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Revisiting the Role of Services in Global Production Networks and Regional Economic Development

Author: **Dr Jana M. Kleibert** (PhD June 2015, University of Amsterdam)

Post-Doctoral Researcher, Leibniz Institute for Research on Society and Space, Erkner, Germany

Honorary Research Fellow, University of Manchester, UK

Contact: jana.kleibert@leibniz-irs.de

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Abstract

Services account for a very large share of employment and economic growth across the globe. In recent years, a global shift in service delivery has occurred through the relocation, or offshoring, of ICT-enabled service employment to countries in the global South. Despite the pervasiveness of services in the global economy, empirical research employing the global production network (GPN) framework has not fully engaged with services and continues to be characterised by a 'productionist bias' (Coe and Yeung 2015, p. 24). This talk addresses the neglected function of services in GPNs and global value chain research and interrogates the implications of the globalisation of service delivery for regional economic development. Services in GPNs are conceptualised using three lenses: a services-within-manufacturing networks lens (seeing services as intermediaries), a dedicated services networks lens (seeing services as independent service production networks), and a local support services networks lens (focusing on the rise of local service networks in regions). This conceptualisation is explored empirically by drawing on research on the information technology and business process outsourcing sector in India and the Philippines. Employing a local support services networks lens makes visible otherwise hidden territorial processes and reveals a rising local service-sector nexus at the regional level. Thus, it will be asked to what extent a stronger focus on the territorial scale can be introduced to GPN research in order to fully grasp opportunities for economic development in the global knowledge economy.

1. Introduction

Services dominate the economies of most countries today. In advanced economies, services generally contribute the largest share to GDP and service-sector employment commonly accounts for more jobs than manufacturing and agriculture combined. In recent years, moreover, a global shift in service delivery has occurred through the relocation of ICT-enabled service employment to countries with lower labour costs. Services offshoring has led to a geographic and functional expansion of global service production networks and the rise of ever more complex configurations of service delivery, progressively including the Global South. Economic geographers have developed the global production network (GPN) framework to study the organisation of global production and its developmental outcomes in regions. This body of literature has produced many insights over the past fifteen years, but empirical research employing the framework has not sufficiently engaged with services and continues to be characterised by a “productionist bias” (Coe & Yeung 2015, p. 24).

A central contention of this paper is that services are currently underrepresented in research on the changing global economy and require more theoretical and empirical attention. This paper reviews how services are conceptualised in the evolving GPN literature, offers a sympathetic critique of the GPN approach, and develops avenues how to better integrate services in the contemporary framework and analyses. Services are a heterogeneous category and comprise different levels of sophistication, from relatively low-end, routine services to high-end, knowledge-intensive services. Services are, moreover, difficult to conceptualise in GPNs, since they perform a double function - they can constitute dedicated service networks in their own right, or can be intermediate inputs in other GPNs. Consequently, services have to be read both in their role *as* and *within* GPNs.

In the following, I sketch the evolving role of services in the global economy and economic development in the Global South. I continue by arguing that services in GPNs can be viewed through three lenses: a services-within-manufacturing networks lens, a dedicated services networks lens, and a local support services networks lens; of which the latter remains least developed so far. Drawing on the empirical example of ICT-enabled services in the Philippines and India, I then discuss the evolution of a complex international division of offshore service labour and interrogate the resulting potential for regional development. It is shown that a focus on the territorial embedding and strategic coupling with the local service sector allows for a better understanding of value capture trajectories as a result of a region’s articulation into global service production networks. The conclusion sketches out the findings’ implications for GPN research more broadly and identifies further research opportunities.

2. Services in the global economy: ubiquitous and invisible

Services are ubiquitous in the global economy. Services outweigh the importance of manufacturing and constitute the largest share of employment and GDP in most developed economies. In OECD countries, services accounted for 70 per cent of employment and contributed 80 per cent to GDP in 2012 (World Bank 2015). Also beyond the Global North services have grown in importance and increasingly lower- and middle-income countries rely on services for generating economic growth and employment. Generally, however, services have been overlooked as a source for economic development, and their significance has been ignored in global value chains and production networks (Low 2013; Lanz & Maurer 2015).

