



# **A REVIEW OF CORRUPTION AND ORGANIZED CRIME IN THE CONSTRUCTION INDUSTRY**

LARS FLYSJÖ

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*Background:* The infiltration of the construction industry has been central for the emergence and expansion of organized crime internationally. Sweden is a country in transition, with the sharpest turn towards economic inequality in Western Europe in recent decades. A concern for a society in transition is the emergence of organized crime.

*Aims and method:* This study aims to contribute to the knowledge of the emergence of organized crime, and provides a comprehensive literature review on the function of corruption in the organized crime infiltration of the construction industry.

*Results:* Corruption was identified in the enforcement of cartels and the organization of unregistered labor. Organized crime targeted unions, politicians and administrators in urban planning, as well as the courts, the elections and the military.

*Conclusions:* Organized crime groups were shown to exploit both regulation and its absence to expand their profits and power. Factors related to the emergence of organized crime included structural and cultural incentives for corruption, transition economies, discretionary power, and the question of agency. The findings were compared to the question of organized crime in a Swedish context and its involvement in the construction industry.

*Keywords:* cartelization; collusion; construction industry; corruption; organized crime.

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## **BACKGROUND**

The infiltration of the construction industry has been central for the development of organized crime. In an international perspective, this includes, but is not limited to, the Yakuza in Tokyo (Grant 2019), the Cosa Nostra in New York (Block & Griffin 1997) and Montreal (Jaspers 2019), and the Cosa Nostra (Scognamiglio 2018), Camorra (Vine 2012) and 'Ndrangheta (Chiodelli 2019) in Italy.

Organized crime can be defined as traditional crime but organized in “a structured association, established over a period of time” (Council of the European Union 2008). This distinguishes organized crime groups (OCG) from street gangs and informal networks, who do not exhibit the same structural development and stability over time. Organized crime plays a major part in the world economy. To measure the revenues from organized crime and its cost on society is challenging. In 2011, the United Nations Office on Drugs and Crime estimated the cost of transnational organized crime at US\$ 870 billion (Calderoni 2014). The Bank of Italy and The Parliamentary Antimafia Commission measured the combined revenues of the Italian Mafias at 150 billion Euro annually, while a study estimates the number at between 8.4 and 13 billion Euro (ibid).

Construction is a massive industry, or rather a sector in the economy consisting of many industries. Every building project consists of several different contractors and subcontractors, small firms specialized in demolitions, laying foundations, carpentry, cleaning, and so on, making it vulnerable to influence and corruption by organized crime (Ichniowski & Preston 1989, Sciarrone & Storti 2014, Varese 2011). The possibility of laundering large amounts of money with ease, the investment opportunities of the real estate market, and the appeal of controlling a network that goes from input and production to sale are other factors that make the industry attractive. Organized crime can employ their use of violence to enforce cartel tendencies in the sector, to ensure labor flexibly, or to put pressure on politicians to gain public contracts and receive lenient treatment from inspection and regulatory bodies. Starting small, the construction sector allows many opportunities for a long-term expansion of activities (ibid).

The cost of the extortion of businesses in Italy has been estimated at between 2.7 and 7.7 billion Euro annually, with the costs for the construction industry at between 550 million and 1.1 billion Euro. Another study estimates the cost of the extortion of local businesses by the Camorra at 950 million Euro annually, with 200 million Euro from the construction industry (Frazzica et al 2016). This does not account for other activities of the Mafia in the construction industry, including money laundering, the control of companies, and the infiltration of the process of land development and urban planning (Chiodelli 2019, Vine 2012).

The Swedish construction industry has been exposed as a problem area for economic crime, with crime rings turning over sums above 10 million Euro (Heber 2009). Tax evasion and the exploitation of unregistered labor is pervasive, along with other crimes like corruption and the use of threats (Heber 2009). Subcontracting agreements involving several smaller firms, along with a lack of regulation and efficient control systems makes the industry vulnerable to infiltration. These activities affects market pricing, forcing honest entrepreneurs to adopt the same methods to be able to compete on the market (Savona et al 2015).

The actors involved in the Swedish construction industry are described as informal networks, made up of fixers and criminal entrepreneurs organized in temporary project forms (Brottsförebyggande rådet 2007, Heber 2009). It can also be argued that economic crimes in the industry sometimes are of an organized nature (Heber 2009), and that the construction industry in Sweden shows signs of infiltration by organized crime (Savona et al 2015). The construction industry attracts members of outlaw motorcycle gangs as employees or business owners. Since being a member of an organized crime group is not criminal in Sweden, the law does not provide any tools for the police to act on this information alone (Savona et al 2015).

From a structural perspective, Sweden is a society in transition. From being the most equal country in the world in 1980, Sweden is the country in Western Europe that has taken the sharpest turn towards economic inequality in the decades following, mainly due to an increased concentration of capital income (Therborn 2020). A concern for a society in transition is the emergence of organized crime (Savona 1995, Varese 2011).

Changes in the criminal world have been described through the topic of organized crime, both in the media and in the academic literature (Rostami 2016). In the 1990s the establishment of outlaw motorcycle gangs lead to the Great Nordic Biker War between 1994 and 1997, followed by the emergence of street gangs, first as imitation and later as competition, in late 1990s and early 2000s. The present organizational landscape is fragmented, with outlaw motorcycle gangs, street gangs and informal networks engaged in violent conflicts over markets and territory (ibid). The image of Swedish society in relation to crime has been a prominent topic on a national and an international level (Schclarek Mulinari 2017).

