

Key Data Reports

3: Share of Workforce engaged in Financial Services

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What is measured?

This report considers the number of people working in the financial services sector in the secrecy jurisdictions surveyed by the Mapping the Faultlines project¹ as a proportion of their total workforce.

The data used has usually been extracted from secondary sources such as the US-INCSR report² (2008) or IMF and FATF³ assessments of the jurisdictions surveyed. This has been done to mitigate potential problems arising from a lack of inter-country consistency in the figures each jurisdiction might publish individually. If these sources did not contain the information we sought we also considered information that was available on private websites such as Lowtax.net.

The economically active population of a secrecy jurisdiction (or workforce, for short) comprises "all persons of either sex above a specified age who furnish the supply of labour for the production of economic goods and services (employed and unemployed, including those seeking work for the first time) ... during a specified time reference period." (OECD⁴).

Financial services are defined by the IMF and the UN-statistics division⁵ as being that business conducted between residents and non-residents⁶. Services supplied to the domestic market are not considered. This suits the purpose of this review which considers the illicit financial flows⁷ facilitated by a secrecy jurisdiction that do not originate within it.

¹ See <http://www.secrecyjurisdictions.com/>

² This stands for "International Narcotics Control Strategy Report", an annual publication issued by the US-State Department (see Glossary for more details).

³ IMF stands for "International Monetary Fund" and FATF for "Financial Action Task Force" (see Glossary for more details).

⁴ <http://stats.oecd.org/glossary/detail.asp?ID=730> (24-8-09).

⁵ An overview of the widely respected UN-system of national accounts 1993 can be found here: <http://unstats.un.org/unsd/sna1993/toctop.asp?L1=4> (24-8-09).

⁶ <http://unstats.un.org/unsd/sna1993/Paragraphs.asp?L1=14&L2=4&Pnr=14.115.&strsrch=%22financial+intermediation+services%22> (24-8-09).

⁷ Illicit financial flows comprise money that is illegally earned, transferred or utilized. Breaking laws anywhere along the way earns such funds the label. Frequently described as "dirty money". These cross-border transfers come in three forms: (1) the proceeds of bribery and theft by government

As an economic activity, financial services can come in a variety of forms. Perhaps the most common type of payment made for such services are the fees banks charge for their services such as running bank accounts, making loans, or transferring money to other accounts. However, a great deal more than just that is included under the rubric of financial services, including fees for foreign exchange transactions, for brokerage services, placement of issues (raising debt), for dealing in swaps and options and other derivatives, for trust management, commissions of commodity futures traders, etc.⁸. In addition the services of accountants, lawyers and others to support this activity are included in the definition.

We tried to include the most recent and most reliable data, two criteria that were seldom at odds with each other. The data refers mostly to the years 2005 onwards, but in few occasions dates back up to 2002, and in one single occasion to 2001.

Why is it important?

A high proportion of people working in financial services in the overall economic activity of a country is likely to indicate the existence of considerable political influence by the financial services industry on the government of the jurisdiction. It is almost universally true that the more reliant a territory is upon a particular economic activity the more deferential it is likely to be to the demands of that sector. Such influence can undermine democratic decision making processes, can facilitate corruption, in the case of financial services can create a strong orientation towards the needs of those outside the territory who would not normally be the prime concern of its government, and can be (but we stress, is not always) conducive to a criminogenic environment.

This ratio is also important since many individuals working in the financial services sector face incentives that are at odds with the interests of society and a democratically elected government. Democratic governments and societies have an interest in ensuring law enforcement and preventing money laundering. While the financial services sector may share this concern, individual companies and traders have an interest in attracting funds from which they can generate their own income. This puts their own self interest in conflict with that of their industry as a whole and society at large and there is clear evidence, despite the massive secrecy that surrounds the operation of the financial services sector in many secrecy jurisdictions, that some succumb to temptation. This is at cost to society at large. This risk increases as the size of the sector in proportion to GDP rises and the consequent capacity of any government to challenge its operation declines.

officials; (2) criminal activities including drug trading, human trafficking, illegal arms, contraband and more; and (3) commercial trade mis-pricing and tax evasion.

⁸These examples are derived to a large extent from the IMF's 5th Balance of Payments Manual of 1993 (page 67; <http://www.imf.org/external/np/sta/bop/bopman.pdf>; 22-8-09).

