

# Corruption and Racketeering in the New York City Construction Industry

Interim Report by The New York State  
Organized Crime Task Force

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AN INTERIM REPORT  
BY THE NEW YORK STATE  
ORGANIZED CRIME TASK FORCE

*With a foreword  
by Donald E. Cullen*

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## Foreword

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It is unusual for an academic press to publish a report such as this, which is already available to the public as a government document. It is even more unusual for a press in the industrial relations field to publish a report by an agency such as the New York State Organized Crime Task Force, which seldom has been counted among the public agencies specializing in industrial relations. This report is so unusual, however, that it deserves greater attention, particularly within the academic community, than it would receive if it were published only in limited numbers by the task force and publicized only in a few newspaper articles.

A major merit of the report is that it explores in depth a subject—union corruption—that is obviously important to anyone interested in industrial relations and yet has been largely ignored by academic researchers for many years. In fact, the School of Industrial and Labor Relations published one of the few previous studies of this subject—*Corruption and Racketeering in the Labor Movement* by Philip Taft—but the latest edition of that study appeared in 1970. Other scholarly studies of the subject can just about be counted on the fingers of one hand. (For a listing of the major postwar studies, see footnote 10 on page 73 of the report.)

Why have there been so few studies? Perhaps the chief reason can be found in the report's description of the "investigative tools" the task force used in its criminal investigations: "electronic surveillance, informants, undercover agents, search warrants, office hearings, . . . investigative grand juries," the examination of contractors' books and records, and sting operations (page 14). As the report points out, such methods were necessary

because racketeering in the construction industry centers around

crimes such as bribery, which requires two willing parties, and extortion, which often involves a victim afraid to seek help. Direct evidence of these crimes can usually be obtained only in pro-active investigations which seek to overhear incriminating conversation, be a party to them, or “turn” one of the participants (page 118).

Obviously no scholar, no matter how intrepid or well funded, can command such “research tools.” Yet, without them, how can a researcher adequately investigate the charges of corruption that some employers and other critics frequently level against unions? Precisely because scholars are so hampered in their attempts to study this subject, they should welcome any government study that is reasonably objective—as I believe this study to be.

That is the other reason for the publication of this report by the ILR Press: the report not only deals with a subject largely neglected by scholarly research, but it does so in a scholarly fashion. The report’s authors do not set out simply to identify the “wise guys” and call for their prosecution. As the authors point out, a long string of previous government reports, dating back to the 1920s, have firmly established that corruption and racketeering are widespread in the New York City construction industry. This report reconfirms that fact in considerable detail, but its primary aim is to answer the questions of *why* this pattern of lawlessness has persisted for so long in this industry and location and *how* that pattern can be broken, or at least eroded, by fashioning government policies that attack structural causes rather than individual wrongdoers.

I found very persuasive the report’s analysis (in Part II) of the underlying causes of the corruption, based as it is on a largely accurate description, in my opinion, of the industry’s labor and product markets and its complex collective bargaining structure and process. Some readers will disagree with my appraisal of that analysis, of course, and even more will disagree with the logic or propriety or feasibility of many of the possible remedies described in Part IV. As the authors stress, however, this is only an interim report, and it takes no position on any of the many possible remedies it discusses (with the single exception of a strong recommendation that the Wicks

Law be repealed). And surely no approach can be more scholarly, at least in the social sciences, than one describing a serious problem, analyzing its multiple causes, and concluding that further research is needed before a firm position can be taken on any of several possible remedies!

Is the report above reproach? Of course not, just as no report on such a controversial subject will be. For those of us in industrial relations who are sympathetic to unions, a study such as this should ideally meet the test of focusing on the specific misdeeds of specific unions or union leaders while simultaneously offering no ammunition to those critics eager to tar all unions as corrupt, undemocratic, unnecessary, and altogether a clear and present danger to the Republic. This report largely but not completely meets that difficult test.