This study does not aim to explore the connection between the turn towards economic inequality and the focus on organized crime in a Swedish context. Neither does this study aim to determine the existence of organized crime in Sweden. The theoretical assumption in this study, is that a traditional structural perspective in criminology, rooted in the theory of social disorganization with a focus on the relation between crime levels and the variables of inequality or social efficacy on neighborhood level (Sampson et al 1997), is limited in explaining the violent conflicts that characterizes the Swedish organizational landscape, as well as the emergence of organized crime (Hagedorn 2015). With the neighborhood levels of inequality and social efficacy remaining constant, violent conflicts and increased homicide rates can be ignited by the agency of street gangs or OCG, engaged in “organizational contests for power” over markets and territories (ibid: 9). At the same time, a decrease in violent conflicts could simultaneously be a sign of successful police work, and that a more structured and stable criminal structure has managed to dominate the market or the territory, i.e. the emergence of organized crime (ibid).

This study aims to contribute to the knowledge of factors in the emergence of organized crime by focusing on the variables of corruption and the infiltration of the construction industry by organized crime. According to the United Nations Development Programme, corruption is “the misuse of entrusted power for private gain” (2008) and Transparency International defines corruption as “the abuse of

entrusted power for private gain” (2019). Organized crime aims to expand their profits and power by developing networks, through influence and intimidation, with powerful actors in politics and law enforcement. The ambition is to gain favorable decisions in the issuing of business permits, the allocation of public construction contracts, lenient treatment from inspectors, and so on (Block & Griffin 1997). The level of corruption by organized crime is low in Sweden (Korsell & Larsson 2011), following the general level of corruption (Corruption Perceptions Index 2019).

This study assumes that the emergence of organized crime in Sweden could follow a pattern similar to that of other countries, where street gangs have grown more powerful and informal networks have grown more stable and managed to develop relationships with the world of financial crime and business crime, and the world of politics and administration in a broader sense (i.e. through corruption), and where the construction industry has played a major part for the development of organized crime (Block & Griffin 1997, Sciarrone & Storti 2014, Scognamiglio 2018). To capture this dynamic, this study reviews existing literature in an international perspective to analyze the function of corruption in the organized crime infiltration of the construction industry.

## **RESEARCH QUESTION**

The aim of this study is to contribute to the knowledge of factors in the emergence of organized crime by focusing on the variables of corruption and organized crime infiltration of the construction industry.

Research question: What is the function of corruption in the organized crime infiltration of the construction industry?

# **METHOD**

## **Ethical considerations**

Ethical considerations are vital and can affect the validity and reliability of any study. It is required for researchers within social sciences, regardless of the methodological approach, to consider the criterion of protection of the individual and the research criterion (Swedish Research Council 2017). In this literature review there was no primary data source, meaning that there was no need of general ethical considerations related to informed consent, confidentiality, and so on. Still, the researcher must avoid duplicate publication and plagiarism, and if there is any funding for the study then that must be mentioned (Wagner & Wiffen 2011). This review removed all duplicates, avoided plagiarism carefully, and there was no funding for this review.

## **First phase: problem formulation**

This study consists of a comprehensive literature review. The purpose is to discover important variables relevant to the topic, to critically analyze previous research, to identify central issues, to synthesize findings and to gain a new perspective on the topic (Randolph 2009). This literature review could also serve as a foundation and justification for a primary outcome study on the situation in Sweden, to distinguish “what has been done from what needs to be done” (ibid: 2).

Before initiating research on the situation in Sweden, we need to know which questions to ask. The literature on the subject in Sweden is scarce, but rich in an international context. More can be learned about the emergence of organized crime in Sweden by conducting a comprehensive literature review of material in an international perspective, focusing on the variable of corruption in the specific economic sector of construction.

## **Second phase: data collection**

### *Search strategy*

The research question will be explored by conducting a comprehensive literature review on peer-reviewed articles. The background section references some newspaper articles and government reports to provide a broader context. It is a question of reliability and validity to exclude government reports and articles from newspapers and periodicals from the literature review, since material in this form does not always adhere to the same academic standard in regards of objectivity and fact-checking as peer-reviewed material (Randolph 2009).

Criminology is an interdisciplinary field, and an interdisciplinary perspective allows this study to collect material and explore and analyze factors related to the emergence of organized crime, in the field of criminology as well as in disciplines such as sociology, anthropology, economics, and so on. This material is assumed to be both quantitative and qualitative. It is appropriate to employ a method that allows for this, such as the comprehensive literature review (Onwuegbuzie & Frels 2016). Still, the research question demands that the phase of critical analysis and interpretation is of a qualitative nature (Randolph 2009).

The theoretical assumption of this study is that the variable of economic inequality is limited in explaining the emergence of organized crime, and the aim of the study is to explore the variables of corruption and infiltration of the

construction industry. There is however, in the phases of data collection, data extraction, interpretation and analysis, and public presentation a need to “to actively search for contrary findings and rival interpretations” of the phenomena (Randolph 2009: 10).

To ensure reliability, an audit trail was created to document the steps taken in the literature review. Any of the steps in the literature review are iterative, which means they can be repeated as much as is needed and that the researcher can move between them when needed. This is of special importance for this step. Searches will be modified, and repeated, and new searches will be performed according to the search results and the material that is being analyzed. The aim of this literature review is that the coverage should be exhaustive (Randolph 2009).

#### *Study selection*

A systematic search of the Libsearch databases was carried out. A search of the ProQuest databases was also carried out to make sure that no material was excluded unintentionally (Randolph 2009). When performing the systematic search, the number of articles was limited according to an inclusion criteria:

1. It must be a peer-reviewed journal article.
2. It must be in English.
3. It must cover the relationship between organized crime and the construction industry, and it must cover the theme of corruption.

#### *Search 1: “construction industry” AND “Organized crime”*

When conducting initial searches, the search terms “construction industry” and “organized crime” rendered the most relevant articles. The terms “construction” and “building” resulted in an unmanageable number of hits with the alternative meanings of the words. The following terms, and variations, did not result in any relevant articles: building industry, construction project, project housing, construction firm, construction industries, construction sector.