Services are a very heterogeneous category and their intangibility is the main characteristic that sets them apart from goods. The fact that they cannot be touched, and in many cases also not seen, led in many instances to their invisibility also in statistical and analytical terms (Low 2013). Services were, moreover, conceived to be unable to lead to productivity rises (Baumol 1985) and their non-tradability made them irrelevant for export-led strategies of development. This logic has shifted considerably over the past years and services are now believed to constitute an important avenue for economic development in the global economy (Beerepoot et al. 2017; Blinder 2006; Dossani & Kenney 2007; Lambregts et al. 2015). Why has this turn-around occurred from considering services “a sinkhole of the economy” (Zysman et al. 2013, p. 99) to comprehending them as a venerable opportunity for economic catch-up? At least four key changes have raised the profile for services for economic development: first, services outsourcing has made services more discernible in statistics; second, the shift towards a servicification of manufacturing has heightened the prominence of services for value-creation in industrial production; third, technological advances have enabled a ‘tradability revolution’ and services exports; and fourth, related to the last point, the relocation of service employment across national borders has provided new opportunities for services to act as a driver of economic development in the Global South. These four interconnected points are briefly explained in the following.

2.1 Services outsourcing

The vertical disintegration and increased flexibility of post-Fordist production has led to the creation of extensive global production networks in many industries with a myriad of suppliers and sub-suppliers. The trend to outsource, or to buy inputs through arm’s length’ relations, also affects the delivery of services. The intensified sourcing of services from specialised suppliers, who deliver business and other services to manufacturing firms, has raised the visibility of services in statistics (Low 2013). Whereas before, service inputs, ranging from back-office functions (such as information technology, finance and accounting, or human resource management) to facilities management (such

as cleaning or security services) remained largely under the radar, as they were provided internally within the firm and thereby usually classified as 'industrial' production. Nowadays, even functions considered knowledge-intensive and part of the core activities of firms can be outsourced to dedicated service suppliers, thereby appearing in the statistical analysis as separate service activities.

2.2 Servicification of manufacturing

One reason why services have remained under the radar in their importance to the global economy, thereby also by scholarship, is their integration into manufacturing production. The pervasion of services in manufacturing networks has been termed 'servitization' (Vandermerwe & Rada 1988), or more recently, 'servicification' (Lanz & Maurer 2015). Recent estimates show that services contribute more than 30 per cent of value-added in manufacturing (OECD-WTO-UNCTAD 2013, p. 18). The detailed case study of a Finnish mobile phone production chain, for example, shows that internal support services, licenses, distribution and retailing generate most value, whereas final assembly creates only two per cent of total value (Ali-Yrkkö et al. 2011). Distinguishing between goods and services is becoming more complicated as products increasingly use, embed or are transformed into services in order to avoid commodification (Zysman et al. 2013). The analytical and statistical blurring of lines between services and goods resulting from intertwined and embedded use of services in manufacturing networks tends to hide the crucial role of services.

2.3 Tradability revolution

Services were long believed to be untradeable across national borders, their production and consumption bound in a single place (and often in a single moment in time). Innovations in information and telecommunications technology (ICT) have disrupted this setting. Friedman provides a journalistic account of the technological changes enabling the delivery of services from across what has become a 'flat' world (Friedman 2006). Others speak of the ICT-enabled globalisation of services as a 'tradability revolution', a 'next wave in globalisation', or 'the next industrial revolution' (UNCTAD 2004; Dossani & Kenney 2007; Blinder 2006).

The latest available figures (2012) of global FDI stock show that services account for more than double the share of manufacturing: services make up 63 per cent (up from 49 per cent in 1990), while the share of manufacturing has decreased to 26 per cent, and the primary sector has remained stable at about seven per cent. This surge of services trade has primarily been driven by Asia, which (together with Oceania) accounts for 80 per cent of growth in services-FDI in the developing world (UNCTAD 2015, p. 12-13). One mode of international service trade is the cross-border supply of services, which is used in services offshoring.

2.4 Services offshoring

Services offshoring (not to be confused with the separate and above-described process of services outsourcing) connotes the process of relocation of service employment across national borders¹. Offshoring involves a transfer of business activities that had previously been performed in the home country to another country; independent of whether simultaneous outsourcing (a transfer of the activity to another firm) occurs. Services can thus be performed offshore within the same firm (captive offshoring) or by an independent service provider (offshore outsourcing) (see also Massini & Miozzo 2012).

