business crime, such as firms closing down or relocating, are often a major contributing factor to the decline of town centres and wider communities. Areas are then deprived of much needed facilities and employment opportunities.

This report investigates the extent to which small businesses are affected by crime and investigates the occurrence of different types of crime from vandalism and robbery to employee fraud and credit card fraud, against a range of business sectors, locations, age, objectives, size and profitability and sales turnover.

The report is based on statistics taken from the FSB's '*Lifting the Barriers to Growth in UK Small Businesses 2004*' survey, a summary of the results of the third biennial survey of the FSB membership. It also takes information from a more detailed analysis of this survey, carried out by Professors Sara Carter, Colin Mason and Stephen Tagg of Strathclyde University.

An analysis is also made of the reporting of crime and the fact that businesses, for a number of reasons, often do not report crime to the police which prevents them, in turn, from devising effective crime prevention responses. It also investigates whether the current deterrents are effective, looking at sentencing and Penalty Notices for Disorder (PNDs) and crime prevention initiatives such as Business Crime Partnerships (BCPs).

We look at where initiatives work well but also where there is room for improvement to make life easier for smaller businesses and where channels of support could be better publicised.

Finally, the paper includes our recommendations directly targeted at business, government, criminal authorities and other key stakeholders to help reduce the current levels of business crime.



The Incidence of Crime

Table 1: The incidence of crime by sector

	Vandalism	Graffiti	Vehicle theft	Vehicle damage	Arson	Burglary	Robbery	Assault on owners/ staff	Shoplifting	Employee fraud	Employee theft	Cheque fraud	Credit card fraud	Internet crime	None ticked
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Not ticked	22	8	10	26	4	14	7	2	7	8	8	13	6	3	49
Agriculture, Forestry & Fishing	25	6	10	18	3	17	10	3	7	3	5	7	5	2	45
Mining & Quarrying	27	12	14	22	8	20	12	4	4	8	6	6	6	2	49
Manufacturing	27	12	9	22	3	17	7	2	4	5	8	5	6	2	44
Energy & Water	18	9	10	30	2	16	9	3	3	5	8	5	6	1	46
Construction	25	9	12	30	2	17	9	1	3	6	8	5	5	1	43
Retail, Wholesale & Motor Trade	34	18	8	24	2	15	11	5	38	6	9	17	15	3	28
Hotels & Restaurants	39	18	8	27	2	17	10	11	11	12	22	13	8	1	33
Transport & Communications	36	12	18	45	3	16	12	8	3	10	13	12	8	2	34
Financial Services	16	10	5	20	2	8	4	2	1	3	3	2	4	2	56
Business Services	19	10	6	21	2	10	5	2	2	3	4	5	7	6	52
Public Administration & Defence	26	4	9	22	9	13	17	0	4	0	4	13	4	4	61
Education	22	12	6	21	2	14	4	3	3	2	6	5	4	2	48
Health & Social Work	24	13	5	20	1	14	7	5	6	8	14	4	6	1	42
Personal Services	25	14	6	21	2	12	6	2	11	7	9	7	4	1	44
Other	22	10	8	23	2	13	6	2	6	5	7	7	6	3	47
UK	27	13	9	25	2	14	8	4	12	6	8	9	8	3	42

Over half (58%) of all small businesses in the UK have suffered at least one crime during the past year (Table 1). The most frequent crimes are vandalism, experienced by 27% of businesses and vehicle damage (25%). More than one in ten businesses has experienced burglary (14%), graffiti (13%) and shoplifting (12%).

Other types of crime, such as vehicle theft (9%) and robbery (8%), cheque fraud (9%) and credit card fraud (8%) were experienced by fewer businesses, as were employee theft (8%) and employee fraud (6%). Only arson

(2%), Internet crime (3%) and assault on the business owners or staff (4%) remain comparatively rare.

Business Sector

The likelihood of small businesses experiencing crime is strongly related to their business sector. Businesses that are easily visible, that depend on high levels of customer traffic and that sell directly to consumers, such as the retail, wholesale & motor trades and the hotels & restaurants sector, report much higher levels of crime than other

Table 2: The incidence of crime by region

	Vandalism	Graffiti	Vehicle theft	Vehicle damage	Arson	Burglary	Robbery	Assault on owners/ staff	Shoplifting	Employee fraud	Employee theft	Cheque fraud	Credit card fraud	Internet crime	None ticked
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Not ticked	26	13	8	24	2	13	7	4	12	6	8	9	8	3	43
North East	24	12	8	23	2	10	6	3	13	6	7	9	7	3	43
Yorkshire & Humberside	34	19	14	31	3	21	11	4	13	7	10	11	10	3	35
East Midlands	31	12	12	29	2	20	10	4	13	7	10	9	8	3	35
East England	25	10	8	20	3	17	7	4	12	6	8	9	8	3	42
London & South East	25	13	9	25	2	13	7	3	11	5	7	8	10	3	42
South West	24	9	7	23	2	13	7	4	13	5	8	9	8	3	44
West Midlands	27	12	10	24	3	18	9	3	12	5	8	9	7	1	41
North West	36	16	11	29	3	17	11	4	12	8	11	8	9	2	35
Wales	28	11	9	23	1	15	7	3	13	6	9	10	8	3	43
Scotland	27	12	5	22	2	9	6	4	14	5	8	9	6	2	43
Northern Ireland	30	18	12	22	3	17	10	5	17	11	15	18	7	2	38
UK	27	13	9	25	2	14	8	4	12	6	8	9	8	3	42

sectors (Table 1). The retail, wholesale & motor trades sector are for example, much more likely to experience graffiti, shoplifting, cheque fraud and credit card fraud.

Business Location

Analysed by region (Table 2) it becomes clear that, while crime occurs throughout the UK, the incidence of business crime is more often experienced in four particular regions: Yorkshire and Humberside, NW England, the East Midlands and Northern Ireland.

Businesses in Yorkshire and Humberside report the highest levels of graffiti, vehicle theft, vehicle damage, burglary and, together with London and South East England, the highest level of credit card fraud. Businesses in Yorkshire and Humberside also report, together with those in NW England, the highest level of robbery. Businesses in NW England also report the highest level of vandalism, the second highest level of vehicle damage and the third highest level of graffiti.

In the East Midlands, businesses report the second highest levels of vehicle theft, vehicle damage and burglary and the third highest level of vandalism. Businesses in Northern Ireland, however, experience a rather different pattern of

crime. Northern Ireland businesses experience the highest levels of shoplifting, employee fraud and cheque fraud, the second highest levels of graffiti and vehicle theft, as well as higher than average levels of vandalism.

Businesses in rural locations tend to suffer much lower levels of crime than those in urban areas. In particular, businesses in rural areas are much less likely to have experienced the most common types of crime such as graffiti (4%, compared with 15% in urban locations), vandalism (17%, compared with 30% in urban locations), vehicle damage (19%, compared with 26% in urban locations) and shoplifting (8%, compared with 13% in urban locations).

Businesses in urban locations are more likely to have experienced every type of crime and, although relatively rare, are twice as likely as rural businesses to have experienced assault on the owner or staff (4%, compared with 2% in rural locations).

Business Age

There is an interesting relationship between the experience of crime and the age of the small business. New businesses are much less likely to experience crime than older ones.