A systematic search was conducted with combinations of the term “construction industry” and search terms denoting organized crime. The search string “construction industry” AND “organized crime” rendered 10 relevant articles. The following search terms did not result in any relevant articles: gangster, mafia, ‘ndrangheta, camorra, cosa nostra, Gambino, Genovese, Lucchese, Colombo, Bonanno, Rizzuto, Russian mafia, Russian mob, Russian gangster, vor v zakone, yakuza, triads.

Search terms like “motorcycle gangs”, “hell’s angels”, bandidos, and so on resulted in several articles on involvement in the construction industry from newspapers and periodicals but no results from academic journals.

Since the focus of this study is organized crime, material is excluded that exclusively focuses on organizational crime or financial crime (i.e. crime that takes place within the legal economy, such as fraud, tax evasion, money laundering, terrorist financing, bribery, corruption, market abuse and insider dealing) and not organized crime.

#### *Search 2: housing AND “organized crime”*

The search terms housing resulted in mostly irrelevant material but also two included articles.

### *Search 3: “construction industry” AND corruption AND Canada*

To capture the international perspective beyond Italy, New York and Canada, the term “organized crime” was replaced with corruption AND a following terms denoting a specific country or city that had been mentioned in newspaper and periodical articles in previous searches: Montreal, Germany, Johannesburg, South Africa, Japan, Tokyo, Russia, Moscow, Brazil, India, Australia. This part of the search process resulted in one relevant article about Canada.

Articles covering the themes of organizational crime and financial crime and not organized crime were excluded. Titles and abstracts of the articles were searched for the mention of organized crime and the construction industry. The article was searched for the word corruption. If the article did not cover these themes it was excluded. De Feo & De Luca (2017) does not mention corruption but the title and abstract indicated that the article covers the theme of corruption but with a different wording.

The systematic search was conducted in three waves which resulted in a total of 342 hits (see Appendix 1). 99 of these hits were peer-reviewed articles. 85 titles that were duplicates, were not in English, did not cover the relationship between organized crime and the construction industry or did not cover the theme of corruption were excluded, leaving 14 articles relevant to the research question. A secondary search of the reference lists of the 14 relevant articles and the bibliography of the authors, that was repeated until a point of saturation had been reached, produced seven additional relevant articles (see Appendix 1).

In total 21 articles met inclusion criteria and were selected for full review. Another 6 articles were excluded; Heber (2009), Frazzica et al (2016) and Asmundo & Lisciandra (2011) only mention the theme of corruption in passing, and Jancsics (2012), Morselli & Ouellet (2018) and Reeves-Latour & Morselli (2017) focus on organizational crime and not organized crime. After full review 15 articles were included for data evaluation and extraction.

### **Third phase: data evaluation**

Two of the 15 articles used a quantitative method and 13 used a qualitative method. After performing a full review, the material in the articles was read more carefully and data was extracted and coded according to themes in Nvivo, a software for organizing and analyzing qualitative data.

A coding scheme to organize findings was created according to step 3 in the phenomenological method for conducting a qualitative literature review, where the researcher identifies meaningful statements about the phenomenon of interest (Randolph 2009). Potential themes were noted: regulation, transition economies, unions, politicians, police, transnational movements. The focus was on research outcomes and to identify relevant material by following the research question: “What is the function of corruption in the organized crime infiltration of the construction industry?”

### **Fourth phase: data analysis and interpretation**

Following step 4 of the phenomenological method a coding book was created in Word, where meaningful statements were put into categories. (Randolph 2009). In this stage of analysis and interpretation it is necessary “to actively search for

contrary findings and rival interpretations”, “to critically analyze previous research, identify central issues”, and to be critical of how articles have been designed with regards to their sources and methods (Randolph 2009: 10). Statements from one theme were organized and summarized under another theme if interpreted as relevant, i.e. statements from “politicians” were moved to “cartels”. The final statements were interpreted and synthesized as the themes of corruption, politicians, elections, police, unions, construction, urban planning, cartels, economics, transnational movements, transitions economy, financial crime, anti-corruption, blacklisting.

**Fifth phase: public presentation**

The final step consisted of an iterative process, as the central issues of the subject were once again synthesized thematically and summarized in rich paragraphs. The essence of the phenomenon is presented to the reader from the perspective of the researcher (Randolph 2009).

## RESULTS

The results chapter describes the findings of the review thematically with a focus on the *function* of corruption. The full review of the 15 articles resulted in the following themes: the enforcement of cartels, the organization of unregistered labor, the corruption of unions, the corruption of politicians, the infiltration of urban planning.

### **The enforcement of cartels**

Six articles in the review described the enforcements of cartels as central in the infiltration of organized crime in the construction industry, involving the corruption of politicians and public officials at local or national level (Ichniowski & Preston 1989, Jaspers 2019, Savona 1995, Scognamiglio 2018, Varese 2011, Vine 2012). A cartel is an arrangement where firms collude with each other, through the activities of price fixing and bid rigging, to improve their profits and dominate the market. The arrangement of the cartel ensures that no firm sets their prices or place their bids on contracts on a level under what has been agreed upon (Jaspers 2019). Cartels can function without the involvement of organized crime, or organized crime can be employed to ensure that outside competition do not enter the market and that all agreements are followed (ibid). The Mafia often acts or mediator in the agreement or as a partner enforcing already existing cartels (ibid, Varese 2011).