On the one hand, the report earns a good grade by repeatedly pointing out that union officials have no monopoly on the practice of corruption in New York's construction industry. Many contractors, suppliers, and city officials have participated in the game, many quite willingly. Also, the report documents the major and chilling role of organized crime figures in instigating a large share of the corruption. Finally, the report's laudable insistence on the structural causes of the corruption—the peculiarities of this industry in this city—implicitly gives the lie to any attempt to generalize the report's findings to other unions in other industries and cities.

On the other hand, the report should have noted explicitly that it could not—or at least did not—present evidence that all or even most of the approximately one hundred labor unions in New York construction have engaged in corrupt practices. The task force certainly makes its case that corruption is pervasive, but most of its examples involve a relatively small number of locals. Also, some of these examples are correctly noted by the report to be allegations based on indictments, not findings based on convictions, and a few examples are based only on assertions that they are the product of the task force's confidential investigations. To repeat, academics should recognize the limitations of conventional research methods in this context, but some may well share my uneasiness over the report's occasional reliance on “soft” evidence.

Most important, however, the report fails to acknowledge

adequately either the need for unions in the construction industry or the accomplishments of these unions. Many of the characteristics of construction that the task force identifies as "creat[ing] incentives for industry participants to engage in racketeering" (page 42), particularly the industry's "competitive and fragmented economic environment," are also industry characteristics that create the need for unions. Workers in all industries value job security, of course, but those in construction face an exceptional degree of insecurity. Over the business cycle, the industry's employment swings are more pronounced than those of most other industries; within each year, employment fluctuates with the seasons; and within each season, the casual nature of the labor market—in which most workers are attached only to their occupation, not a specific employer—means that many construction workers must search and compete for jobs over and over. In addition, construction work always ranks at or near the top of any list of hazardous occupations.

Construction unions have certainly not solved all these problems for all their members, but they have often provided members with significant benefits through legitimate bargaining. Although Taft identified construction as one of the industries in which union corruption has long flourished (and not just in New York City), he also pointed out (page 25) that "the building trades were the first to establish the ten-hour workday, the eight-hour workday, the forty-four hour week, the five-day week, and the thirty-five hour week, all of which were new objectives at the time when they were first presented." A major purpose of these bargaining gains was to "spread the work," that is, to strike a better balance than the unregulated labor market produced between the demand for and supply of construction workers.

In addition, the high hourly wage rates won by many construction unions partially offset the effects on annual earnings of the industry's typically high level of unemployment. Also, without union pressure, employers in a casual labor market have little incentive to offer the fringe benefits that employers in noncasual markets may voluntarily offer to retain their employees. The hiring hall admittedly poses a very difficult problem. It has undoubtedly been abused by some union officials

in this industry as it was in longshoring, and a case can be made for legislating some controls over the hall. Aside from one footnote (page 101), however, the report does not point out the reasons why construction workers, unlike factory workers, have a pressing and legitimate need for some voice in the hiring process.

Finally, it is ironic to note the fervor with which many manufacturing employers are pressing their unions these days to adopt "Saturn-type" contracts, in which the number of job classifications is sharply reduced, jobs are combined to be more interesting and efficient, worker teams and less minute supervision by foremen are encouraged, and "pay for knowledge" reflects a worker's skill level rather than the amount of work produced on any specific job on a given day. When the construction unions insisted over the years on maintaining many of these features as consistent with their concept of how skilled journeymen should be treated, contractors often attacked their notions as outdated and inefficient. Some of them are, of course, but certainly not all.

But these caveats are relatively minor. This report does not pretend to offer a complete analysis of union-management relations in construction—only of one major problem in that industry. The report accomplishes that goal admirably, and I completely agree with its final statement in Part IV:

Thus, the union movement in general and disaffected members of corrupt unions in particular have much to gain by supporting and participating in a concerted attack on racketeering and corruption in the construction industry. Perhaps no group stands to gain more by the success of such an attack or to lose more by its failure (page 135).