Offshoring today is of course no longer a new phenomenon - the offshoring of textiles manufacturing in the 1970s and the rise of geographically dispersed production networks became known then as 'new international division of labour' (Fröbel et al. 1980). Technological opportunities and the availability and access to lower-cost labour in developing countries opened the door for the relocation of labour-intensive manufacturing to special economic zones in lower-wage countries. More recently, technological improvements (primarily in the realm of cheaper and ubiquitous telecommunications infrastructure) and the unbundling of services have enabled the offshoring of services to countries with lower labour costs. Primarily labour-intensive tasks in ICT-enabled services have been relocated to the Global South.

Not all services can be delivered across borders, as some require the co-presence of provider and consumer. When information can be stored, transmitted and manipulated elsewhere, impersonal services can, in theory, be offshored (UNCTAD 2004). What is considered 'offshoreable' is not static, as technology keeps pushing the boundary of which services can be offshored ever-further (Blinder 2006; Grossman & Rossi-Hansberg 2008). India and the Philippines are two of the most successful and prominent exporters of these services to the Global North (Kleibert 2015b). Before we examine these two cases in more detail, the next section reviews how economic geographers analyse services and their developmental opportunities.

3. Services and global production networks: neglected and under-conceptualised

Economic geographers have developed the GPN framework to assess and understand economic development opportunities for regions under globalisation (Henderson et al. 2002; Coe et al. 2004; 2008). The first iteration of the framework, also referred to as GPN 1.0, explicitly mentions services as an object of study and defines a GPN as "the nexus of interconnected functions and operations through which goods and *services* are produced, distributed and consumed" (Henderson et al. 2002, p. 445,

¹ Offshoring is an inaccurate term since the process does not necessarily involve moving production 'off the shore'. A more accurate term, the 'global sourcing', or better yet, 'international sourcing' of services, has unfortunately gained less traction.

emphasis added). However, after more than fifteen years of GPN research, services remain still understudied by (manufacturing-dominated) empirical GPN research. Even recent publications hardly pay attention to services outsourcing and offshoring, although the authors argue that “GPN analysis is something that can and should be applied to all industries in the global economy. Most importantly, a plethora of business services, including finance, logistics, information technology services, human resource management” should be studied (Coe & Yeung 2015, p. 24).

The GPN approach is based on the separate but related study of global commodity chains, later renamed global value chains (GVCs), by economic sociologists and development scholars. In this literature, similarly, services have received relatively little attention. Already in 1994, the editors of the book *Commodity Chains and Global Capitalism* observed that “services are a frequently neglected component in the analysis of economic globalization” (Gereffi & Korzeniewicz 1994, p. 11). Almost twenty years later, Low (2013, p. 76) argues that services have received a “paucity of analytical attention” although they “play a crucial role in value chains - a role that is often underestimated and poorly understood”. The imperative for devoting more analytical and empirical attention to services seems clear.

I suggest that the role of services in GPNs can be conceptualised in three different ways. Services fulfil multiple roles in GPNs: first, they can act as support services for the production of manufactured goods and therefore as inputs or intermediaries in manufacturing GPNs, or, second, they can constitute ‘own’ service GPNs. Financial services, for example, can be used as support services for the functioning of other production networks, or they can be delivered as a service to end-consumers (comparable to a product). Many services can be envisioned as fulfilling both of these functions simultaneously, so their status depends primarily on the vantage point from which we look at services. To clarify this distinction, I suggest referring to the first as ‘services-within-manufacturing’ networks, and the latter as ‘dedicated services production networks’. To this, I am adding a third lens, namely that of ‘local support services networks’. These local networks have so far received least attention but seem vital for understanding the developmental outcomes of a region’s articulation into global (service) production networks. The three lenses are elaborated in the following.

3.1 Services-within-manufacturing networks lens: services as intermediaries

The limited empirical attention that services have received in GVC and GPN research has tended to classify them as intermediaries, or ‘glue’ that hold together geographically expanding production networks (Rabach & Kim 1994; Coe 2014; Coe et al. 2014; Coe & Yeung 2015). Illustrative is Rabach and Kim’s analysis that services are crucial to global commodity chains because “they *integrate* and *coordinate* the atomized and globalized production process” (1994, p. 123, emphasis in original). Similarly, the GPN literature comprehends services primarily as enablers of manufacturing GPNs, first

implicitly; later acknowledging the role of services as intermediaries more explicitly (Coe 2014; Coe et al. 2014; Coe & Yeung 2015).