OCG tend to enter the arrangements of cartels in markets that are not otherwise easily enforceable (Scognamiglio 2018). This is the case of the emergence and the significant expansion during the era of prohibition of the powerful Mafia families in New York, Chicago, Detroit, and other large American (Varese 2011). In the beginning of the 20th century illegal markets like gambling and prostitution had protection from local politicians and corrupt police officers, while legal markets like garment production, poultry, garbage collection and construction were organized in cartels. Attempts in trying to suppress the vice markets and the cartels in the legal markets were not successful. Instead, these arrangements found continued protection from emerging mafia groups, the most successful made up of newly arrived migrants from Southern Italy (ibid).

In Palermo, Sicily, the Mafia the Mafia have acted as a mediator among construction firms and politicians on a local and national level. Through corruption and violence against politicians, public administrators and enterprises, the availability of public contracts was acquired and bidders for public contracts were placed on a waiting list in order to prevent competition and to ensure that the best tender won. The payoffs normally consisted of 10 percent of the total contract, and the proceeds were divided among the parties proportionately to the influence of a specific party (Savona 1995). In Naples, a cartel arrangement between camorristi, politicians and businessmen has emerged, where a public contract is handled by the Camorra receiving 3 to 5 percent of the total contract to supply companies for the subcontracts as well as workers, material, machinery, and good working conditions (Vine 2012).

The combination of a permissive regulatory attitude towards business cartels and a normalization of bid rigging allowed cartels in the Netherlands to share a broader strategy with the industry in general. The enforcement from an outside actor was not necessary (Jaspers 2019). In Montreal the cartels were closed to new

entrants. Construction firms outside the cartel that wanted to participate in the local construction market were bullied, threatened and intimidated into not entering the market or exiting it by members of the Mafia (Jaspers 2019). In the Netherlands, older directors or third parties like secretaries and chairmen informally coordinated cartels, acting as regulators or mediators for the cartels, while the same role was filled by leaders of the Rizzuto clan in Montreal. 2,5% of the profits of the cartel were transferred to members of the Cosa Nostra, who used this money to even out disparities between the construction companies and to make cash payments to criminal groups and local politicians. Still, the control of the mafia in the construction industry in Montreal is limited. They have not initiated or forced their services upon the firms involved in illegal bid rigging agreements (ibid).

### **The organization of unregistered labor**

One article in the review expanded upon the topic of organization of unregistered labor (van Duyne 1993). The topic was considered relevant to include as an important aspect of the function of corruption in organized crime infiltration the construction industry. While the service of corruption might not be necessary for the organization of unregistered labor, crime enterprises on the black labor market need to develop relationships of influence with the politicians, public officials and law enforcement to extend their activity over time (ibid).

Organized crime groups specialized in unregistered labor appeared in The UK in the late 1970s, connecting legitimate contractors for construction sites in the Netherlands and Germany with British workers, most of them making good payment while still receiving their social security benefit from back home (van Duyne 1993). Some of these illegal firms could supply 200 to 300 workers at a time, while keeping the operational staff minimal, consisting of four organizers and one or two employees typing false invoices and answering the phone. The corporate structure consisted of numerous shell companies destined to go bankrupt, an offshore company to make ordinary salaries to the firm and other clean companies without employees to uphold a necessary credibility to the outside world. To infiltrate a legitimate industry successfully one must both look and think like that industry. A higher level of skill and sophistication distinguishes these types of operations from other networks within organized crime (ibid).

### **The corruption of unions**

Four articles in the review expanded upon the corruption of unions in the organized crime infiltration of the construction industry (Block & Griffin 1997, Ichniowski & Preston 1989, Jacobs & Thacher 1989, Woodiwiss 2015).

The most important tools for the expansion of the Italian American Mafia were the control of unions and the infiltration of the construction industry, two activities that often intersected and strengthened each other and helped the Italian American mafia grow into a vast criminal empire (Block & Griffin 1997, Ichniowski & Preston 1989). In the late 1980s it was concluded that of the multibillion-dollar spending programs of the New York City public construction projects, organized crime's control of construction firms and unions earned them tens of millions of dollars yearly. At the center of the Mafia's power was their control of the Teamsters Union. An investigation exposed a scheme where investor John Giura steered more than a billion dollars of Teamster employee benefit funds to favored brokers, who kicked back a portion of their large

commissions to trustees, their families and friends (Block & Griffin 1997, Ichniowski & Preston 1989).

During the height of their power, the very existence of the mafia was denied by criminologists and sociologists as well as law enforcement on all levels (Woodiwiss 2015). The police and the FBI started to target them as an organized structure in the 1970s, and it was in the 1980s, after media exposed the Cosa Nostra influence in the construction sector in New York, that Governor Mario Cuomo requested a thorough report on corruption in the industry. Still, the mafia's political connections and their control of unions from the ground up, made them resistant to repression (Ichniowski & Preston 1989, Woodiwiss 2015). The final report from 1987 mapped the pervasive corruption and racketeering in the New York City construction industry, but according to James B. Jacobs, the final draftsman of the report, "neither the developers, contractors nor construction unions were supportive or cooperative", and "practically none of our recommendations were adopted" (Woodiwiss 2015: 89).

Organized crime still has a presence in the New York construction industry, with power in several construction unions, but the consensus is that its influence has been significantly decreased (Woodiwiss 2015). The size of the construction industry and its composite of hundreds of contractors and subcontractors makes blacklisting and the licensing of firms for public projects indeed very challenging (Ichniowski & Preston 1989, *ibid*). Experiences from New York indicate the partial success of a system of extensive self-report questionnaires on business-related crimes or other wrong-doings to be filled out by firms that bid on public projects, followed with the obligatory hiring of a government approved inspector who serves as a hands-on monitor on the building sites and for the project in its entirety (*ibid*).