Table 3: The incidence of crime by business age

	Not ticked	0-3	4-5	6-10	11-20	21-30	31+	UK
	%	%	%	%	%	%	%	%
Vandalism	35	21	25	27	27	34	53	27
Graffiti	17	10	11	14	13	17	50	13
Vehicle theft	10	6	8	8	10	11	11	9
Vehicle damage	26	21	24	27	25	27	33	25
Arson	4	2	2	2	2	3	14	2
Burglary	18	10	14	14	15	17	36	14
Robbery	9	6	8	8	8	9	22	8
Assault on owners/ staff	3	4	4	4	3	3	11	4
Shoplifting	16	11	11	12	12	14	22	12
Employee fraud	6	5	6	7	6	6	14	6
Employee theft	8	8	8	10	8	9	14	8
Cheque fraud	11	7	8	10	10	10	17	9
Credit card fraud	9	7	8	9	8	9	14	8
Internet crime	2	3	3	4	3	2	6	3
None ticked	37	47	42	39	41	36	25	42

As Table 3 shows, the likelihood of experiencing many of the types of business crime increases incrementally with business age.

The incidence of vandalism, for example, increases incrementally from 21% for businesses that are less than 3 years old and 25% for businesses aged 4–5 years and goes up to 34% for businesses aged between 21–30 years and 53% for the longest established businesses (over 31 years).

The lower levels of crime experienced by younger businesses may, in part, be a function of their greater likelihood to be home-based. Lacking the visibility of their own business premises, home based firms are much less likely to suffer from business related crime.

By contrast, older businesses (between 21–30 years) are more likely to have experienced crime and are also more likely to have reported multiple incidences of crime. Although the number of respondents is low, the level of crime experienced by businesses that are more than 30 years old is exceptionally high.

Business Objectives

A new analysis of the data has also revealed a strong association between the experience of crime and the overall growth objective of the small business. Those businesses with an objective of sale, succession, downsizing or closure experienced higher than average levels of crime. By contrast, those businesses with an objective of either moderate or rapid growth experienced lower than average levels of many types of business crime.

As Table 4 shows, for example, business owners with an objective to sell their business were the most likely to have experienced vandalism, graffiti, assault on the owner or staff, shoplifting, employee fraud and employee theft. These business owners also experienced higher than average levels of vehicle theft and vehicle damage, burglary, robbery and cheque fraud. Similarly, business owners whose objective is to downsize experienced the highest levels of graffiti, vehicle theft and vehicle damage, burglary, robbery and cheque fraud.

By contrast, business owners with the objective of rapid growth had experienced lower than average levels of

Table 4: The incidence of crime by business objective

	Vandalism	Graffiti	Vehicle theft	Vehicle damage	Arson	Burglary	Robbery	Assault on owners/ staff	Shoplifting	Employee fraud	Employee theft	Cheque fraud	Credit card fraud	Internet crime	None ticked
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Not ticked	24	11	8	20	1	13	9	3	11	5	7	8	8	4	50
To close it down	29	13	9	24	3	13	10	5	14	4	7	8	5	3	43
To sell the business	35	17	10	29	3	17	9	7	21	11	16	12	9	2	32
To downsize/ consolidate the business	34	17	12	30	2	19	10	5	14	7	10	13	9	2	37
To remain about the same size	26	12	8	23	2	14	8	3	11	4	6	8	5	2	45
To expand moderately	26	12	8	25	2	14	7	4	12	6	8	9	9	3	41
To grow rapidly	21	10	9	25	3	13	6	4	9	6	9	8	11	4	45
To hand on the business/ succession	34	15	11	26	3	19	6	3	10	8	10	10	9	5	37
UK	27	13	9	25	2	14	8	4	12	6	8	9	8	3	42

Table 5: The incidence of crime by size of business (sales turnover)

	Vandalism	Graffiti	Vehicle theft	Vehicle damage	Arson	Burglary	Robbery	Assault on owners/ staff	Shoplifting	Employee fraud	Employee theft	Cheque fraud	Credit card fraud	Internet crime	None ticked
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Not ticked	22	10	7	18	2	13	8	3	10	4	7	6	6	3	51
Less than £25,000	13	5	4	17	1	6	4	2	5	1	2	4	3	3	62
£25,001 to £50,000	19	8	6	20	2	8	5	2	9	2	2	5	5	3	53
£50,001 to £100,000	23	11	7	22	2	11	6	3	12	3	4	6	6	3	46
£100,001 to £500,000	30	15	8	25	2	15	8	4	14	6	10	10	9	3	37
£500,001 to £1m	34	16	13	31	3	21	11	5	14	11	15	13	12	3	31
£1,000,001 to £5m	38	18	16	36	3	25	11	5	13	12	17	14	16	3	25
More than £5m	43	28	28	46	6	30	14	6	17	18	25	23	19	2	23
UK	27	13	9	25	2	14	8	4	12	6	8	9	8	3	42

vandalism, graffiti, burglary, robbery and shoplifting. These business owners are not immune to crime however; they were more likely than any other group of business owners to have experienced credit card fraud.

Business Size

This analysis also revealed an association between the size

of the small business and their experience of business related crime. As the size of the business increases, so too does their experience of crime. This relationship is clearly illustrated in Table 5.

The experience of vandalism, for example, increases incrementally by turnover size band from 13% among businesses with a turnover of less than £25,000 up to 43%

Table 6: The incidence of crime by profitability trends

	Vandalism	Graffiti	Vehicle theft	Vehicle damage	Arson	Burglary	Robbery	Assault on owners/ staff	Shoplifting	Employee fraud	Employee theft	Cheque fraud	Credit card fraud	Internet crime	None ticked
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Not ticked	21	10	7	18	1	12	8	3	10	5	7	6	6	3	52
Gone down	31	17	11	31	3	17	10	6	13	9	11	10	9	3	37
Gone down slightly	30	13	9	26	2	16	8	5	14	6	9	10	9	3	37
Stayed the same	27	13	8	23	2	13	7	3	13	5	7	10	7	3	43
Gone up slightly	27	12	8	24	2	14	8	4	13	6	8	8	8	2	41
Gone up	23	11	8	23	3	13	6	3	9	5	8	8	9	3	44
UK	27	13	9	25	2	14	8	4	12	6	8	9	8	3	42

Table 7: The cost of crime by business sector

	Not ticked	Negligible	Less than £1,000	£1,000-£4,999	£5,000-£9,999	£10,000-£24,999	£25,000-£49,999	£50,000 and above	Don't Know
	%	%	%	%	%	%	%	%	%
Not ticked	28	36	16	9	5	2	1	0	3
Agriculture, Forestry & Fishing	20	39	20	15	3	1	0	0	2
Mining & Quarrying	24	43	18	10	0	0	6	0	0
Manufacturing	19	42	20	13	3	1	0	0	1
Energy & Water	17	34	28	14	2	2	0	0	2
Construction	21	37	18	16	4	2	1	0	1
Retail, Wholesale & Motor Trade	12	35	28	17	3	1	0	0	2
Hotels & Restaurants	13	41	25	15	2	1	0	0	1
Transport & Communications	15	31	23	21	5	3	1	1	1
Financial Services	20	54	14	8	1	1	0	0	2
Business Services	19	48	18	10	2	1	0	0	2
Public Administration & Defence	26	52	9	9	0	0	0	4	0
Education	23	43	20	9	2	1	0	0	2
Health & Social Work	18	47	24	6	2	1	0	0	2
Personal Services	22	43	20	11	2	0	0	0	2
Other	23	42	19	11	2	1	0	0	2
UK	18	41	21	14	3	1	0	0	2

Table 8: The cost of crime by region

	Insufficient Postcode	North East	Yorkshire & Humberside	East Midlands	East England	London & South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland	Total
	%	%	%	%	%	%	%	%	%	%	%	%	%
Negligible	49.3	55.6	43.1	44.8	48.6	50.8	53.8	47.4	45.5	50.0	55.0	38.4	49.6
Less than £1,000	26.5	24.2	28.8	26.3	26.1	25.2	24.3	24.7	28.4	26.2	27.3	27.2	26.1
£1,000–£4,999	16.5	14.8	18.0	19.1	17.0	16.2	15.6	19.1	16.6	16.5	12.0	21.2	16.5
£5,000–£9,999	3.2	1.0	6.0	4.9	4.2	3.4	2.6	3.5	3.9	4.3	2.5	6.3	3.5
£10,000–£24,999	1.6	1.0	1.2	2.0	1.9	1.8	1.2	1.9	2.4	0.6	0.8	2.0	1.6
£25,000–£49,999	0.3	0.3	0.7	0.4	0.2	0.4	0.3	0.4	0.6	0.4	0.1	2.3	0.4
£50,000 and above	0.2	0.5	0.4	0.3	0.4	0.2	0.4	0.7	0.5	0.2	0.1	0.3	0.3
Don't Know	2.3	2.6	1.7	2.3	1.5	2.0	1.9	2.3	2.0	1.8	2.1	2.3	2.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

among businesses with a turnover in excess of £5 million.