Recent interventions, dubbed 'GPN 2.0' make a convincing case for integrating services more full-heartedly into GPNs, but services are still largely envisioned as supporting and lubricating the economy, not as value-creating by themselves. The role of services, however, goes beyond performing the tasks of 'gluing' and connecting manufacturing networks. In the same way as goods can be either be intermediary inputs into GPNs or final products, services are not limited to being inputs. Coe and Yeung's (2015) recent call for more research on services is combined with a narrower definition of GPNs as networks which have a clearly identifiable lead firm at their centre. Such a limitation may again privilege the 'usual suspects' of analysis, such as car manufacturing, electronics and apparel industries, and push services to the fringes rather than bring them to the centre of attention.

3.2 Dedicated services networks lens: global service production networks

Services as global production network have received little examination, with one major exception: the tourism industry has been a very popular sector for both GVC and GPN research² (see Barham et al. 2008; Clancy 1998; Christian 2016; Staritz & Reis 2013). Beyond this limited field, global service production networks (GSPNs), especially in business services, have remained somewhat of a black-box, despite the fact that business services, and knowledge-intensive business services and advanced producer services in particular, are an important object of study in economic geography. Their interesting location patterns in a select number of 'global cities' however, has received the predominant share of scholarly attention (see e.g. Taylor et al. 2014; Taylor & Derudder 2016).

Recently, important GPN interventions have explored logistics and financial services as 'missing links' (Coe 2014; Coe et al. 2014). In contrast to Coe et al.'s (2014) efforts to include finance as a crucial intermediary in GPNs, Dörny (2016) explores the GSPNs of asset management, thereby revealing that some categories and concepts of the GPN framework require adaptation or critical rethinking. Profits incurred from finance are increasingly disconnected from real-world economies and underlying physical goods, which presents analytical challenges for assessing value and makes it difficult to characterise the (financial) services sector exclusively as an intermediary (ibid.).

Concerning offshore services, generally seen as a classic business support service, the GVC literature has made important inroads. Gereffi and Fernandez-Stark's (2010) mapping of offshore services GVCs constitutes a genuine exception in terms of its vantage point: instead of seeing offshore services as intermediaries, they approach offshore services as constituting an own value chain, and make the useful distinction between 'horizontal' services (delivered across a range of sectors; these

² Other examples include retail, logistics and transport (Coe 2014; Coe & Lee 2006; Hess & Rodrigue, 2006).

include business process outsourcing and customer services and information technology) and 'vertical' services (provided specifically for one industry, for example back-office services in the financial services industry). Moreover, Gereffi and Fernandez-Stark distinguish between the different levels of value-added within the sub-segments of offshore services. This serves as a useful point of departure for the following empirical analysis of the outcomes of regional development as a result of offshore service delivery.

3.3 Local support services networks lens: the local service-nexus

A third way to conceptualise services is a focus on the local, or regional, support services networks. Inspired by Kelly (2013), this lens sheds light on what often remains hidden in GPN analysis, namely the territorial development dimension of a region's articulation into networks of global production. This more general concern with the *horizontal* impacts of GPNs in regions is advanced here by explicitly focusing on the regional service economy. In order to link up to, and strategically couple a region with, GPNs a range of local support services need to be provided, which can form a local service-nexus. A local support services networks lens asks: What type of local service networks (upstream and downstream) emerge and evolve to enable and benefit from the delivery of services for GPNs? Arguably, these (ancillary) services constitute another set of 'missing links' in the literature and include both directly provided services such as real-estate, telecommunications infrastructure, electricity, transportation, facility and security services, as well as indirectly benefiting service sectors. These locally created links matter for economic development but are largely invisible as much empirical GPN research privileges network embeddedness over territorial embeddedness³. This article argues that in order to engage more deeply with the developmental outcomes for regions as a result of integration into GPNs (one of the core aims of the framework), the currently blurred boundaries of GPNs require more analysis. Focusing on the emergence of local support services networks in *places* can constitute a useful addition to GPN research, given its concern for territorial embeddedness and development outcomes.