This risk is exacerbated in small jurisdictions. In these locations local GDP can be small e.g. that of the UK's Crown Dependencies combined is less than the forecast profits of just one UK bank in 2009⁹. This implies that the power-balance, even for well-intentioned governments, is often tipped in favour of financial corporations whose profit-seeking intentions may not necessarily align with the interests of the ordinary people living in secrecy jurisdictions.

This is especially so as the issue of employment is always emotive and totemic in politics. A financial services provider in many secrecy jurisdictions will only have to claim that new regulation to limit its activity is "business-damaging" and will therefore threaten employment and if that sector is one of the largest in the economy then politicians will take great heed and the more likely it is that appropriate regulation will be rejected.

Alternatively, and as is well known, abusive regulation may be introduced at the behest of the financial services sector if it has influence of this sort. It is well known that Ernst & Young and PricewaterhouseCoopers paid for the creation of limited liability partnership law in Jersey to suit their own purposes and to bring deliberate pressure to bear on the UK¹⁰. It is also recorded that the Society of Trust and Estate Practitioners has been active in promoting what many consider abusive forms of trust, including the VISTA trust in the British Virgin Islands¹¹. When Jersey introduced broadly similar trusts in 2006 the law was passed without discussion by its parliament at the behest of local professional firms.

As this reveals, the outcome of a high share of financial services in GDP, and the resulting political strength of the financial sector invariably results in weaker financial regulation and an increased veil of secrecy. Ultimately the consequence, whether directly or indirectly, is that kleptocrats can loot their countries and hide the proceeds using the financial opacity provided by secrecy jurisdictions, organised crime can launder its proceeds through such places and tax evaders can stash away millions of undeclared income as a consequence of the financial services sectors' lobby efforts.

Therefore, if a high proportion of the labour within a jurisdiction works for the financial services industry there is likely to be considerable and increased tension between the conflicting goals and interests that the state must address. In extremis the end result may be an overt dependency of the government on the financial services industry. Political scientists call such a situation "state capture", when narrow and particular interests impose their will onto the state and society at large.

⁹ Barclays Bank plc is forecast to have profits of £11 billion in 2009.

<http://www.dailymail.co.uk/money/article-1226024/Profits-Barclays-hit-record-11bn.html>. The combined GDP of the Crown Dependencies according to the CIA FactBook amount to approximately \$10.7 billion or £6.5 billion.

¹⁰ <http://visar.csustan.edu/aaba/audit26Aug2004.html> (accessed 26-11-09).

¹¹ <http://www.thelawyer.com/vista-trusts-allow-bvi-to-slough-off-past-and-attract-global-businesses/113609.article> (accessed 26-11-09).

The last and sad stage of such a process occurs when the pernicious effects of the dubious funds whose flow has been facilitated by weak regulation and financial secrecy eventually permeate and undermine the actions of the government of a jurisdiction and civil society ceases to function properly. The collapse of the government of the Turks and Caicos Islands as a consequence of corruption is an example of such an event occurring¹².

What are the crimes that might hide behind a high number and share of people working in financial services?

While it is difficult to directly attribute crimes to a high number and share of people working in financial services, the overall outcome of a dominant financial services sector is likely to be a criminogenic environment in which financial regulations and transparency are kept at a low level to induce flows of foreign funds. The crimes thriving in such an environment include financial fraud, tax evasion, infringement of competition rules, non-payment of alimonies, bankruptcy fraud, hiding of the proceeds of corruption, organised crime (especially drug trafficking), illegal arms trading, trafficking in human beings, money laundering, the covering of illicit intelligence activity and more besides.

Results Overview

Table 1: Results Overview - Number of people working in financial services	
Number of jurisdictions without data:	23
Number of jurisdictions with data:	37
Jurisdictions without data in alphabetical order:	
Belgium, Belize, Brunei, Costa Rica, Grenada, Hungary, Israel, Latvia, Lebanon, Liberia, Marshall Islands, Nauru, Netherlands Antilles, Philippines, Portugal (Madeira), Seychelles, St Kitts & Nevis, St Vincent & Grenadines, Turks & Caicos Islands, United Arab Emirates (Dubai), US Virgin Islands, USA (Delaware), Vanuatu	
NB: Some of the jurisdictions enlisted here are likely to be among those with the highest number of people working in financial services. Therefore, the graphs may well look different if data was available for all.	

¹² http://news.bbc.co.uk/1/hi/uk_politics/8202339.stm (22-8-09).