Similarly, the experience of vehicle damage, the second most common type of business crime, increases from 17% among the smallest businesses to 46% among the largest businesses. This pattern is repeated for all of the various types of business crime, with the exception of internet crime, a relatively rare type of crime that affects on average only 3% of business owners, dropping to 2% among the largest businesses.

The relationship between business size and the experience of crime may also explain the lower levels of business crime experienced by female business owners. Female-owned businesses, which are on average much smaller than male-owned or co-owned concerns, experienced slightly lower levels of all types of crime with the exception of shoplifting. Perhaps reflecting their higher than average participation in the Retail, Wholesale & Motor Trades sector, 17% of female-owned businesses experienced shoplifting crime over the past year compared with 10% of male-owned firms and 13% of co-owned firms.

Profitability, sales turnover and employment

An analysis of trends in business profitability, sales turnover and employment numbers revealed a more subtle relationship between business size and experience of crime. Businesses that reported a decline in overall

profitability are more likely to have experienced higher than average levels of crime.

As Table 6 highlights, businesses who reported a decline in profitability are more likely to have experienced vandalism, graffiti, vehicle theft and vehicle damage, burglary, robbery, assault on owner or staff, employee theft and cheque fraud. By contrast, businesses who reported an increase in profitability are less likely to have experienced business crime.

Trends in sales turnover are also associated with business crime. Businesses reporting a decline in sales turnover are also slightly more likely to have experienced above average levels of crimes.

Analyses of employment trends revealed a slightly different, bi-modal pattern of association with the experience of business crime. Businesses reporting employment decreases in the past twelve months also report higher than average levels of many types of crime, including vandalism, graffiti, vehicle theft and damage, burglary, robbery, shoplifting, employee fraud and theft, cheque and credit card fraud.

Businesses reporting employment increases in the past twelve months are also more likely to have experienced higher than average levels of some business crimes, but not to the same extent. Businesses reporting static levels of employment are the least likely to have experienced business crime.

The Effect of Crime

Crime and disorder can seriously threaten the viability of small businesses. Crime is a drain on the economy, inhibiting progress and damaging competitiveness. It imposes direct and indirect costs on the business, and it is often the impact of crime, rather than the direct cost, which is most devastating.

Due to the types of crimes small businesses are most affected by (vandalism, shoplifting and criminal damage), the direct financial cost of the crime can be relatively low. The impact on the business, however, is not simply limited to the monetary value of goods stolen or damage to property.

Crime, and the fear of crime, can directly impact on day to day business activities. It can damage a business' image, resulting in the loss of existing customers and creating barriers for both new customers and markets. Crime can result in deterioration in the quality and range of services offered by business, which will limit turnover and restrict business development.

The time taken by a business to recover from crime can often have significant cost implications. Time taken to replace stocks or equipment can result in lost business opportunities. Businesses may be unable to meet deadlines or fulfil orders through the disruption caused by crime.

Time spent by an owner dealing with the aftermath of a crime distracts them from essential business activities, reducing turnover and profitability. Often the time spent clearing up after crime, such as removing graffiti, adds considerably to business overheads, a particular concern where businesses are subjected to repeat victimisation.

Crime also causes overheads to rise as a result of higher insurance premiums. A business making a claim on their insurance as a result of crime will undoubtedly see premiums rise. Owners are also reporting, however, that even if they have not made a claim on their insurance they are still subjected to rising premiums due to crime levels rising in the local environment.

Over recent years insurance premiums have escalated dramatically. Small businesses often have low financial reserves and find it hard to absorb additional costs. Some businesses are even struggling to obtain insurance cover after suffering crime.

Crime has a significant effect on employees of a business. Staff are vital to the running of many businesses, and crime can be particularly traumatic, especially in customer facing

businesses, such as retail. Crime lowers staff morale and can be a barrier to employment. Businesses located in high crime areas struggle to recruit and retain suitably skilled staff.

Business owners are concerned that despite having in place crime prevention measures, they may be vulnerable to liability claims from employees. If a member of staff experiences a crime in the workplace, such as a threat of violence from customers, the owner could be held liable for any injuries sustained, or distress caused.

Businesses are an integral part of any community; a crime against a business, therefore, affects the whole community. Crime can constrain economic prosperity by deterring businesses from starting up in an area, or forcing existing firms to relocate or even close down. A lack of businesses can have a devastating effect on local communities, depriving them of access to goods and services, and much needed employment opportunities.

Environment Crime

Another form of crime, Environment Crime, has had a significant impact on the business community, particularly in rural areas. Fly-tipping (the illegal dumping of waste) is an environmental crime of which small firms are largely victims. This type of waste generally includes material from building work, households, gardens and hazardous waste, e.g. oils and chemicals. The FSB is aware that small businesses can often be perceived as perpetrators of this crime but small businesses also have a special need for information and advice, particularly with regard to environmental regulation. The FSB survey, *'Lifting the Barriers to Growth in UK Small Businesses 2004'*, highlighted that clear information about government requirements for small businesses was the second most important factor in encouraging environmental compliance (the first is that it helps the business bottom line).

The FSB welcomes the Clean Neighbourhoods and Environment Act, which imposes high penalties for fly tipping offences; but would argue that high penalties are not sufficient to tackle the issue of poor awareness.

Recommendations

- » Increased funds must be made available to raise awareness of Environmental Regulations amongst small firms.
- » The causes of fly tipping must be tackled more effectively by the government and local authorities.

Reporting of Crime

Table 9: Reporting of crime by sector

	Vandalism	Graffiti	Vehicle theft	Vehicle damage	Arson	Burglary	Robbery	Assault on owners/ staff	Shoplifting	Employee fraud	Employee theft	Cheque fraud	Credit card fraud	Internet crime	None ticked
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Not ticked	8	1	8	12	3	12	4	1	3	1	0	1	2	1	70
Agriculture, Forestry & Fishing	9	1	7	9	3	13	8	1	2	1	1	1	1	0	69
Mining & Quarrying	18	6	14	18	8	18	12	2	4	4	0	0	0	2	59
Manufacturing	12	2	7	9	2	13	5	1	1	0	1	2	1	0	68
Energy & Water	6	2	7	12	2	12	7	2	0	1	0	2	2	1	70
Construction	10	2	10	14	2	13	5	1	0	1	2	2	2	0	66
Retail, Wholesale & Motor Trade	17	3	7	11	2	13	8	3	13	2	2	6	5	1	5
Hotels & Restaurants	18	3	6	11	2	14	8	7	2	2	3	3	3	0	59
Transport & Communications	18	2	14	24	2	14	9	5	1	2	3	4	3	0	58
Financial Services	7	1	3	8	1	7	3	1	0	1	1	1	1	0	76
Business Services	8	2	5	10	1	8	3	1	1	1	1	3	2	2	73
Public Administration & Defence	13	4	9	13	4	13	13	0	4	0	4	0	0	0	65
Education	12	3	6	9	1	12	4	2	0	0	1	1	1	0	67
Health & Social Work	13	2	3	8	1	10	5	3	2	1	5	1	1	0	68
Personal Services	13	3	4	10	1	10	4	2	2	1	2	2	2	1	65
Other	10	2	6	10	1	10	4	1	2	1	1	2	2	1	70
UK	13	2	7	11	2	12	6	2	4	1	2	3	2	1	66

It is generally assumed that many business owners do not report crimes committed against them. As a consequence, official crime statistics probably under-report the true incidence of business related crime. Moreover, the willingness to report crimes varies according to the nature of the crime. The consequence is that official statistics may under-report the most common types of crime.