### **The corruption of politicians**

Ten articles in the review expanded upon the corruption of politicians in the organized crime infiltration of the construction industry (Block & Griffin 1997, Chiodelli 2019, De Feo & De Luca 2017, Jaspers 2019, Savona 1995, Sciarrone & Storti 2014, Scognamiglio 2018, Vine 2012, Weinstein 2008, Woodiwiss 2015).

The cases of enforcement of cartels in Montreal and the Netherlands involve corruption between business and public officials on various levels (Jaspers 2019). From their emergence as street gangs and later infiltration of smaller businesses, the Italian American mafia developed relations with the highest spheres of political power (Block & Griffin 1997, Vine 2012, Woodiwiss 2015). As an example of its expansion of power in relation to the construction industry, arriving in the 1980s, President Reagan appointed Raymond Donovan, who at the time was suspected of associations with members of the Mafia, for Secretary of Labor (Block & Griffin 1997).

Unlike the limited infiltration of organized crime in the construction industries in Montreal (Jaspers 2019) and New York (Block & Griffin 1997, Ichniowski & Preston 1989, Jacobs & Thacher 1989, Woodiwiss 2015) the presence of the Italian mafias in their region of origin, i.e. the Cosa Nostra in Sicily, the Camorra in Campania, and the 'Ndrangheta in Calabria, constitutes a system of total corruption and infiltration (Chiodelli 2019, De Feo & De Luca 2017, Savona 1995, Sciarrone & Storti 2014, Scognamiglio 2018, Vine 2012). With the aid of

violence and bribes, their system of rules and norms is expanded along with their power (Sciarrone & Storti 2014).

The Camorra is described as exercising an absolute control of their territory, with Casal di Principe, a small town located about 25 kilometers northwest of Naples as its center of power. Besides extortion of local businesses and international narcotics trafficking, the infiltration of the construction industry is their main interest (Vine 2012). The pattern is shared with the Cosa Nostra and the 'Ndrangheta: in the year 2011, almost a third of the 1708 mafia-controlled firms that the authorities seized were construction firms (Scognamiglio 2018).

The complex arrangements between the Mafias and politicians, administrators and legal businesses to allocate public construction contracts deepened after the Second World War and continues in to the 1990s and 2000s (Chiodeli 2019, De Feo & De Luca 2017, Savona 1995, Vine 2012). In Palermo and Naples, the mafia acted as a mediator among construction firms and politicians on a local and national level. The payoffs normally consisted of 10 percent of the total contract, and the proceeds were divided among the parties proportionately to the influence of a specific party (Savona 1995).

The expansion of the Camorra in the Campania region was aided by the American navy, who began building up its presence around Naples after the war. In the Italian government the American Navy had a partner willing to agree to most military requests, and whom they can blame for any ties with organized crime (Vine 2012). Through a cartel arrangement between camorristi, politicians and businessmen housing for thousands of US military personnel and their families was constructed in the 1960s by a Camorra-controlled company (ibid). A letter from a US undersecretary of defense suggests that American Congress members Ron Dellums and Tom Foglietta helped the same company gain the contract for the construction of new housing for the military in 1993. (ibid).

At the same time as the American Navy awarded contracts to Camorra-controlled construction firms, the American government in the form of the CIA was secretly backing the DC (Christian Democrats) against popular communist and socialist parties (Vine 2012). The Sicilian Mafia had also developed a supportive relationship to the DC. Studying the impact of the Sicilian mafia on parliamentary elections in the period 1946–1992, researchers discovered a pattern in municipalities where a more intense electoral competition took place between the DC and the PCI (the Italian Communist Party). A relationship was established between an increase in votes for the DC and an increase in the awarded public construction contracts to companies they controlled, indicating an electoral deal between the mafia and the DC (De Feo & De Luca 2017).

According to the final report of the first Parliamentary Committee on the Sicilian Mafia, there were thousands of cases of planning permissions that benefited mafia families In Palermo in the 1950s and 1960s (De Feo & De Luca 2017). Numerous relatives of mafia members in the city councils in Sicily were identified, several of the most prominent Sicilian DC politicians were close associates to the mafia or even members themselves, and Giulio Andreotti, seven times Italian prime minister had a stable and friendly relationship to mafia members (ibid).

The aftermath of the “Clean hands” process targeting the corrupt arrangements between politicians, public officials and Mafia members shows that the allocations of public contracts have decreased significantly, due to public officials not wanting to risk their reputation and not being interested in offering contracts when there are no bribes available. This has led to an economic downturn in the public construction sector in Italy (Savona 1995). None of the proposals to minimize corruption, with the aim of less regulation, less discretionary power and more accountability, have been realized. During the process, business leaders in Milan reported on corruption cases in which they were involved, implicating themselves and others. This did not happen in Naples and Palermo, where the Mafia and its system of norms controls the territory (ibid).

### **The infiltration of urban planning**

Two articles in the review expanded upon how the corruption of politicians and public officials have aided organized crime in infiltrating the decision process regarding land development and urban planning (Chiodelli 2019, Weinstein 2008).

While maintaining a power base close to home, the Italian mafias aim at expanding their territory. Indicative of their activity, 29% of the 1708 firms seized by authorities 2011 for being mafia-controlled were located outside those areas of origin (Scognamiglio 2018). A years-long investigation of the activities of the 'Ndrangheta in Lombardy resulted in the conviction of 160 individuals in 2011. With several organizational cells established around the region from the 1970s and onwards, operating in both legal and illegal enterprises, Desio, a town north of Milan, appears as a center of power. Their activity indicates a geographical expansion but also a point where organized crime in Italy, besides the infiltration of the construction industry, involves itself in the drafting of the local master plan (Chiodelli 2019). An alderman for Desio between 2011 and 2015 details agreements in the planning sector over the past decades involving several political figures, technicians within the planning office, and the collusion of estate agents with the goal of facilitating the issue of building permits or reducing the risk of site controls. The 'Ndrangheta is always present in the background of these deals, enabling a culture of corruption and impunity (ibid).