Table 2: Results Overview - Share of workforce active in financial services

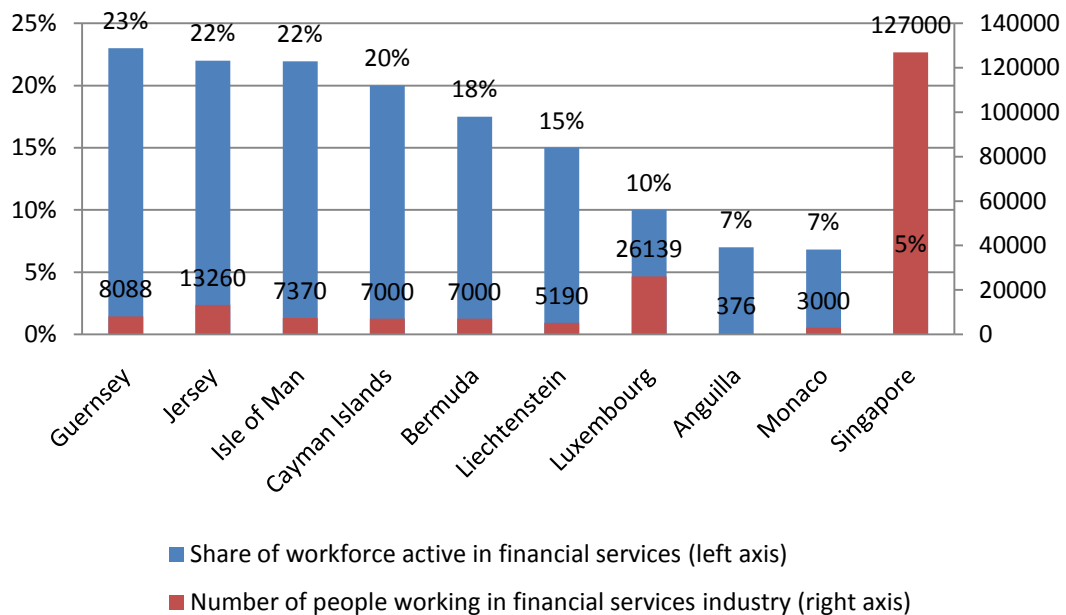
Number of jurisdictions without data:	38
Number of jurisdictions with data:	22

Jurisdictions without data in alphabetical order:

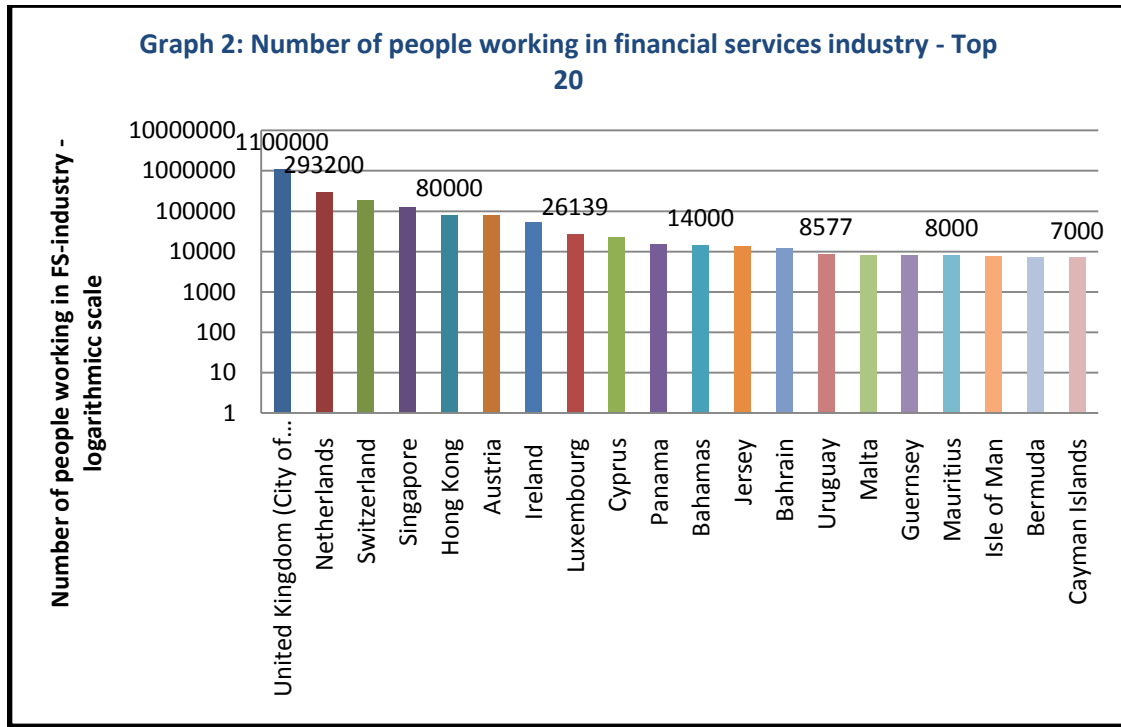
Antigua & Barbuda, Aruba, Austria, Bahamas, Barbados, Belgium, Belize, British Virgin Islands, Brunei, Cook Islands, Costa Rica, Gibraltar, Grenada, Hong Kong, Hungary, Ireland, Israel, Latvia, Lebanon, Liberia, Malaysia (Labuan), Maldives, Malta, Marshall Islands, Nauru, Netherlands, Philippines, Portugal (Madeira), Samoa, St Kitts & Nevis, St Vincent & Grenadines, Turks & Caicos Islands, United Arab Emirates (Dubai), United Kingdom (City of London), Uruguay, US Virgin Islands, USA (Delaware), Vanuatu

