

The Emergence of Construction Mafia in South Africa: The Implication on the Construction Industry

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Abstract—The South African construction sector is threatened by emerging black business forums called construction mafias. The emergence of the construction mafia has culminated in the disruptions and abandonment of construction sites resulting in the loss of jobs for construction workers. The paper examines the origin of construction mafias and their impact on the construction sector, including the potential ways to cope with their operations. A qualitative research approach was adopted for this study using open-ended interview questions to gather information from 30 key construction industry stakeholders, including contractors, subcontractors, consultants, and the construction project communities. Content and thematic analyses were used to analyse the data collected. The findings suggest that most participants do not fully understand the existence and operations of construction mafias in the construction industry. Construction mafias claim to be part of the local business forums. They disrupt construction projects and demand a certain amount, usually 30% of the construction value. Construction mafias frequently resort to intimidation and violence if their demands are unmet. Their operations have resulted in delayed completion of construction projects, abandonment of projects, and loss of income for the contractor and jobs for the construction workers. The interviews were limited to construction stakeholders. Because of the nature of the mafias' operations, they could not be accessed for interviews for fear of being identified because of the connotation attached to their role as construction mafias. Construction project owners face disruptions of projects resulting in loss of equipment, materials, and income. Therefore, there is a need to sensitize the construction stakeholders in the construction industry regarding the existence and operations of the construction mafia and the implications on construction project performance and delivery. The findings will give insight into the operations of the construction mafias in the South African construction industry, which has caused disruptions in construction project sites. Stakeholders must find solutions to address the construction mafias' disruptive actions on construction projects. The study presents an initial inquiry that will come up with how to manage and cope with the growing operations of construction mafias in the South African construction industry.

Keywords—Black business forums, construction mafia, South African construction industry.

I. INTRODUCTION

THE South African construction industry is under threat from the construction mafia. Since the start of the operation, the sector has been hit by a rapid downturn, resulting in project cancellations and job losses for construction workers [1]. The study will look into how the operation came to be, whether it has directly impacted the construction industry and

potential solutions.

The construction sector is crucial because of its contribution to the country's capital and social, economic development [2]. From 2005 to 2018, the average contribution of the building industry to gross fixed capital creation in South Africa was around 43%, in line with several studies that indicated that the building industry produces roughly half of the expenditure on gross fixed capital development in developing countries [3], [39], [40].

The industry is dealing with declining profit margins, cost overruns, labour shortages and inefficiency, a shortage of qualified workers, and rising manufacturing costs [3]. In the fourth quarter of 2018, the construction industry's turnover fell by 8.6% year on year, but real growth in construction production accelerated to 1.1%, down from 2.3% the previous quarter [4].

According to [5], the South African industry is rapidly declining. The ongoing economic downturn and decreased rates of public sector spending have burdened contractors and most of the industry's major players, forcing others to focus on new sectors and seek business rescue. The deterioration of the industry was exacerbated by a dramatic increase in land invasions, abuse, and extortion on construction sites by a group of local business forums commonly called the construction mafias [6], [7].

The purpose of the research is to study the emergence of the construction mafia in South Africa and to highlight the implication it has on the construction industry.

II. LITERATURE REVIEW

South Africa's construction industry is under siege, with the sector dealing with various issues, including the so-called construction mafia, which is commonly represented in business forums. Proponents of this phenomenon see themselves as legitimate agents of radical economic change. The line between armed aggression and genuine economic aspirations is frequently blurred [8].

A. Organised Crime

Crime, like all other forms of deviant behaviour, is generally regarded by the legal system as action and behaviour that is illegal, dangerous, and harmful to society [9]. However, anthropologists have realised that not all descriptions of crime are scientifically defined; others result from human ingenuity

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[10].

Organised crime is being treated interchangeably with the Mafia. Politicians, police departments, and the general public frequently associate organised crime with the underground operation of a Mafia [11]. Organised crime is more prevalent in countries with a less developed legal system [12]. Maintaining the rule of law in the face of influential mafia organisations necessitates an independent, incorruptible judicial system. High organised crime rates seldom coexist with effective police services and a stable legal framework [13].