This latest analysis of the FSB membership survey confirms this view. Indeed, of all the crimes reported by respondents in this survey, only burglary and vehicle theft are consistently reported to the police (Table 9). Most businesses do not report relatively minor crimes, such as graffiti and shoplifting. There is also a reluctance to report

employee crimes, either employee fraud or theft, or credit card and cheque fraud, all of which are among the less frequently occurring crimes.

As Table 9 shows, the most commonly experienced type of crime, vandalism, which was experienced by 27% of businesses, was reported to the police by only 13% of businesses. The business sectors most likely to report this type of crime were hotels & restaurants, transport & communications, mining & quarrying and retail, wholesale & motor trades.

Vehicle damage was the second most frequently experienced type of crime, experienced by 25% of

Table 10: Reporting of crime by region

	Vandalism	Graffiti	Vehicle theft	Vehicle damage	Arson	Burglary	Robbery	Assault on owners/ staff	Shoplifting	Employee fraud	Employee theft	Cheque fraud	Credit card fraud	Internet crime	None ticked
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Not ticked	12	2	6	11	1	11	5	2	3	1	1	3	2	1	67
North East	13	2	6	10	1	8	3	1	5	1	2	3	2	0	66
Yorkshire & Humberside	15	3	11	15	2	17	8	3	6	2	2	5	3	1	57
East Midlands	14	2	10	14	2	17	8	3	4	1	2	3	2	1	59
East England	12	1	5	9	2	13	6	3	3	1	2	4	3	1	65
London & South East	12	2	7	10	2	11	5	2	3	1	1	3	2	1	67
SouthWest	11	2	6	10	1	11	5	2	4	1	2	3	2	1	68
West Midlands	11	1	8	10	2	15	6	2	2	1	2	3	2	0	65
North West	17	3	8	12	2	13	7	3	3	1	2	3	2	1	62
Wales	15	2	7	11	1	12	6	2	5	2	1	4	2	1	64
Scotland	14	3	3	10	2	7	4	2	4	1	1	3	3	1	69
Northern Ireland	12	3	9	11	2	14	8	3	4	2	2	3	5	1	62
UK	13	2	7	11	2	12	6	2	4	1	2	3	2	1	66

businesses and, similarly, was reported by only 11%. Businesses in the transport & communications sector were most likely to report this type of crime.

Although shoplifting affects 12% of all businesses, only a third of these crimes are reported to the police (4%). Serious crimes, such as burglary, robbery and assault on the owner or staff, are less frequently experienced but more likely to be reported to police. Burglary affects 14% of business and was reported by 12%, robbery affected 8% and was reported by 6%, and assault affected 4% and was reported by 2%.

It was noted earlier that the incidence of business crime varies by region. Similarly, the reporting of crime also shows some regional variation. Vandalism, for example, is more likely to be reported in North West England (Table 10), while businesses in Yorkshire & Humberside and in the East Midlands are more likely to report vehicle theft and damage and burglary offences. As most crime is experienced by businesses in urban, rather than rural locations, it is unsurprising that there is a higher incidence of crime reporting among urban businesses.

There are many reasons why businesses do not report crimes. These can be grouped into two types of responses. Firstly, over a third of respondents (36%) stated that reporting a crime to the police "would not achieve anything". A negative view of the judicial system explains a substantial proportion of under-reporting. A quarter of business owners failed to report crimes as they did not believe that police would "be able to find the criminals" (25%), "achieve a successful prosecution" (20%), or that the police were "not interested". The business sectors most likely to state that crime reporting "would not achieve anything" were retail, wholesale & motor trades, transport & communications and hotels & restaurants. These three sectors were also the most likely to agree that the police were unlikely to "be able to find the criminals" or "achieve a successful prosecution" (Table 11).

The second reason for business owners' failure to report crimes against them, was that they were "not making an insurance claim" (20%) or that the "crime was not serious enough" (18%). The same three sectors, retail, wholesale & motor trades, transport & communications and hotels & restaurants, were also the most likely to fail to report crimes as they were "not making an insurance claim", while

Table 11: Reasons for non-reporting by sector

	Agriculture, Forestry & Fishing	Mining & Quarrying	Manufacturing	Energy & Water	Construction	Retail, Wholesale & Motor Trade	Hotels & Restaurants	Transport & Communications	Financial Services	Business Services	Public Administration & Defence	Education	Health & Social Work	Personal Services	Other	Total
	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Would not achieve anything	36	25	34	39	34	48	43	46	24	28	13	28	30	38	30	36
Not making an insurance claim	19	10	19	23	20	28	25	27	12	15	4	17	16	21	16	20
Don't think police will be able to find the criminals	26	22	23	25	24	34	28	31	15	19	9	21	20	26	21	25
Don't think police will be able to achieve a successful prosecution	19	10	19	23	21	28	25	28	11	15	9	16	15	17	16	20
Crime not serious enough	16	6	18	17	16	24	27	18	12	15	9	15	20	20	16	19
Lack of proof/ evidence	13	6	11	14	13	20	21	15	7	9	4	11	12	17	12	14
Police not interested	21	16	19	22	20	25	20	29	13	15	9	16	14	18	17	20
Could not identify offender(s)	14	10	13	12	12	20	16	15	10	12	9	11	14	14	12	14
Too time consuming	11	6	10	13	11	17	15	14	8	11	4	12	10	10	10	12
Person responsible was dismissed	1	4	2	3	4	4	10	5	1	2	0	2	4	3	3	3
Stolen items were recovered	0	0	1	0	1	2	1	1	1	1	4	0	0	0	1	1
Fear of reprisals	5	0	2	5	2	5	6	3	1	2	0	4	2	6	3	3
Fear of negative publicity	2	0	0	3	1	2	4	2	0	1	4	2	2	2	1	2
Other	2	0	1	0	2	2	2	2	1	2	0	2	2	2	3	2

businesses in the retail, wholesale & motor trades and hotel & restaurants sectors were also most likely to explain non-reporting as the "crime was not serious enough".

As Table 12 shows, businesses in three regions, Yorkshire & Humberside, the East Midlands and North West England were more likely to explain their non-reporting of crimes either because it "would not achieve anything", they did not "think police will be able to find the criminals" or that the police were "not interested". Business owners in these regions were also more likely to explain non-reporting as they were "not making an insurance claim".

Importance of reporting crime

As revealed above, the majority of small businesses do not report crime to the police. A consequence of this is that

the resultant lack of data about crime affecting business makes it difficult for the police to tackle the problem. It is therefore imperative that businesses report all crime that they are a victim of to the police to enable them to identify the true nature and extent of business crime.

Currently the way business crime is categorised compounds the problem of under reporting. Business crime is not recognised as a separate category from domestic crime by the Home Office. Existing classifications do not provide the police with sufficient detail about what types of crime are affecting the businesses in their area. The Key Performance Indicators that the police currently work to are skewed towards domestic issues rather than business crime.