Similar processes in land development and urban planning are found in Mumbai, India. As economic liberalization and the globalization of consumer markets suddenly reduced demand for illicit consumer goods in the 1990s, OCG in Mumbai began abandoning the smuggling activities and the alcohol production that had defined their organizations since the 1950s (Weinstein 2008). With the same economic reforms came the opening for illegal land development, and OCG established property development branches and constructed shopping centers, commercial establishments and residential buildings. The relationships to local criminal groups, their influence with the political parties and their connections to international crime networks assisted these OCG to participate in a rapidly expanding construction sector (ibid).

## DISCUSSION

This review surveyed literature on the function of corruption in the organized crime infiltration of the construction industry. The results chapter described the findings thematically, with a focus on the specific *function* of corruption (i.e. the organization of unregistered labor and the enforcement of cartels, and its target, i.e. unions, politicians and administrators in urban planning).

The discussion chapter relates these findings to the broader aim of this study: to contribute to the knowledge of factors in the emergence of organized crime. The analysis of the themes in the literature review produced several factors related to the emergence of organized crime. They will be discussed in this chapter and related to a broader analysis of crime prevention and the Swedish context under the following headings: regulation, structural and cultural incentives for corruption, transition economies, discretionary power.

### Regulation

Besides weak institutions and economic inequality, the deregulation of markets is a factor for the emergence of organized crime (Scognamiglio 2018). The review shows that both deregulation and regulation can be exploited by organized crime. Regulation of a market does not automatically translate into the rule of law, and at times deregulation or re-regulation is advisable (Savona 1995).

Specific cultural and regulatory conditions accounted for the participation of OCG in the construction sector in Canada (Jaspers 2019). Besides the structural and cultural incentives to corruption inherent in the industry, the historical presence of the Italian American mafia in Montreal (Sergi 2018) is a factor for the involvement of OCG in the cartel arrangements of the city. Traditional elements of the Mafia are described in how the businessmen from the construction cartels frequented the traditional *social club* of the Rizzuto clan, how they were working under *the blessing* of the family, and how they paid them the traditional Mafia tax, called *pizzo* (Jaspers 2019). Still, these historical and cultural factors, originating from the closeness to the powerful American Mafia families that had emerged around 1910 on the other side of the border (Sergi 2018), are connected to the unintended consequences of regulation (Varese 2011). Both the genesis of these families, and their significant expansion during the era of prohibition, were connected to the far-reaching reforms by the mayor of New York in trying to suppress the vice markets of gambling and prostitution, which had protection from local politicians and corrupt police officers, and the cartels in the legal markets, like garment production, poultry, garbage collection and construction. Following the repression, these arrangements instead found continued protection from emerging Mafia groups, the most successful made up of newly arrived migrants from Southern Italy (ibid).

State intervention in the economy has been a factor for the emergence of organized crime in Italy (Savona 1995) and India (Weinstein 2008). While liberalization and globalization decreased the incentive for illicit alcohol production and smuggling of gold and consumer goods, regulation of the growing city created opportunities for organized crime in Mumbai to infiltrate construction, real estate and land development (ibid).

The absence of a land development and housing policy for the growing working

population attracted to the city's textile mills and other expanding industries allowed local gangsters to grab land, sell plots, and build and sell huts. Working with public officials locally, they registered the new slum residents to vote for local politicians, and paid bribes to police and officials in the Bombay Municipal Corporation to protect their liquor business. Squatter settlements spread across the city following this pattern (Weinstein 2008). In the 1990s the same groups profited from aiding the state in clearing the settlements and build apartment buildings for the same population. Higher level OCG started to assume new status in the changing boundaries between formal and informal governance. Working increasingly with government administrators to acquire land and permits to construct high-end developments, the role between master planner and development mafia started to blur. Having first exploited the absence of a development and housing policies for the growing slums, and later the regulation for the clearing of the same settlements, they were now helping to shape policies for land development and urban planning in Mumbai (ibid).

### **Structural and cultural incentives for corruption**

In the analysis of cartels, the emergence of an organized and centralized group of profiteers in the construction industry in Canada as well and the Netherlands was shown to be a product of the structure and culture of the industry and its vulnerabilities and not regulatory failure alone (Jaspers 2019). Rather than socioeconomic factors, specific cultural and regulatory conditions can account for the participation of organized crime in the construction sector in Canada (ibid).

The structure and the culture of the construction industry as well as the political system is vulnerable to corruption and the infiltration of organized crime. In the construction industry the state acts as client, project developer and regulator at the same time, and often share interests with construction firms. Incentives for corruption are built into the structure of the industry, making it vulnerable to corruption and the infiltration of organized crime (Jaspers 2019).

The immense size of the construction industry and its structure of temporary building projects and arrangements of several smaller contractors and subcontractors, makes it vulnerable to influence and corruption by organized crime. A smaller territory or political district is easier to control than a vast region, and legal sectors that consist of small-scale firms that compete on the local market, with a relatively low technological level, are more vulnerable to influence and corruption by organized crime (Ichniowski & Preston 1989, Sciarrone & Storti 2014, Varese 2011). The construction sector allows many points of infiltration as well as opportunities for a long-term expansion of activities (Ichniowski & Preston 1989, Sciarrone & Storti 2014, Scognamiglio 2018).

The urban planning of many countries is built around the same basic mode of planning, with politicians, public officials and the construction firms sharing the same interest (Chiodeli 2019, Weinstein 2008). The strong incentives for corruption that are present in the example of Desio and Mumbai are present around the world, indicating that corruption in the planning domain is to be expected in places considered to be less open to corruption. The cases of the 'Ndrangheta's activities in Desio and the OCG in Mumbai are not exceptions but rather extreme examples of practices that occur in many other places (ibid).

