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## Drivers and consequences of identity abuse in the AEC-industry

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### Abstract

The Architecture, Engineering and Construction (AEC) industry has been exposed to working crimes associated with large criminal networks. This paper assesses the connection between criminal behavior and false identities in the AEC-industry in Norway. The study is based on a literature study and nine semi-structured interviews. Actors with different roles related to the work against identity crime were interviewed. False or stolen identities are the key to other criminal activities, leading to the loss of great sums each year, corresponding to 10 % of the global market value in the construction industry. Legit businesses are struggling to compete, and illegitimate businesses are used for money laundering operations. The study shows that the EU expansion in 2004 brought high competition from abroad. Suppliers and contractors that use undeclared work and avoid paying taxes on their services can offer a much lower price than a legit supplier. However, when price is the only selection criteria, it becomes a problem. The jobs where no qualification is required are most exposed. Creating awareness, sharing information and cooperating with the authorities can be a simple yet effective prevention. However, the solutions require constant development.

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## 1. Introduction

In a rich country like Norway, where costs are high compared to other countries, the reward of work-related crime is considerable<sup>1</sup>. The consequence of being caught involved in working crime and money laundering are, however, minimal. Though it is a country with strict regulations, it is shocking to see how easy the Norwegian system is to cheat. Large amounts of capital are lost from the AEC-industry and invested in drug and human trafficking among others<sup>1</sup>. Identity abuse lies at the core of these challenges.

The whole purpose of a construction project is creating value. For contractors and suppliers value is typically perceived only in terms of money. In order to profit from a construction project, it is usual to choose a sub-supplier who offers the lowest price and who still meets the other selection criteria. However, the focus on lowest price is sometimes so large that all other criteria are ignored and sub-suppliers are chosen only by price. This shows that what is practiced in reality does not always match theory<sup>2</sup>. With the EU expansion in 2004 came free movement of workers, and Norwegian businesses faced sudden competition. The number of companies where the biggest owner is foreign increased by 250 % from 2000 to 2011<sup>3</sup>. The respondents interviewed in the research leading up to this paper agree that this competition is basically of a positive nature, promoting healthy market competition. However, workers and companies from abroad have been found to take shortcuts facilitated by the naivety and lack of competence of the Norwegian industry<sup>1</sup>. Today, many of the legitimate and illegal actors are involved with large organized networks associated with tax fraud, using undeclared workers, money laundering, drug trafficking and even human trafficking. According to the opinion of the authors, this development is threatening the foundation of trust in the Norwegian system, creating parallel economies.

People with false identities can often be tied to illegal immigration, human trafficking, working crimes, or misuse of welfare systems. In 2015, 653 foreigners were registered having false ID-documents<sup>4</sup>. Two thirds of the false documentation stemmed from EU countries, probably motivated by the free movement of workers within the European Economic Area. Some stemmed from countries in war, like Syria, probably used to increase the chance of obtaining residential permits.

The study presented in this paper has been limited to experiences with false IDs by professional clients. It does not include all aspects of criminal behavior, but focuses on identity abuse. This exploratory study addresses the following research questions in the context of the Norwegian AEC-industry:

- What are the main drivers for the existence of identity and qualification fraud?
- What are the consequences of identity and qualification fraud?
- What can be improved to avoid this problem in the future?

This paper first presents the methodology followed by the theoretical framework. Thereafter the findings as well as the suggestions for improvements are presented, sectioned by the identified drivers. Lastly the conclusion is presented.

## 2. Methodology

The research presented in this paper is an exploratory study into a field that is little investigated, seen from the perspective of the construction industry. A qualitative research design was chosen.

In total nine semi-structured interviews were conducted with durations varying from 20 to 45 minutes according to the prescriptions of Yin<sup>5</sup>. Three of the interviewees were from the tax authorities of which two had specific experience with identity and qualification fraud. One of the interviewees was the local head of HR in one of the biggest contractors in Norway, and another is the division director in a consulting company. A police captain with experience from hunting down criminal networks in the construction industry and the leader of two unions in the field were also interviewed. Lastly, the IT architect behind the program software as well as the project leader of developing Oslo's new control system for HSE-cards on construction sites were interviewed. The interviewees were chosen to create a broad selection of perspectives on the problem, and to see how different actors relate to it. The interviewees were therefore asked different questions, based on their respective roles. Minutes were taken during the interviews. Key informants were then asked to verify their statements for control and clarification.

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