Table 12: Reasons for non-reporting by region

	Insufficient Postcode	North East	Yorkshire & Humberside	East Midlands	East England	London & South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland	Total
	%	%	%	%	%	%	%	%	%	%	%	%	%
Would not achieve anything	36	32	41	42	37	37	34	38	44	36	29	40	36
Not making an insurance claim	20	18	25	24	20	19	19	24	25	20	18	18	20
Don't think police will be able to find the criminals	24	23	29	29	24	25	23	27	31	25	20	27	25
Don't think police will be able to achieve a successful prosecution	20	15	24	23	21	20	21	23	25	19	16	20	20
Crime not serious enough	18	19	21	20	16	18	19	21	23	18	17	19	19
Lack of proof/ evidence	14	14	15	14	15	14	15	13	17	12	13	15	14
Police not interested	20	15	24	25	19	20	17	21	23	20	13	21	20
Could not identify offender(s)	14	14	16	16	14	14	14	16	17	13	12	14	14
Too time consuming	12	11	14	13	13	13	12	14	14	11	10	13	12
Person responsible was dismissed	3	3	4	6	3	3	3	3	4	4	3	5	3
Stolen items were recovered	1	1	2	1	1	1	2	1	1	1	2	2	1
Fear of reprisals	4	3	4	3	4	2	3	4	4	4	3	5	3
Fear of negative publicity	2	1	1	2	2	1	2	2	2	2	2	3	2
Other	2	3	1	2	3	2	2	2	2	3	2	1	2
None ticked	54	54	48	48	53	53	56	50	44	51	57	46	53

The Home Office estimates that crime against commercial or public sector organisations is almost twice the estimated number of crimes against individuals and households. As much of this crime goes unreported, however, police figures do not reveal the extent of the problem.

If all business crime is reported it will enable the police to build up a more accurate picture of the levels and types of crime perpetrated. The development of accurate and regular data will also allow police performance in tackling business crime to be measured.

The police need evidence and statistics to measure the type and levels of crime committed against business, and to enable them to identify crime hot spots. A more accurate picture of the extent of business crime will enable both the Home Office and police forces to allocate dedicated resources to tackle the problem. It will also facilitate more effective and targeted crime prevention initiatives.

The police must record business crime as a distinct category from domestic crime, with greater classifications to give a deeper understanding about the extent of the problem. The FSB welcomes the pilot schemes to record business crime currently in operation in South Wales and Greater Manchester. The pilots will enable police to identify and classify business crime into approximately 28 categories.

Ease of reporting crime

Businesses will be encouraged to report crime if the process for reporting is simplified. Businesses currently state that one of the barriers to reporting crime is that the process is too time consuming. The police need to work with businesses to overcome the existing barriers to reporting crime.

Most small businesses do not have a maintenance department; therefore, the owner will be responsible for dealing with the aftermath of any crime. Any time that

the owner spends on this, is time spent away from the business, and could result in a loss of profits. To encourage the reporting of crime, particularly petty crime such as graffiti or shoplifting, businesses must be able to provide the information to police through a variety of different mediums, and with minimum bureaucracy.

The FSB welcomes the development of initiatives such as the web based crime notification site. This site allows people to report non emergency crimes such as theft, vandalism, or theft from or damage to a vehicle, to their local police force, through one easily accessed central portal. Allowing businesses to report crimes online should reduce the time taken to notify police.

The FSB believes that in addition to reporting crime online there is also scope for the police to develop a simple form for reporting non-emergency crime, which businesses could fill in at their own convenience and send to their local police force.

The FSB has worked with the Association for Payment Clearing Services (APACS) and the Association of Chief Police Officers (ACPO) to develop a form that allows businesses to report card holder not present fraud to the police. This form consists of two pages, covering all the details the police need to record the crime. The form not only provides businesses with a quick and simple way to report the fraud, but also allows the police to gather the information they need while reducing the resources needed to do this.

FSB Recommendations

- » Businesses must report all crimes to the police to enable a clearer picture of this type of crime to develop
- » Police to make the process of reporting crime easier so there are fewer deterrents for businesses.
- » Crime against business to be recorded separately from domestic crime – this would provide much needed statistics on the extent of crime against business, and help to facilitate greater understanding about the problems businesses suffer.
- » Crime against business to be made a Key Performance Indicator by the Home Office so that police forces afford it the same priority as they do domestic crime.
- » Better publicity regarding the ability to report minor crimes online – there is currently low level awareness of this valuable resource.



Crime Deterrents

A commitment to tackling business crime is not just needed by the police and Government but also by the entire criminal justice system. Small businesses are concerned that the impact and seriousness of crime against business is overlooked by the criminal justice system. Overwhelmingly owners state that current deterrents are not sufficient to protect small businesses from the threat of criminal activity.

Many feel that the lack of tough penalties for criminals undermines any crime prevention measures in place. The criminal justice system must give higher priority to prosecuting offenders; currently too many cases are dropped despite there being very strong evidence against the accused.

The FSB believes that tougher and more consistent sentencing for those who commit crimes against business is needed. Criminal justice agencies and the police need to ensure that criminals are aware that business crime is not an 'easy' option, and that, just as with domestic crime, they will be punished.

Businesses complain that often offenders are not punished beyond cautions or minor fines due to the strain on the courts and wider criminal justice system. Failure to punish the criminal means victims of crime are effectively being denied justice. The lack of suitable deterrents sets an unacceptably low risk threshold for criminals.

Sentencing

There is a commonly held view that efforts by both the police and business community are wasted by the lenient sentences handed down by the courts. Commercial burglaries, for example, are often treated less seriously by the judicial system than domestic burglaries.

Small businesses believe that the criminal justice agencies do not recognise the wider effects business crime can have on the well being of a community, and that this is reflected in their sentencing of criminals caught. The courts and wider agencies need to be aware that the lack of suitable deterrents for crime committed against a business, means it is viewed as a 'soft' option by criminals, and could lead to a rise in the number of incidents.

Research from AXA insurance¹ reveals that in terms of the penalties used to punish criminals, businesses think the following would better deter criminals:

- 46% want longer custodial sentences
- 32% want tougher financial penalties
- 29% want more custodial sentences awarded
- 23% want community service sentences to be lengthened

While the FSB appreciates that a prison sentence is not suitable for all offences, the punishment must fit the crime if the judicial system is to retain business confidence. Criminal justice agencies need a better understanding about the extent and impact of business crime if they are to avoid passing unduly lenient sentences.

The FSB is concerned that the sentencing guidelines for Magistrates belittle the problem of business crime. The guidelines instruct Magistrates to be more lenient to offenders who commit crime against a business than to those who commit domestic crime. The FSB believes this is putting a message out to criminals that crime against business is more acceptable than other criminal activity.

Sentencing guidelines must be revised to reflect the seriousness of business crime. Businesses will only feel confidence in the criminal justice system if the courts are able to pass sentences which are firm, fair and enforced. Making criminals more accountable for crimes committed against a business will reinforce crime prevention measures from both business and the police.

Recommendations

- » The Sentencing Advisory Panel and Sentencing Guidelines Council must revise the sentencing guidelines to ensure that all crimes of a similar nature are treated equally.
- » The Crown Prosecution Service to give higher priority to prosecuting offenders for crime against business. Sentences must reflect the seriousness of the crime to the owner and the wider community.
- » Increased awareness by criminal justice agencies of the extent and seriousness of crime against business.

¹ AXA Business Crime Index 2005

Penalty Notices

From 1st November 2004 penalty notices for disorder (PNDs) were extended to cover theft and criminal damage for commercial and retail crime. Police forces across England and Wales are now able to issue PNDs which carry an £80 fine for thefts of up to £200 of goods, or criminal damage to a property of up to £500.

The FSB is concerned that the introduction of PNDs for theft and criminal damage is effectively decriminalising these offences in the eyes of criminals. Many small businesses view the PNDs as simply downgrading these crimes to anti-social behaviour.

The FSB research has shown that retailers experience much higher levels of crime than other sectors, confirming other research already in existence. They are also much more likely to suffer from shoplifting, graffiti or vandalism than other types of business.