The political system's incentives to corruption are exhibited in the Mafia's paradoxical and, in the end, parasitical relationship with democracy. Their activities wither democratic institutions, while they thrive on exploiting the freedoms of enterprise as well as its regulations. The Mafia finds its strength in the laissez faire market and in the freedom of association, as well as in the labyrinthine networks of political power (Block & Griffin 1997, De Feo & De Luca 2017). Through bribes and violent threats, the Mafia takes control of the territory and challenges and infiltrates the democratic political institutions. In exchange for its support of specific politicians and public officials, the mafia obtains economic advantages or lenient prosecution for its activities, primarily in the construction industry (Chiodeli 2019, De Feo & De Luca 2017, Savona 1995, Vine 2012).

### **Transition economies**

An economy in transition is attractive to organized crime. There are many opportunities for OCG to make investments and to offer their services as protectors and mediators in new and expansive markets where the economy has undergone some sudden change (Sciarrone & Storti 2014, Varese 2011). Organized crime can also exploit situations of economic crisis, by offering liquid capital or other resources to entrepreneurs in need, or by taking over troubled businesses and use them to launder money. Their involvement in the north of Italy shows us that a flourishing market, and its opportunities to invest the proceeds of crime and the possibility of money laundering, can be a breeding ground for organized crime as well (Sciarrone & Storti 2014).

The emerge and expansion of the Mafias in the south of Italy has been attributed to a history of weak institutions and economic inequality, offering both criminal opportunities and a socio-demographic recruiting pool (Scognamiglio 2018). The emergence of the land development Mafias in Mumbai has been connected to their exploitation of the poverty and the absence of institutions and regulation in the squatter settlements of the city, and their later exploitation of the regulation of land development and the city's booming construction industry (Weinsten 2008).

The themes of economic inequality and socio-economic factors are otherwise not prevalent in this literature review. The problem of increased corruption in relation to socioeconomic factors is formulated in terms of instability rather than inequality (Savona 1995). While socio-economic factors are related to the emergence of both crime and organized crime, the focus of this review the involvement of organized crime in the construction industry, activities with no direct relation to factors of socio-economic disadvantage and inequality (Savona 1995, Scognamiglio 2018).

A Swedish scenario with the infiltration of foreign OCG in socio-economically disadvantaged areas to develop networks and to deal on the illegal markets, or the infiltration of OCG to invest and launder money in expansive markets for green technology, infrastructure, or the construction industry is dismissed by Korsell & Larsson (2011). At the same time the presence of Russian groups in Spain, Hungary and the United States, and Italian groups in Spain, Australia and Germany are well documented (Varese 2011, Sciarrone & Storti 2014). Their activities consist of investments, money laundering and dealing on illegal markets and not a transplanted activity of protection and extortion (Sciarrone & Storti 2014, Campana 2011). The presence of the 'Ndrangheta in

Germany is related to its use as a gateway to smuggling routes in Eastern Europe and to the ports in the Netherlands (Sciarrone & Storti 2014). This should be compared to the limited geographical attractiveness of Sweden.

### **Discretionary power**

The initial assumption of this study was that all targets of corruption would be frequent in the material. The review shows that corruption of politicians is more frequent than that of organized labor, and the corruption of the police and the courts is rarely mentioned. It can be argued that the corruption of the police is a priority for the street level criminal. For the organized crime infiltration of the construction industry the most common target of corruption is the politicians and public officials with power in the allocation of public construction contracts (Block & Griffin 1997, De Feo & De Luca 2017, Jaspers 2019, Savona 1995, Scognamiglio 2018, Vine 2012).

Throughout the review discretionary power, defined as regulation and administration combined with a lack of transparency and accountability, was identified as a central institutional incentive to corruption (Chiodelli 2019, De Feo & De Luca 2017, Jaspers 2019, Savona 1995, Scognamiglio 2018, Vine 2012)

The investigations from the 'Clean hands' process in the 1990s accounts the amount of political corruption in Italy to a badly paid and inefficient bureaucracy where maximum discretionary power has emerged. A system is described that is infiltrated by politicians, where posts are exchanged for political consensus, the norms in public contracts and the duties and tasks of public officials are unclear and there is minimum accountability for decision makers. In such a system the public officials can use their discretionary power to issue licenses and property rights to the advantage of certain individuals without consequences (Savona 1995).

Corruption can be viewed as a service bought and sold on a market. In order to maximize certain opportunities, the seller, a politician or public official, and the buyer, the manager of a firm that wants to secure a contract, take part in an illegal transaction. They also seek to minimize law enforcement and reputation costs, in the form of being prosecuted, arrested and convicted, and the embarrassment and loss of status that it entails, especially for a politician. The amount of corruption is determined by opportunities minus the risks, and in order to limit corruption, we must reduce the opportunities and increase the risk for the seller and the buyer of corruption (Savona 1995). The problem of corruption increases in relation to political and socioeconomic factors. A political or economic system in transition is more vulnerable to corruption, but at times the mechanism works in the opposite direction. The effectiveness of the 'Clean hands' process was due to the courts having a tradition of being less corrupt than other institutions in Italy, but also to the fact that Italy was a country in transition that sought to change its political class. A reform of the parliamentary system followed in 1994, with the corruption charges aiding the cause (ibid).

The public procurement law, that requires that the contract should be awarded to the lowest responsible bidder, is another problem in the allocation of public contracts, making it difficult to challenge a contractor on integrity grounds (Woodiwiss 2015). In Sweden, unlike the Netherlands and Italy, there is no legal framework that the authorities can act within to stop the awarding of contracts to

firms that have members of outlaw motorcycle gangs as owners or employees (Savona et al 2015). There are several cases in the media highlighting this phenomenon (Expressen 2018, Svenska Dagbladet 2011, SVT 2019). The concept of discretionary power can aid the formulation of reforms to curb the exploitation of the public procurement law by organized crime, and corruption of the allocation of public contracts in general.