B. Infiltration of the Construction Industry

The construction industry has been central to international organised crime groups' evolution. In Japan, the collaboration between nationalist politicians, construction contractors and the organised crime group the Yakuza emerged from a common fear of labour unrest during the years after the first world war, and it deepened in the national reconstruction after the second world war [14].

While a few organised crime studies have looked into trends of organised crime groups infiltrating the legal sector, few attempts have pinpointed the phrase mafia infiltration in the construction business, identifying the problem as the most extreme [15]. According to Savona, infiltration refers to criminal groups' capacity to enter lawful firms and operate them alone or in combination with real people [16].

C. Construction Mafia and Government Policies

(i) The BBBEE and PPPFA Act

The South African government passed the Broad-Based Black Economic Empowerment Act 53 of 2003 in 2003 to address the imbalances suffered by black South Africans due to the apartheid system. BEE aims to promote black people's participation in the management, ownership, and control of South Africa's economy by evaluating their economic involvement across various BEE features [17].

Furthermore, the Minister of Trade and Industry issued the updated Broad-Based Black Economic Empowerment Codes in October 2013. These new codes took effect in April 2015, replacing the previous Broad-Based Black Economic Empowerment [B-BBEE] Good Practice Codes. In 2017, the Construction Regulation Codes, explicitly referring to the construction industry, went into effect. The Preferential Procurement Policy Framework Act [PPPFA] 2000 governs the procurement policies and structure of government agencies. Its goal is to increase engagement among historically disadvantaged people [18].

(ii) Misinterpretation of the PPPFA Act

The construction mafia's business model is based on recently revised regulations added to the Preferential Procurement Policy Framework Act (PPPFA) in 2017, which mandates that 30% of all contract value on government construction projects be allocated to designated groups such as black South Africans, women, and people with disabilities [19].

Commercial building sites have also been targeted, although the restrictions only apply to government contracts. As

"protection" against more violent disruptions and work stoppages, the gangs demand a 30% interest in the project or 30% of the overall contract value in cash [20].

D. Development of Construction Mafia in South Africa

Protests have caused the closure of construction projects across South Africa, emphasising the importance of the transformation mindset. The reasons for the change range from political motivations to genuine striving business owners. Key players in the sector have described the construction mafia as a criminal enterprise [21]. According to [22], the 'construction mafia' is divided into two parts: the first is made up of genuine entrepreneurs, and the second is a criminal syndicate. However, [23] argues that honest, hardworking entrepreneurs who want to be part of the construction supply chain and the construction mafia are different. Syndicates whose primary goal is to employ violence to "an end" are those who enter sites unlawfully, are armed to the teeth and threaten law-abiding residents with violence, intimidation, and in some cases, murder [24].

Additionally, infrastructure projects are hampered due to the delays, intimidation, and violence associated with these groups, resulting in inflated costs and hurting service delivery and economic development. Extortionists deny possibilities to many respectable small businesses that may benefit from subcontracting and creating jobs in their areas [25].

E. How to Combat the Construction Mafia

The victims have few options for preventing or combating the construction mafia. Only the law can be relied upon. According to [26], the situational crime prevention method is one of the methods used to combat crime. Situational crime prevention focuses on the crime itself. It concentrates on the immediate causes of criminality, such as the availability of opportunities based on everyday activities, rather than the longer-term factors, such as poverty or inequality. Its goal is to provide realistic solutions for reducing the likelihood of criminal activity and minimising the harm that it causes. According to [27], remedies are available to a Contractor under the 2015 General Conditions of Contract, namely the extension of time delays: a claim for compensation for losses and damages.

Another alternative measure is to get buy-in from the stakeholders through social facilitation. Its methodology encourages collaborative involvement through community empowerment activities that allow communities to mobilise for collective engagement, mobilise resources and build solidarity to achieve mutually shared development goals. When utilised properly, social facilitation establishes an atmosphere where community members may actively participate in and own intervention programs intended to protect their livelihoods.