By restricting the use of PNDs to commercial and retail crime, the Government and police are sending out the message to business owners that they view these types of crime as a lower priority. This is in spite of evidence that demonstrates that these are the types of crime to which businesses are most susceptible.

Small businesses are worried that PNDs will not deter criminals from engaging in theft from shops or damage to property. The current levels of fines are unreasonably low and set an acceptable level of risk to criminals. The FSB questions whether setting the fine thresholds at a level lower than the value of goods stolen or damage done is an effective deterrent against crime.

Even where the goods are recovered, it is nevertheless important that the punishment acts as a deterrent and discourages repeat offending. Small businesses are not confident of the ability of the courts to pursue PNDs where offenders have failed to pay fines. According to Home Office figures roughly a third of PNDs are currently unpaid. Failure to properly pursue the payment of all fines will result in PNDs having little deterrent against criminal activity.

Retailers are vulnerable to shoplifting, and interventions to prevent theft do result in violence. Many shoplifters are motivated by substance abuse, stealing goods to feed their drug habits. Issuing a PND in this circumstance would do

little to prevent re-offending and could reduce police attention to the related issues of drug abuse, crime and anti social behaviour.

For many offenders criminal damage or vandalism is seen as 'a bit of fun' and 'harmless'. While items are not stolen or people hurt, there is still a considerable cost to the business from this type of crime, and is considered to be a significant problem by owners.

As many businesses suffer considerable criminal damage on a regular basis it is imperative that the punishment acts a suitable deterrent for criminals for an act which can seriously threaten the viability of the business. The low level of fine compared to the cost to the business of any damage reinforces the lack of confidence felt by owners that crime against business is not considered serious by both the police and the government.

Recommendations

- » The fines imposed by PNDs must be greater than either the value of goods stolen or the cost of the criminal damage to the business.
- » The issuing of a PND must result in a criminal offence and be recorded on the PNC. This will allow police to identify repeat offenders.
- » PNDs must not be issued for repeat offenders within a three year period.
- » The police must make the business' views the overriding factor in determining the course of action, e.g. whether to issue a PND or arrest the criminal.
- » Fines must be properly pursued. If fines go unpaid offenders must face further action, such as a community service or custodial sentence.
- » Funds raised from PND fines must be used to provide compensation for businesses affected by these crimes, particularly for tackling criminal damage.
- » Greater awareness raising about PNDs to the business community. Currently many businesses are unaware of PNDs and what their rights are with regards to them.

Crime Prevention

Table 13: Crime prevention measures by sector

	Hired a security firm	Installed or upgraded a security alarm	Installed extra security systems	Installed CCTV	Sought advice from the police	Significantly increased insurance cover	Set up/ joined a Business Watch scheme	Arrange for transport to take staff to/ from work	Moved/ considered moving to another area	Other	None ticked
	%	%	%	%	%	%	%	%	%	%	%
Not ticked	2	32	14	11	9	5	1	0	2	10	46
Agriculture, Forestry & Fishing	1	27	16	13	13	6	4	0	2	13	40
Mining & Quarrying	6	31	14	12	24	10	2	2	0	16	31
Manufacturing	5	42	18	12	12	8	4	0	5	9	32
Energy & Water	2	33	12	13	10	2	0	0	4	14	45
Construction	2	30	16	10	9	6	2	1	4	12	42
Retail, Wholesale & Motor Trade	2	42	19	27	16	8	6	0	3	9	27
Hotels & Restaurants	2	30	13	22	20	8	8	3	3	10	35
Transport & Communications	4	31	19	19	14	8	2	1	6	13	35
Financial Services	1	29	10	6	6	5	2	0	4	8	52
Business Services	2	32	13	8	10	7	2	0	4	9	45
Public Administration & Defence	0	43	13	13	13	0	4	0	0	9	39
Education	1	32	12	11	23	12	1	0	2	7	41
Health & Social Work	1	24	10	7	16	7	1	2	2	12	47
Personal Services	1	21	12	12	14	6	2	1	3	11	46
Other	2	32	15	12	11	7	2	0	4	11	41
UK	2	34	16	15	13	7	4	1	4	10	38

Many businesses are actively taking steps to prevent further crimes being committed against them. For most, this entails installing or upgrading a security alarm (34%), installing extra security systems (16%) and installing CCTV (15%). Fewer businesses have sought advice from the police (13%) or have set up or joined a Business Watch scheme (4%).

Businesses in the manufacturing, retail, wholesale & motor trades and public administration & defence sectors are all more likely than average to install or upgrade a security alarm (Table 13). Retail, wholesale & motor trades and hotels & restaurants businesses are also most likely to install CCTV.

Almost twice as many businesses in the mining & quarrying, education and hotels & restaurants sectors had sought advice from the police. Overall, very few businesses opted

Table 14: Crime prevention measures by region

	Insufficient Postcode	North East	Yorkshire & Humberside	East Midlands	East England	London & South East	South West	West Midlands	North West	Wales	Scotland	Northern Ireland
	%	%	%	%	%	%	%	%	%	%	%	%
Hired a security firm	2	2	4	2	1	2	2	3	3	3	1	4
Installed or upgraded a security alarm	34	32	40	41	33	34	31	36	39	32	31	43
Installed extra security systems	15	13	22	20	15	14	15	20	19	15	12	16
Installed CCTV	15	15	17	16	17	13	13	14	19	18	16	19
Sought advice from the police	11	14	14	15	16	10	13	13	15	11	17	21
Significantly increased insurance cover	7	9	7	8	9	7	8	8	7	7	7	9
Set up/ joined a Business Watch scheme	3	6	4	5	5	3	4	4	4	3	3	1
Arrange for transport to take staff to/ from work	1	1	1	0	1	0	1	1	1	1	1	1
Moved/ considered moving to another area	4	3	5	4	2	4	3	5	4	4	3	2
Other	10	9	8	12	10	10	10	10	10	12	9	11
None ticked	39	40	33	31	35	40	41	34	30	36	40	31

for the low cost approach of joining a Business Watch scheme, though it is notable that businesses in the hotels & restaurants sector were twice as likely as other businesses to join such schemes.

Businesses in four regions, Yorkshire and Humberside, the East Midlands, North West England and Northern Ireland, are all more likely to try to combat crime by installing or upgrading a security alarm. Businesses in Northern Ireland, as well as those in Scotland, are also most likely to seek advice from the police (Table 14). Not surprisingly, businesses in urban areas are more likely than businesses in rural areas to have taken steps to prevent crime.

It was noted earlier that it is the larger small businesses that experience more business crime. Larger businesses are also more active in introducing measures to prevent crime. As Table 15 shows, the likelihood of introducing crime prevention measures is strongly associated with the size of the business, as measured by sales turnover. For example, while 34% of all businesses report that they have installed or upgraded a security alarm, this varied from 18% of businesses in the lowest size band (less than £25,000 per annum) up to 59% of the largest businesses (sales turnover in excess of £5 million).

Nearly all crime prevention measures show a similar pattern of usage: the larger the business, the more likely they are both to experience business crime and to introduce crime prevention methods. Interestingly, the usage of even the lowest cost options, such as seeking advice from police and joining a Business Watch scheme increased as business size increases. Not surprisingly, the largest businesses (sales turnover in excess of £5 million) were far more likely to hire a security firm (19%, compared with 2% of all businesses).

Physical Security

Business owners have a duty to protect both the premises and staff from crime. Investing in security alarms, strong locks for doors and windows, and CCTV can help owners reduce the threat of crime against their business.

Unfortunately many businesses do not invest in crime prevention measures until they have suffered a crime. Crime prevention is often not a high priority, especially during the start up period when financial resources are scarce, and owners are naturally more concerned with getting the business up and running.