By publishing this report, the ILR School does not officially endorse its contents, just as it does not officially endorse the contents of any of the many other school publications or, for that matter, the many publications of school faculty that appear elsewhere. Publication by the school does mean, however, that the report meets scholarly standards and should be of interest



to many industrial relations specialists—criteria that I believe this report easily meets.

*Donald E. Cullen*  
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Corruption  
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Racketeering  
in the  
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Construction  
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June 29, 1987

Honorable Mario M. Cuomo  
Governor  
The Capitol  
Albany, New York 12224

Dear Governor Cuomo:

For the past two years, the Organized Crime Task Force has been engaged in a comprehensive examination of corruption and racketeering in New York City's construction industry. A number of important criminal investigations are now under-way and should result in significant indictments during the next twelve months. However, the investigations we have undertaken and the prosecutions to follow are not ends in themselves. They are only one part of a broader strategy that must be designed and implemented in order to attack the problems you have asked us to address. This Interim Report is a major step toward that larger goal.

The creation of a sophisticated crime control strategy is much like the search for a cure for a disease. Each requires three sequential steps: first, a recognition and description of the symptoms; second, an analysis and understanding of the mechanisms through which the integrity of the system is compromised; and third, based upon that analysis, the development and implementation of a program of treatment.

Part I of our Interim Report describes the symptoms. It catalogues the kinds of criminality which have long plagued the industry, and which have been documented by

Mario M. Cuomo  
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federal and state law enforcement agencies and described by previous commissions, journalists, and scholars. Our own investigations have added substantially to this body of knowledge. The picture that emerges is one of long-standing, pervasive corruption and racketeering touching virtually every phase of the construction process and dominated by the operation of criminal syndicates. The role of one criminal syndicate was described as early as 1922; today New York City's five Cosa Nostra Crime Families are deeply entrenched in the industry through their control of construction unions and contracting firms.

I believe, however, that the real contribution of the Interim Report is in Parts II and III, which begin the second step of the process by analyzing the mechanisms of corruption and racketeering and the means by which criminal syndicates are able to establish and maintain their power and influence in the industry. In pursuing this analysis, we have consulted with leading economists, loss prevention and policy specialists, labor relations experts, historians and knowledgeable members of the construction industry, and have brought to bear an organized crime control perspective we have developed and refined over the past five years. We have conducted interviews, digested the available research, and organized seminars on particular aspects of the problem.

We have concluded that corruption and racketeering are facilitated by such characteristics of the industry as its labor market, collective bargaining structure and business environment, by the nature of the construction process itself, and by certain of New York City's geo-physical features. Taken together, they make the industry highly susceptible to racketeering and provide racketeers with potential for huge profits and other rewards. Moreover, given the large concentration of racketeers in New York City able to exploit this racketeering susceptibility and potential, and given the industry's fragmentation and fragility, segments of the industry have come to depend upon a criminal syndicate acting as a "rationalizing body" with the power to reduce uncertainty and promote stability.

Needless to say, the accommodation between the construction industry and Cosa Nostra today is neither healthy nor stable. The industry is in danger of falling still further into the grip of organized crime; legitimate

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businesses face the danger of being squeezed out altogether. Those in construction who want to conduct themselves honestly find it hard to maintain their values. Construction workers who want to participate in unions free of corruption find themselves increasingly frustrated. All New Yorkers suffer the consequences of the industry's problems.

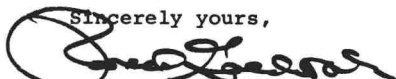
The third step in our approach, the development of an effective program for treatment, will be the subject of our Final Report. However, Part IV of this Interim Report maps out the paths along which we intend to proceed. Essentially, our search has two related goals: identifying the structural changes that can be adopted by, or imposed upon, the industry in order to reduce its racketeering susceptibility and potential; and developing more effective strategies and tools for law enforcement.