III. METHODOLOGY

The qualitative research approach was adopted for this study. Data were collected using an open-ended interview guide from 30 construction stakeholders. The 30 research participants were purposively selected from among the industry stakeholders, contractors and the community where the construction project

is located. The qualitative approach allows us to gather beneficial information to describe the phenomenon under study [28].

Purposive sampling was used to select the respondents from the study population. Purposive sampling allows us to select participants with the information necessary to inform the research study [29].

The questionnaire was distributed to 60 participants; only 32 were received back, giving a response rate of 53%. Of the 32 returned, only 30 were completed thoroughly and deemed suitable for analysis. According to [30], a sample size of 30 is adequate for a qualitative study.

The collected data were analysed using content and thematic analysis. Content analysis is a suitable method to organise and elicit meanings from collected data [31]. As the study seeks to examine the implications of the emergency of mafias on the construction industry, content analysis was deemed best to examine the themes described by the participants.

IV. RESULTS PRESENTATION AND ANALYSIS

The data collection generated responses from 30 participants. The males were 18, representing 60% of the participants, while the females were 12, representing 40%. Furthermore, the ethnicity distribution was as follows: blacks 40%, Coloureds 30%, whites 20%, and Indians 10%. The results displayed in Table I demonstrate that most of the sample comprised black participants.

TABLE I
 RESPONDENTS PROFILE

	Frequency	(%)
Gender		
Male	18	60
Female	12	40
Total	30	100
Ethnicity		
Blacks	12	40
Coloureds	9	30
White	6	20
Indian	3	10
Total	30	100

The primary objectives of the key questionnaire questions were to get the views and understanding of the construction mafia idea, government regulations governing participation and tendering, and how they are related to the construction mafia phenomenon. The following are the most important findings of the study.

A. Knowledge and Understanding of the BBBEE Act

Respondents were asked about their knowledge and understanding of the purpose of the BBBEE Act. Findings revealed that 87% of the respondents understand the Act and its purpose well [see Table II]. However, there was no clear indication of whether participants believed the industry was consulted about the BBBEE's implementation; with 13% of the participants undecided.

TABLE II
 KNOWLEDGE AND UNDERSTANDING OF THE BBBEE ACT

Knowledge and understanding of the BBBEE Act	Frequency	(%)
Good Understanding of the BBBEE Act	26	87
Lack of good understanding of the BBBEE Act	4	13
Total	30	100

B. Knowledge and Understanding of the PPPFA Act

Again, respondents were asked about their knowledge and understanding of the PPPFA Act and its purpose. Few respondents [37%] provided an answer related to the PPPFA's purpose. Participants' responses were linked to implementing the BBBEE through fair tendering. Asked whether the PPPFA adds value to the construction, most participants [63%] stated unequivocally that they were unaware of the Act or its purpose as shown in Table III.

TABLE III
 RESPONDENTS' KNOWLEDGE AND UNDERSTANDING OF THE PPPFA ACT

Knowledge and Understanding of the PPPFA Act	Frequency	(%)
Good understanding of the PPPFA Act and its purpose	11	37
Lack of good understanding of the PPPFA Act and its purpose	19	63
Total	30	100

C. Construction Site Experience

Respondents were asked about their experience concerning disruptions in their construction site projects. Table IV shows that only 63% of the respondents said that they have had their sites disrupted. In contrast, 37% of the respondents have not had their sites disrupted. Reasons for site stoppages ranged from the construction mafias' disruption and implementation of health and safety regulations to contractors' cash flow issues.

TABLE IV
 CONSTRUCTION SITE EXPERIENCE

Experience with Construction Site Disruptions	Frequency	(%)
Experienced construction site disruption	19	63
Not experienced construction site disruption	11	37
Total	30	100

D. Knowledge of the Construction Mafias

Table V reports the results of the respondents about their knowledge of the construction mafias. Most respondents [94%] said they were aware of the construction mafias, while 6% were unsure. The commonly used term to describe the construction mafias by the respondents was a 'gang'. The main findings from the respondents indicate that construction mafias disrupt construction sites and demand specific representation, usually 30% of the construction value. The goal of the construction mafias is not to be part of the construction project but to get a commission in the project budget.