For micro businesses and the self-employed, the cost of physical crime prevention measures can be prohibitive.

Table 15: Crime prevention measures by size of business (sales turnover)

	Hired a security firm	Installed or upgraded a security alarm	Installed extra security systems	Installed CCTV	Sought advice from the police	Significantly increased insurance cover	Set up/ joined a Business Watch scheme	Arrange for transport to takestaff to/ from work	Moved/ considered moving to another area	Other	None ticked
	%	%	%	%	%	%	%	%	%	%	%
Not ticked	1	34	15	17	13	6	3	0	3	10	39
Less than £25,000	0	18	7	5	8	3	2	0	4	12	57
£25,001 to £50,000	1	22	10	9	9	5	3	0	3	12	50
£50,001 to £100,000	1	28	12	11	11	6	3	1	4	11	43
£100,001 to £500,000	2	36	16	15	14	8	4	1	4	10	35
£500,001 to £1m	5	48	22	22	16	10	4	1	4	9	25
£1,000,001 to £5m	6	52	27	29	17	12	5	1	4	7	21
More than £5m	19	59	37	42	26	12	5	1	5	6	12
UK	2	34	16	15	13	7	4	1	4	10	38

While there is clearly the economic case for crime prevention in the long term, many businesses find it hard to justify spending over £1,000 on CCTV for example, when they have not yet been a victim of crime.

Businesses need to be more proactive in securing their assets against the threat of crime. Too often failing to physically secure the premises can be disastrous for the business, seriously threatening its viability.

Businesses are especially vulnerable to repeat incidents once they have been broken into. Criminals are aware that old goods will be replaced with new, usually within a matter of weeks, and are already familiar with the layout of the premises. Failing to implement effective crime prevention measures allows criminals a window of opportunity.

While installing CCTV or sophisticated security alarms may be cost prohibitive for some businesses, there are a number of low cost or free measures that owners can adopt to protect both themselves and the wider community.

Owners must pay attention to the layout of their business, particularly those in the retail sector, to identify and prevent opportunities for criminal activities. Businesses should avoid leaving computers or other valuable equipment in direct view of the street and ensure that little or no cash is kept on the premises overnight.

Equally important is checking staff references for all new starters and ensuring that all staff are fully trained to spot thieves or identify suspicious behaviour. Training staff is vital where they have access to payment by customers, whether in cash, by card or cheque. Point of sales staff need to be

fully aware of how to spot forged bank notes and what details they need from a customer for a card not present transaction.

The FSB is concerned that current planning regulations prevent businesses from installing crime prevention measures, such as metal shutters and CCTV. Business owners have reported that despite experiencing repeated burglaries and vandalism, the local authority has refused planning permission to improve the physical security of the business.

Businesses are also concerned that implementing crime prevention measures will increase the amount of business rates they pay. The level of rates paid by a business is based on the rateable value of the property. The rateable value broadly represents the yearly rent the property could have been let for on the open market on a particular date. Improvements to non-domestic property can, therefore, increase its rateable value resulting in higher business rates for the owner. This can act as a disincentive to owners wanting to improve the security of the business premises.

Recommendations

- » Business owners must take responsibility for the physical security of their premises.
- » Planning regulations relating to crime prevention measures must be relaxed to allow businesses to protect their premises.
- » Security and crime prevention measures must be disaggregated from the rateable value of a property, and not lead to higher business rates.
- » 100% first year tax relief for investment in security.

Business Crime Partnerships

Business crime partnerships (BCPs) can be a very effective way to prevent crime against the business. BCPs tend to be local public/private sector partnerships that proactively work to address business crime and anti-social behaviour that affects local businesses.

The FSB supports the aim of reducing business crime through a partnership approach involving key stakeholders. A strategic and integrated approach is essential to effectively tackle business crime on both the local and national level.

Northampton Retail Crime Initiative

The Northampton Retail Crime Initiative is an association of retailers formed in July 2001 to help tackle the many problems created by retail related crime in the Northampton town centre. The NRCI consists of over 140 retailers working together to reduce crime through sharing intelligence about crime trends and losses. Data sharing allows the town's most prolific offenders to be identified. The NRCI will then seek to issue these offenders with an Exclusion Notice banning them from stores. Images of the offenders will then be circulated to members. The number of offenders identified and arrested has increased, while the amount of property stolen has fallen dramatically. The NRCI also offers members training on card fraud and conflict resolution.

Although BCPs can be very effective in reducing crime, small business involvement is often low, as demonstrated above. One of the main reasons behind this lack of small business involvement is the cost involved with joining the partnership.

Businesses need to be satisfied that the economic and financial benefits from joining partnerships justify the cost; particularly given businesses make contributions to the funding of policing and criminal justice through taxation and business rates.

While many owners can see the benefit of involvement in a business crime partnership, membership competes with security and other crime measures for scarce capital, especially during an economic downturn.

Micro firms will often not have the time or resources to be able to commit to a project unless they feel that substantial value can be gained. Local communities may be suffering from initiative fatigue where countless previous well-meaning initiatives have failed to achieve their goals, and become little more than talking shops. BCPs must, therefore, demonstrate to businesses the value to them of being involved, such as how crime has reduced in that particular area.

Businesses have expressed concern that while BCPs are successful in reducing crime within town or city centres, this only serves to displace crime to areas outside the main shopping centres. It is often these secondary locations where small businesses are based.

The FSB believes BCPs must move away from being primarily retail focussed, and to be more inclusive of the wider business community. This will help to ensure that all businesses regardless of sector are able to benefit from BCPs, and that crime is not simply displaced from one sector to another.

Recommendations

- » The cost of the first year's membership should be heavily subsidised for small businesses to encourage their involvement.
- » Fees for membership to be on a sliding scale so that small businesses are not paying disproportionately more than larger companies.
- » Business crime partnerships to encompass all businesses not predominantly retailers situated in town centres.

Advice and Support

The provision of an advice and support service for businesses to help combat crime is vital. Many small businesses receive no crime prevention advice and lack the resources to invest heavily in crime prevention measures. The low awareness of crime as a business risk is likely to be due to a lack of advice on the subject.

Access to good quality, simple to understand advice is vital if businesses are to adopt effective measures to combat crime. The FSB welcomes recent Home Office publications specifically targeted at helping small businesses improve security. Booklets such as *'Putting Crime out of Business'* and *'Your Business: Keep Crime out of it'* provide useful, often low cost, crime prevention information to businesses in an easily digestible format.

While there is a wealth of crime prevention advice that exists, small businesses are often unaware of its availability and how to access it. For businesses to benefit from the information, it needs to be better publicised and available in a variety of forms. While most businesses will have access to a computer, not all feel comfortable gathering information in this way.

Crime prevention information could be made more widely available through business support organisations. While naturally this would include government sponsored business support such as Business Links, it should not be confined to this.

FSB research consistently demonstrates that businesses turn to accountants, solicitors, banks and trade associations² for advice before organisations such as Business Link. Making publications available through a number of sources will allow businesses to benefit from the advice. Insurance companies also have a role to play in improving access to crime prevention advice.

The FSB supports the work of Crime Prevention Officers (CPOs). Every police force will have dedicated CPOs offering crime prevention advice to both businesses and

the general public. CPOs will visit local businesses at a time convenient for them, and help the owner undertake a risk assessment for the premises. Advice will also be offered on what security measures the business needs to employ to be secure.

The provision of free and independent advice in the workplace is a welcome step and the FSB encourages all businesses to contact their local officer if they have not already done so.

While improving business education about crime prevention is vital to reduce overall crime levels, there is also a need for a support structure to be put in place for when businesses are a victim of crime. Often the victims of business crime complain that they receive little support, for both the cost and the trauma they have suffered.

