



The Whistleblower Retaliation Epidemic

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September 18 2012

Whistleblowers have more reasons than ever to drop a dime on shady practices in the workplace, but those who do need to worry more about the threat of retaliation. According to a recent study by the Ethics Resource Center, retaliation rates against whistleblowers are reaching epidemic proportions. A full 15 percent of whistleblowers say they were passed over for raises and promotions, relocated, reassigned, or demoted because they called out wrongdoing in the organization. And even more alarming, nearly a third of those who reported retaliation say the retribution included physical attacks. “We normally think of retaliation in terms of the social aspects—people don't talk to you in the cafeteria, you are left out of work teams, or passed over for a promotion,” ERC President Patricia Harned says. “The physical aspect of it is worrisome.”

The Dodd-Frank Act's whistleblower provisions, which created the Whistleblower Office at the Securities and Exchange Commission and laid the groundwork for a reward system for those who report fraud to the agency, has put a spotlight on the system for reporting concerns both inside companies and to authorities such as the SEC. In late August the SEC's Whistleblower Office paid out its first bounty of \$50,000 to an unnamed whistleblower who provided documents and other information that helped the SEC obtain more than \$1 million in sanctions. In September, the Internal Revenue Service paid out a \$104 million award to a whistleblower that provided information about UBS's secret, tax-dodging offshore accounts—it was the largest amount ever paid out by the U.S. government to a whistleblower.

Such eye-popping awards are expected to provide increased incentives for employees to take their tips about corporate misdeeds to regulators. And companies, worried about hearing the allegations for the first time from federal agents, are revamping their internal hotlines other reporting mechanisms to make it easier for employees to report their concerns.

The Ethics Resource Center study found that legislative efforts to draw out more whistleblower complaints are indeed causing more to be filed. The study also identified a troubling increase in the number of whistleblowers who say they were retaliated against. In the last five years, there has been an 83 percent increase in the reported rate of retaliation according to the survey, while reporting only increased by

peers may need to engage in unethical or illegal conduct in order to be successful; 16 percent said they would commit a crime if they could get away with it. Pay plans are a common catalyst for unethical behavior, according to the survey. Thirty percent of respondents said their compensation or bonus plan created pressure to compromise ethical standards or violate the law, while 23 percent of respondents reported other pressures that may lead to unethical or illegal conduct.

“Retaliation grows as the risk of external reporting grows,” Thomas says. “There is a relationship between the extent of problems and the extent of retaliation.”

“I’m sure many of these companies have strong codes of conduct and policy statements regarding ethical behavior,” says Thomas. “The problem is there has been no integration of these concepts into the running of the business, and the people who are setting compensation and bonus plans are not focused on ensuring that ethical behavior occurs. There needs to be more integration of what organizations say and what they do.”