TABLE V
 RESPONDENTS' AWARENESS OF THE CONSTRUCTION MAFIAS

Awareness of Construction Mafias	Frequency	(%)
Aware of construction mafias	28	93
Not aware of construction mafias	2	7
Total	30	100

E. Measures to Combat the Issue of the Construction Mafias

Finally, the respondents were asked for their opinion on what could be done to combat the activities of the construction mafias. The main finding was that the construction mafia disrupts a construction project and demands a specific presentation, usually 30% of the construction value. They frequently resort to intimidation and violence if their demands are not met. Their goal is not to be part of the local labour force but to get a cut in the project budget. Most of the respondents indicated the need for dialogue. Furthermore, the respondents suggest having modalities to address and regulate local subcontracting appointments strictly.

V. DISCUSSION OF FINDINGS

A. Knowledge and Understanding of the BBBEE Act

Findings have shown that most respondents are knowledgeable and understand the BBBEE Act. BBBEE Act allows the tenderer to provide proof of the contributor's Broad-Based Black Economic Empower (BBBEE) status level. The knowledge of the BBBEE Act will enable the smooth facilitation of the ownership and management of enterprises and the productivity of assets by communities, workers, cooperatives and other collective enterprises [32]. The knowledge of implementing the BBBEE policy will ensure that the concerned communities and business forums are equitably represented in all occupational categories and levels in the workforce on the projects (BBBEE Act 2003) [33].

B. Knowledge and Understanding of the PPPFA Act

Regarding understanding the PPPFA Act, the findings show that the respondents have little knowledge and understanding of the preferential procurement provisions of the PPF and regulations. The PPF and its regulations have provisions which bind the CIDB in creating its construction procurement rules for the construction industry (PPPFA Act 2000). Understanding the PPPFA Act would enable the parties to understand the avenues for promoting and advancing the interests of previously or historically disadvantaged enterprises [34]. Furthermore, the concerned parties could take advantage of the legal provisions to seek opportunities to participate in projects through, for instance, subcontracting as envisioned in the PPPFA Act to advance the interests of designated groups (PPPFA Act 2000).

C. Site Experience and Knowledge of Construction Mafias

Findings indicate that the respondents experienced site work stoppages. However, the reasons advanced ranged from the construction mafias' disruption and implementation of health and safety regulations to contractors' cash flow issues. Site stoppages are attributed to other factors, such as failure to comply with health and safety regulations and the contractors, cashflow issues [35]. Findings have revealed the construction mafias as one of the leading causes of the site works stoppages.

Furthermore, the majority of the respondents know the construction mafias. Findings indicate that construction mafias are people or groups who disrupt construction project sites and demand a certain percentage, usually 30%, of the construction

value. The construction mafia's illegal protest action is often marred by violence, physical harm and destruction of property. Construction mafias' action has financial implications as construction sites cannot sustain the continuous onslaught of work stoppages, threats, intimidation and employees living in constant fear for their lives [36]

D. Measures to Combat the Issue of the Construction Mafias

Findings have shown that construction mafias are searching for economic survival through illegal means. Construction mafias are violent and cause harm to resist employees and damage to construction site property and equipment, causing work stoppages. A transparent engagement with the community leaders and state organ representatives would help to determine which sub-contractors or labour will benefit from the 30% local content prescription. The government should practically guide the PPPFA policy implementation to regulate subcontracting appointments for construction projects [37]. This should be done in a participatory approach where the community forums as a single entity that includes professionals in the community registry to promote community cohesion [38].

VI. CONCLUSIONS

The construction industry is coming to terms with rising construction mafias who threaten construction site projects with closures through protests, violence and damage to site property and equipment. This is all to force a share of the projects through illegal means. The study has examined ways of combating the actions of construction mafias by creating an environment for participatory dialogue among the concerned parties with the provisions of the law, which provides for the participation of targeted groups of people in economic activities.

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