NB: Some of the jurisdictions enlisted here are likely to be among those with the highest share of people working in financial services. Therefore, the graphs may well look different if data was available for all.

Graph 1: Financial services workforce: relative Top Ten and absolute values



Results Detail



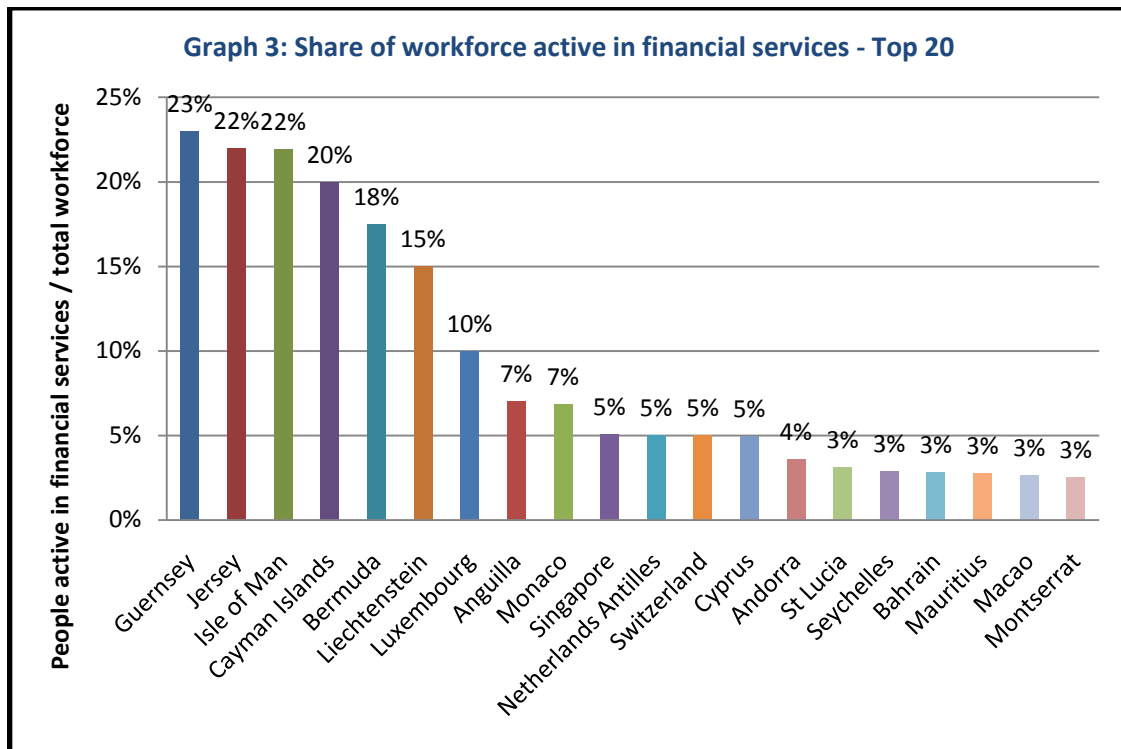


Table 3: Results Details - Number of people working in financial services industry

