

The Evolution of Organized Crime and Labor Racketeering Corruption

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Background

Labor racketeering is the infiltration and/or control of a union or employee benefit plan for personal benefit through illegal, violent, or fraudulent means. The composition of organized crime groups that engage in labor racketeering and the methods they employ have evolved over time. Although the government has made strides in the fight against traditional organized crime, new forms of corruption have emerged alongside enduring forms of racketeering such as bribery and extortion. The field of organized crime groups has expanded to include new nontraditional, transnational groups from Asia and Eastern Europe among others, in addition to traditional groups like La Cosa Nostra (LCN), known also as the "Mafia." What remains unchanged is labor racketeering's impact on American workers, employers, and the public through reduced wages and benefits, diminished competitive business opportunities, and increased costs for goods and services.

As of October 2003, the Office of Inspector General's (OIG's) labor racketeering program had 141 open cases involving organized crime groups. In FY 2003 alone our racketeering investigations resulted in nearly \$28 million in monetary accomplishments, including restitutions and forfeitures, plus 182 indictments and 123 convictions. Among those convicted as a result of OIG investigations were high-ranking members of the Gambino, Genovese, and Colombo LCN families as well as members of nontraditional organized crime groups.

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Traditional Organized Crime Groups and Racketeering Enterprises

Crime in the three traditional core areas of labor racketeering – internal union corruption, improper labor-management relations, and employee benefit plan fraud – persists. Schemes involving bribery, extortion, deprivation of union rights by violence, and embezzlement used by early racketeers are still employed to abuse the power of unions. This activity is commonly seen in industries with a history of organized crime influence. Internal union affairs cases involving the "big four" international unions, namely the International Brotherhood of Teamsters, Hotel Employees and Restaurant Employees International Union, Laborers International Union of North America, and International Longshoremen's Association (ILA), still make up a significant portion of the OIG's racketeering investigations.

Despite major gains in the fight against organized crime, the influence of LCN continues with strong influence in the northeastern United States, Florida, the northern Midwest, and to a lesser extent the other southern and western states. The OIG continues to monitor the efforts of such traditional organized crime groups to reassert control over the big four international unions, which have undergone anticorruption reforms.

Pension Plan Corruption: Today more than \$400 billion in pension plan assets is jointly administered by union and company trustees. OIG investigations have demonstrated these funds are vulnerable to abuses by pension plan administrators and service providers. Abuses by service providers may affect multiple benefit plans and involve complex financial schemes. The OIG's current inventory of 110 pension cases includes 14 service provider investigations with plan assets exceeding \$1 billion potentially at risk. In one such case, an ILA pension plan official and investment advisor was ordered to pay more than \$2 million in restitution and was sentenced to 18 months' incarceration for converting pension plan assets to his own use.

Industries Traditionally Vulnerable to Organized Crime:

Racketeering and the influence of organized crime groups persist in those industries that have traditionally been most vulnerable to organized crime, including the maritime, construction, surface transportation, garment-manufacturing, motion picture production, and gambling and hotel services industries. The OIG employs industry probes to examine labor and management components of such industries to expose corrupt relationships. OIG cases related to the maritime industry, for example, include 21 pending investigations involving the ILA. One such OIG investigation on the New York and New Jersey waterfronts resulted in the conviction of the Gambino Crime Family boss and six associates of racketeering, conspiracy, extortion, money laundering, and gambling. The former president of an ILA local also pled guilty to racketeering.

Organized Crime Affecting Internal Union Affairs:

Despite successes in diminishing organized crime influence in the big four international unions, criminal abuse of power involving union finances or property and damage to democratic practices still occur. The OIG continues to receive specific allegations and intelligence of possible criminal activity involving high-ranking national and local union officials. We continue to identify criminal activity involving kickbacks, unauthorized perks and compensation, no-show jobs, and embezzlement from pension and welfare plans. Three of the big four have been subject to a court-supervised civil RICO monitorship or voluntary internal reform mechanisms agreed to in lieu of a monitorship, and thus, oversight remains necessary.

Nontraditional Organized Crime Groups and Criminal Enterprises

According to the Department of Justice, there has been a rapid rise of transnational organized crime groups that are engaging in new criminal enterprises. These nontraditional groups from Asia, Russia/Eastern Europe, and West Africa have engaged in racketeering and other crimes against workers in both union and nonunion environments. Nontraditional, transnational groups engage in abuses traditionally associated with organized crime including extortion, money laundering, and insurance fraud. They also engage in complex financial schemes, immigration fraud and exploitation of undocumented aliens, and fraud against government benefit programs. Specifically, OIG investigations have found that nontraditional organized criminal groups are

exploiting the Department of Labor's (DOL's) foreign labor certification and Unemployment Insurance (UI) programs.

Unemployment Insurance Fraud by Organized Crime Groups:

Based on recent casework, the OIG is concerned about nontraditional organized crime exploitation of the UI program through the use of identity theft. In one such case, 13 members of a Mexican nontraditional organized crime group were indicted for conspiracy, mail fraud, identity theft, and money laundering in connection with more than \$10 million in fraudulent UI claims. The group defrauded four states' UI programs using at least 3,000 stolen identities. In FY 2003, OIG UI investigations resulted in almost \$4.2 million in monetary results, 71 indictments, and 47 convictions. Increasingly, our cases involve high-dollar criminal enterprises, as opposed to fraud by individual claimants.

Fraud Against DOL Labor Certification Programs:

The OIG is concerned that transnational organized crime groups are able to file false labor certifications with possible national security implications. We are seeing labor certification, visa, and related schemes by nontraditional groups. Labor certification fraud cases involve fraudulent applications that are filed with DOL on behalf of fictitious companies or applications using the names of legitimate companies without their knowledge. Immigration attorneys and labor brokers then collect fees up to \$30,000 from foreign workers for the fraudulent applications. From October 1, 2002, to September 30, 2003, OIG alien certification cases netted \$7.3 million in monetary results, 177 indictments, and 87 convictions.

Combating Organized Crime Today

Identifying and combating new forms of racketeering crime and criminals while holding the line against more traditional forms of racketeering is a continuing challenge. For more than two decades, the OIG has worked toward this end in cooperation with the Department of Justice and other entities. With the Federal Bureau of Investigation shifting its focus toward counterterrorism activities, the OIG will play a more critical role than ever in enforcing antiracketeering laws and combating the influence of organized crime in the workplace. In this regard, the OIG coordinates closely with the Justice Department to ensure that OIG investigators have a presence in localities where the need is greatest.