### **Limitations**

There were limitations in this study related to the definitions of organized crime, corruption and the construction industry. The focus on organized crime and the exclusion of other material overlooks the agency of organizational crime and financial crime as the instigators of corruption, collusion and other crimes in construction industry. OCG often appeared as a partner enforcing already existing cartels (Jaspers 2019, Savona 1995, Varese 2011)

The concept of corruption and its definition in this study might not cover important aspects of how organized crime infiltrates the construction sector. The infiltration of a legal sector can take place without connections of influence to politicians or public officials, as was shown in the case of unregistered labor, with the factor of corruption being a requirement only if the enterprise strives to expand and stabilize over time (van Duyne 1993).

The definition of construction industry is a limitation in this study. There are no clear delineations in the material from the activities of the construction industry to those of property development, real estate and urban planning.

### **Areas of future research**

Several topics for future research were identified in the review as of specific interest for a Swedish context. The concept of discretionary power, especially in the allocation of public contracts and the exploitation of the public procurement law by organized crime is of interest for future research. Studies focusing on urban planning are rare, though the presence of corruption is pervasive in the field (Chiodelli 2019).

The theme of outlaw motorcycle gangs is absent from the material in this literature review. The Hell's Angels, starting out as a street gang in the 1990s in Sweden and since then moving into the direction of financial crime and the control of legit enterprises, all the while acting as a role model for other street gangs with regards to organizational skills and capacity for violence (Rostami 2013), are involved in the organization of unregistered labor in Sweden (Brottsförebyggande rådet 2007). With corruption as a variable for street gangs and outlaw motorcycle gangs to develop into a more organized and powerful structure (Hagedorn 2015), what relations they have to police, politicians and public officials and what crossroads they are currently standing at are topics for future research.

A bias in this study is the assumption that the emergence of organized crime will follow a pattern where street gangs and informal networks manage to develop relationships with the world of financial crime and business crime. An analysis of the material makes a reverse causality chain seem as likely, where organized crime structures emerges through financial crime and business crime engaging street gangs or informal networks for their services (Jaspers 2019, Varese 2011).

The review highlights the agency of organizational crime and financial crime as the instigators of corruption, collusion and other crimes in construction industry is a topic for future research. Also, focusing on the agency of actors in the industry and engaging them in codes of conduct or other anti-corruption strategies is of special interest for crime prevention (Woodiwiss 2015). This argument connects to the theoretical assumption in this study, that the traditional structural perspective in criminology, rooted in the theory of social disorganization with a focus on the relation between crime levels and the variables of inequality or social efficacy on neighborhood level (Sampson et al 1997), is limited in explaining the emergence of organized crime (Hagedorn 2015). Together with socio-economic factors, a focus in future research on the agency and the organizational ambitions of the actors involved will contribute to our knowledge of crime prevention and the emergence of organized crime.

## **Conclusion**

This study had the aim to contribute to the knowledge of factors in the emergence of organized crime. The research question was formulated with a focus on the function of corruption in the organized crime infiltration of the construction industry. In total 15 articles were included in the review and the results were organized thematically. A further analysis of these themes detailed factors in the emergence of organized crime, including the structural and cultural incentives for corruption, and the role of transition economies and discretionary power. Organized crime groups were shown to exploit both regulation and its absence to expand their profits and power.

To study the factors behind the emergence of organized crime is of great importance for crime prevention. This literature review indicates that important variables will be excluded if the structural perspective in criminology is limited to the study of variation in crime rates in relation with neighborhood levels of inequality and social efficacy (Hagedorn 2015). The topics of discretionary power, the exploitation of the public procurement law, urban planning, outlaw motorcycle gangs and the agency of organizational crime and financial crime in the emergence of organized crime were identified as areas of future research.

The findings were compared to the question of organized crime in a Swedish context and its involvement in the construction industry. The scenarios of corruption and infiltration described in the review can emerge as slow processes or as sudden developments. They might also be avoided. A greater knowledge of the factors related to the emergence of organized crime makes society better equipped to face the challenges of the future.

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# APPENDIX 1

## Data collection and search process

### *Search 1: “construction industry” AND “Organized crime”*

The first search produced 45 hits. 11 texts included after non-academic texts, duplicates and irrelevant texts were excluded:

- Block & Griffin (1997)
- Frazzica et al (2016)
- Heber (2009)
- Ichniowski & Preston (1989)
- Jacobs & Thacher (1989)
- Jancsics & Javor (2012)
- Jaspers (2019)
- Morselli & Ouellet (2018)
- Savona (1995)
- Scognamiglio (2018)
- Woodiwiss (2015)

### *Search 2: housing AND “organized crime”*

The second search produced 71 hits. Two texts included after non-academic texts, duplicates and irrelevant texts were excluded:

- Chiodelli (2019)
- Vine (2012)

### *Search 3: “construction industry” AND corruption AND Canada*

The third search produced 226 hits. One text included after non-academic texts, duplicates and irrelevant texts were excluded:

- Reeves-Latour & Morselli (2017)

### *Secondary search of reference lists and bibliographies*

A secondary search of the reference lists of the 14 relevant articles and the bibliography of their authors was repeated until a point of saturation had been reached. Seven texts were included:

- Asmundo & Lisciandra (2011)
- De Feo & De Luca (2017)
- Jacobs & Anechiarico (1992)
- Sciarrone & Storti (2014)
- van Duyne (1993)
- Varese (2011)
- Weinstein (2008)