The FSB advocates the paying of compensation to businesses who have been a victim of crime. Small firms often have low profit margins and dealing with the aftermath of a crime can seriously threaten their viability. While many of the crimes small businesses are susceptible to are deemed as petty, for example vandalism or vehicle damage, they can often have a significant cost attached. Establishing a compensation structure would help prevent otherwise viable businesses closing down.

Recommendations

- » Advice on crime prevention to be made available through a variety of organisations, particularly those delivering business support to small businesses.
- » More information to be made available to small businesses regarding the funding that is available in their area to cover security measures such as CCTV.
- » The establishment of a business crime compensation scheme, similar to the criminal injury compensation scheme, to compensate victims.

Crime and Disorder Reduction Partnerships

The Crime and Disorder Act 1998 sets out statutory requirements for responsible authorities to work with other local agencies and organisations to develop and implement strategies to tackle crime and disorder and misuse of drugs in their area. These statutory partnerships are known as Crime and Disorder Reduction Partnerships (CDRPs) or Community Safety Partnerships in Wales.

² FSB, *'Lifting the Barriers to Growth in UK Small Businesses 2004'*

³ British Chambers of Commerce, *'Setting Businesses free from Crime'*

The FSB welcomes moves to tackle crime and disorder more effectively at the local level, but is concerned that many CDRPs are not addressing the issue of business crime. There is the perception that large numbers of CDRPs are failing to engage with business and that their strategies, therefore, do not include proposals for tackling business crime.

Research by the British Chambers of Commerce³ reveals that there is low awareness amongst business about CDRPs. 70% of respondents were not aware of the existence of CDRPs or what their functions were. CDRPs must, therefore, actively engage with businesses so that they are aware of the partnerships, and have the opportunity to be involved in their work.

CDRPs must also see business crime as an integral part of the crime picture in their area. Businesses are important not just to the local communities, but to the wider UK economy. Offenders committing crime against business will also commit crimes against individuals. By including business crime as a core priority CDRPs will be able to see trends emerging that cut across business and domestic crime.

Where businesses have been involved in CDRPs they report a number of concerns about the bureaucracy involved, largely due to the complex funding streams available, and the lack of good practice spread from other partnerships.

A National Audit Office report reinforces this stating, 'we believe that the Home Office could have achieved bigger reductions in crime by minimising the administrative work done by Partnerships, so that more monies can be spent on successful crime prevention initiatives instead. While some of this was most likely inevitable, Partnerships have too often 'reinvented the wheel' by not using lessons learned elsewhere'.⁴

Recommendations

- » If CDRPs are to be truly effective in reducing crime they must address the problem of crime against business.
- » CDRPs must ensure that their membership is reflective of their locality by having a minimum of two business representatives from the local community involved.
- » CDRPs must take into account the strategies produced by Business Crime Reduction Advisors and incorporate them into their own strategies.

- » The Home Office must simplify the funding streams available to CDRPs to reduce the amount of administration they have to deal with, allowing them to be more effective in prevention of crime.
- » The Home Office must encourage CDRPs to share good practice and lessons learned to help avoid 'reinventing the wheel'.

Government Funded Initiatives

The FSB welcomes government funded initiatives to help protect small businesses against the threat of crime. Most small businesses have low profit margins and do not have the same resources available for crime prevention as larger companies. Government funding for crime prevention measures may, therefore, allow small businesses to stay viable in areas where they are subject to repeat victimisation.

The Small Retailers in Deprived Areas initiative, for example, allocated a £15million capital modernisation fund to be made available over three years to strengthen the physical security of small retailers in ten of the most deprived wards in England and Wales. Over 12,500 businesses received assistance.

While the FSB supports initiatives to help businesses fight crime, there is concern that most are aimed at supporting retailers, at the expense of other sectors. The Home Office must turn their attention to the wider business community to identify where the gaps in provision exist, and which other sectors are also particularly vulnerable to crime. The manufacturing sector and industrial estates have, by comparison, been a relatively neglected target for crime prevention, yet these businesses are equally important to the economy and local communities. Businesses located on industrial estates have reported significant problems with crime, for example, but complain there is little impetus from government and police forces to tackle these problems.

Businesses based on industrial estates tend to suffer from a different range of crimes to those based in town centres. These include burglary, arson, vandalism and increasingly fly tipping. Businesses on industrial estates are more vulnerable to these types of crime as often estates are deserted at night and during the weekends, and may not be subject to regular police patrols.

The FSB applauds the work of the North Wales police in tackling crime on Wrexham and Deeside Industrial estates, and urges the Home Office to allocate additional funding to all police forces to allow them to develop similar initiatives.

⁴ National Audit Office, 'Reducing Crime. The Home Office working with Crime and Disorder Reduction Partnerships'

Wrexham Industrial Estate Targeted Police Initiative

In 2001 North Wales Police, together with businesses in Wrexham Industrial Estate, developed an innovative project designed to tackle the significant levels of crime on the estate. Wrexham Industrial Estate is one of the largest in Europe covering 550 hectares. 270 businesses are located there employing over 7000 people. Crime was costing the estate over £1.25m annually, with an additional £2m spent on security. The targeted initiative has established effective communication between businesses, and improved intelligence about the crimes committed through 24 hour CCTV monitoring and Radio Link. To date overall crime has been reduced by 25% with burglary reduced by nearly 60%. The initiative has also led to the establishment of a permanent co-ordinating team for the estate, and the construction of a secure lorry park.

Recommendations

- » Any government funded initiatives must be well publicised to eligible businesses. Currently many small businesses are unaware about initiatives and are unable to take full advantage of the opportunities available to them.
- » In addition to initiatives assisting retailers the government must turn its attention to the wider business community who are also vulnerable and need assistance.
- » The Home Office to allocate additional funding to police forces to enable them to develop initiatives with local businesses that are targeted at the specific crime problems of that area.



Conclusion

Our members have been increasingly aware of and concerned about business crime over the past few years. We urge relevant stakeholders to register and implement the recommendations put forward in this report and contribute to an even more focused response to business crime.

By way of a summary of our recommendations; businesses should report all crimes to the police to enable a clearer

picture of this crime to develop; the police should record crime against business separately from domestic crime to provide improved statistics; criminal justice authorities should ensure that appropriate sentences and penalties are given; security and crime prevention measures should be separated from the rateable value of a property and not to lead to higher business rates; and finally, more easily accessible crime prevention advice & information should be made available to businesses.





Cracking Business Crime

by Rosina Robson and Alice Teague

Policy Development Officers

©Federation of Small Businesses
Copies of this publication may be obtained by
writing to:

Federation of Small Businesses
2 Catherine Place, London SW1E 6HF
Telephone: 020 7592 8100
Facsimile: 020 7233 7899
email: london.policy@fsb.org.uk
website: www.fsb.org.uk

Designed on behalf of the Federation of Small Businesses by
Hutton Design, Long Road, Paignton, Devon TQ4 7BB
Telephone: 01803 668718
Fax: 01803 557148
email: luke.hutton@virgin.net

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior permission of the Federation of Small Businesses (FSB). While every effort has been made to ensure the accuracy of the facts and data contained in this publication, no responsibility can be accepted by FSB for errors or omissions or their consequences. Articles that appear in the book are written in general terms only. They are not intended to be a comprehensive statement of the issues raised and should not be relied upon for any specific purposes. Readers should seek appropriate professional advice regarding the application to their specific circumstances of the issues raised in any article.

This report can be downloaded from the FSB website at
<http://www.fsb.org.uk/policy/archivePubs/>

August 2005



©Federation of Small Businesses

2 Catherine Place

London

SW1E 6HF

Telephone: 020 7592 8100

Facsimile: 020 7233 7899

email: london.policy@fsb.org.uk

website: www.fsb.org.uk

ISBN: 0-906779-44-8