We have rejected the idea of giving to a special prosecutor exclusive jurisdiction for construction-related crime. We are, however, seriously considering a recommendation that a centralized and coordinated law enforcement effort be focused in a single agency. We concur with you and others in the law enforcement community that the laws concerning grand jury immunity and accomplice corroboration must be changed, and we are considering other proposals to facilitate the effective investigation and prosecution of corruption and racketeering in the industry.

Except for our recommendation to repeal the Wick's law, we have not made any specific proposals for legislative or regulatory measures designed to reduce racketeering susceptibility and potential. We have, however, provided several examples of the kinds of industry reforms that may be necessary. We have also attempted to identify groups that constitute potential constituencies for change.

Curing the construction industry of chronic disease is no small challenge. We do not exaggerate the magnitude of the effort which is required, but we stand ready to work with you and others to devise a program that will ultimately lead to a healthier construction industry in New York City.

Sincerely yours,



Ronald Goldstock  
Director

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# Acknowledgements

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This Interim Report represents the combined efforts of many individuals contributing investigative skills, painstaking data collection and analysis, and enormous writing efforts—so many individuals that it would be impossible to identify all by name for the recognition they deserve. It is nonetheless appropriate to single out certain individuals and agencies for special recognition.

Thomas D. Thacher, II, Project Director, has provided extraordinary leadership both to the investigative efforts underlying this Report and to the shaping and writing of the Report itself. His inexhaustible capacity to coordinate so many activities and to motivate so many individuals has been indispensable. James B. Jacobs, Professor of Law and Director of the Center for Research in Crime and Justice at the New York University School of Law, brought to bear his deft writing skills and incisive analytical mind to the seemingly endless drafting, redrafting and editing process. I am indebted to both of them (and to their families) and to Helen D. Gehl, the Project's secretary, for the countless evenings and weekends they dedicated to this Report. Joseph A. DeLuca's exhaustive efforts in coordinating the collection and analysis of data have also been essential. Wilda D. Hess, James F. McNamara and Terrence McDonald also deserve special mention for their many contributions.

Martin Marcus, my First Assistant, has been tireless in providing outstanding direction, support and guidance to the Construction Industry Project, and to this Report. His exceptional ability to bring intelligence and imagination to both the largest issues and the smallest details has been essential to the success of the Project, and to OCTF in general.

Robert M. Morgenthau, District Attorney of New York County, provided substantial support by loaning members of



his staff who were cross-designated to undertake significant investigations. These investigations have provided valuable insight into corruption and racketeering throughout the construction industry and are a tribute to the cooperation that exists between our offices.

The problems of the construction industry go beyond the boundaries of New York City. This is reflected in the contributions of Dennis Dillon, Nassau County District Attorney, who has also permitted attorneys and investigators on his staff to be cross-designated to assist in this investigative effort.

Under Superintendent Thomas Constantine, the New York State Police, Special Investigations Unit, has provided skilled and dedicated investigative support to all investigations undertaken in furtherance of the Construction Industry Project. Acknowledgment is also due to Commissioner Benjamin Ward for the involvement of the New York City Police Department, whose conscientious detectives have worked effectively in several investigative efforts.

The Office of the Mayor of the City of New York and several of the City's agencies have been of great help. Most important among these agencies have been the Department of Investigation and the Department of Environmental Protection.

The New York State Department of Transportation and the Metropolitan Transportation Authority have also supplied substantial information to us; and the New York State Department of Taxation and Finance, Revenue Crimes Bureau, has given investigative support by providing both investigators and auditors.

The cooperation of the federal Organized Crime Strike Force in the Southern District of New York (and particularly of its former Chief, Barbara S. Jones) has been instrumental in several ongoing investigations. Similarly, the Organized Crime Strike Force for the Eastern District of New York and its chief, Edward A. McDonald, Special-Attorney-in-Charge, have provided information and insights useful to the preparation of the Report. So too has the Federal Bureau of Investigation, which has aided us by sharing some of the vast knowledge it has gained from its substantial investigative experience in this field.

The Department of Labor, Office of Labor Racketeering, has