ID	Jurisdiction	ISO		ID	Jurisdiction	ISO	
1	Andorra	AD	1523	31	Liechtenstein	LI	5190
2	Anguilla	AI	376	32	Luxembourg	LU	26139
3	Antigua & Barbuda	AG	150	33	Macao	MO	7000
4	Aruba	AW	120	34	Malaysia (Labuan)	MY	1000
5	Austria	AT	79180	35	Maldives	MV	950
6	Bahamas	BS	14000	36	Malta	MT	8190
7	Bahrain	BH	11960	37	Marshall Islands	MH	unknown
8	Barbados	BB	3000	38	Mauritius	MU	8000
9	Belgium	BE	unknown	39	Monaco	MC	3000
10	Belize	BZ	unknown	40	Montserrat	MS	50
11	Bermuda	BM	7000	41	Nauru	NR	unknown
12	British Virgin Islands	VG	1500	42	Netherlands	NL	293200
13	Brunei	BN	unknown	43	Netherlands Antilles	AN	unknown
14	Cayman Islands	KY	7000	44	Panama	PA	15000
15	Cook Islands	CK	80	45	Philippines	PH	unknown
16	Costa Rica	CR	unknown	46	Portugal (Madeira)	PT	unknown
17	Cyprus	CY	22000	47	Samoa	WS	1142
18	Dominica	DM	500	48	Seychelles	SC	unknown
19	Gibraltar	GI	1500	49	Singapore	SG	127000
20	Grenada	GD	unknown	50	St Kitts & Nevis	KN	unknown
21	Guernsey	GG	8088	51	St Lucia	LC	2000
22	Hong Kong	HK	80000	52	St Vincent & Grenadines	VC	unknown
23	Hungary	HU	unknown	53	Switzerland	CH	184000
24	Ireland	IE	52000	54	Turks & Caicos Islands	TC	unknown
25	Isle of Man	IM	7370	55	United Arab Emirates (Dubai)	AE	unknown
26	Israel	IL	unknown	56	United Kingdom (City of London)	GB	1100000
27	Jersey	JE	13260	57	Uruguay	UY	8577
28	Latvia	LV	unknown	58	US Virgin Islands	USVI	unknown
29	Lebanon	LB	unknown	59	USA (Delaware)	US	unknown
30	Liberia	LR	unknown	60	Vanuatu	VU	unknown

Table 4: Results Details - Share of workforce active in financial services

ID	Jurisdiction	ISO		ID	Jurisdiction	ISO	
1	Andorra	AD	4%	31	Liechtenstein	LI	15%
2	Anguilla	AI	7%	32	Luxembourg	LU	10%
3	Antigua & Barbuda	AG	unknown	33	Macao	MO	3%
4	Aruba	AW	unknown	34	Malaysia (Labuan)	MY	unknown
5	Austria	AT	unknown	35	Maldives	MV	unknown
6	Bahamas	BS	unknown	36	Malta	MT	unknown
7	Bahrain	BH	3%	37	Marshall Islands	MH	unknown
8	Barbados	BB	unknown	38	Mauritius	MU	3%
9	Belgium	BE	unknown	39	Monaco	MC	7%
10	Belize	BZ	unknown	40	Montserrat	MS	3%
11	Bermuda	BM	18%	41	Nauru	NR	unknown
12	British Virgin Islands	VG	unknown	42	Netherlands	NL	unknown
13	Brunei	BN	unknown	43	Netherlands Antilles	AN	5%
14	Cayman Islands	KY	20%	44	Panama	PA	1%
15	Cook Islands	CK	unknown	45	Philippines	PH	unknown
16	Costa Rica	CR	unknown	46	Portugal (Madeira)	PT	unknown
17	Cyprus	CY	5%	47	Samoa	WS	unknown
18	Dominica	DM	2%	48	Seychelles	SC	3%
19	Gibraltar	GI	unknown	49	Singapore	SG	5%
20	Grenada	GD	unknown	50	St Kitts & Nevis	KN	unknown
21	Guernsey	GG	23%	51	St Lucia	LC	3%
22	Hong Kong	HK	unknown	52	St Vincent & Grenadines	VC	unknown
23	Hungary	HU	unknown	53	Switzerland	CH	5%
24	Ireland	IE	unknown	54	Turks & Caicos Islands	TC	unknown
25	Isle of Man	IM	22%	55	United Arab Emirates (Dubai)	AE	unknown
26	Israel	IL	unknown	56	United Kingdom (City of London)	GB	unknown
27	Jersey	JE	22%	57	Uruguay	UY	unknown
28	Latvia	LV	unknown	58	US Virgin Islands	USVI	unknown
29	Lebanon	LB	unknown	59	USA (Delaware)	US	unknown
30	Liberia	LR	unknown	60	Vanuatu	VU	unknown