4. Applying the three services networks lenses: services offshoring and regional development

How have GSPNs evolved and what value capture trajectories exist for developing countries on the basis of services exports? Much celebratory literature argues that a transition to a service-based economy presents opportunities for rapid economic development (see e.g. Ghani 2010; Dossani & Kenney 2007), whereas others have questioned these optimistic accounts (Chandrasekhar & Gosh 2006; D'Costa 2011). The following discussion is based on empirical research on the role of India and

³ Although both concepts are equally comprised in the GPN framework (see e.g. Henderson et al. 2002).

the Philippines in offshore services networks, collected in several interlinked research projects under the umbrella of the NWO-WOTRO-financed 'Understanding Globalisation' research project at the University of Amsterdam⁴. The following sections empirically discuss offshore services from the three perspectives outlined above: section 4.1 shows the role offshore services perform as intermediate inputs in GPNs; section 4.2 evaluates economic development opportunities through articulation into GSPNs; and section 4.3 explains the rise of a local support service-nexus and its potential for value capture.

4.1 Offshore services as intermediate inputs

Services offshoring, and business process outsourcing in particular, involves services for the intermediate use by firms. Authors of empirical studies on offshore services have lamented the shortage of useful data and the ill-defined and overlapping terminology used in the field (Bunyaratavej et al. 2011; Massini & Miozzo 2012; Gereffi & Fernandez-Stark 2010). Business process outsourcing involves both back-office functions (e.g. data processing) and front-office functions (e.g. customer services conducted in call centres) and these services can, depending on whether the final product (produced by the firm sourcing the services) is a good or a service, constitute a part of manufacturing or services production networks. Banking, financial services and insurance constitute the largest user of these services (Gereffi & Fernandez-Stark 2010); thus offshore services are primarily inputs into other services GPNs, rather than manufacturing GPNs.

The offshoring of business functions previously conducted in the back-office include finance and accounting, human resources and other support services. The outsourcing and offshoring of these services, and their (re-)centralisation in offices abroad, ought to be read not as a move to increase efficiency through vertical disintegration of production networks, but instead as a response to financialisation, increased cost-pressures, and the overriding goal of downsizing and distributing shareholder value (Massini & Miozzo 2012, p. 85; Milberg & Winkler 2013).

For the labour-intensive services, the most important location choice factor is the availability of skilled labour, with (English) communication abilities, at lower-costs (Goswami et al. 2012). The criteria favour former colonies of English-speaking countries with large pools of underemployed workers. India has been a forerunner in the delivery of offshore services and employed 2.2 million workers in its IT-BPO sector in 2012; followed by the Philippines, with close to 800.000 workers (Kleibert 2015b). For both developing countries the sector thus constitutes an important source of newly generated employment opportunities and is significant in its contribution to export-earnings

⁴ In particular, findings drawn upon in this article are based on more than 100 qualitative interviews and fieldwork on the emergence, evolution and impact of the offshore service sector in Manila and Mumbai, conducted by the author between 2011 and 2013.

and GDP. Cost-reduction through labour arbitrage remains a main driver for services offshoring to India and the Philippines.

4.2 Evolving offshore service production networks

This section explores the offshore services sector as a GSPN in its own right, its organisation, dynamics, geographies and its upgrading opportunities. Services offshoring is a dynamic phenomenon, which is still growing rapidly and expanding its reach to include new segments of production processes and new geographies. Service investments almost exclusively locate in urban agglomerations and the IT-BPO sector in India and the Philippines is strongly concentrated in a few major cities, such as Bangalore, Mumbai and Manila.

There is a danger to conflate the provision of lower-end-services with the establishment of a 'knowledge' economy. Although information is used and manipulated, and arguably no limitation of the sophistication of services offshoring exists (Blinder 2006), much relocated work is rather routine, scripted and low-end in nature (e.g. general customer service, scanning of documents, transcription work). Therefore, it is important to analyse the position of work processes carried out offshore in the larger production network and analyse opportunities for upgrading. Many Indian firms have managed to upgrade into higher-end services and deliver knowledge process outsourcing (see e.g. Parthasarathy 2013), but this may not be easily replicable across geographies. Successful upgrading opportunities in offshore services depend on several factors, including the availability of human capital, the role of domestic entrepreneurs, the governance of value chains (including whether processes are simply offshored or offshore outsourced) and government policy. India and Philippines are occupying different niches in the offshore service sector and have become articulated into service GPNs at different moments in time, and based on different capabilities. Broadly speaking, India delivers a large spectrum of services (including technical and higher-end vertical services) from domestic-owned firms, whereas the Philippines' sector is characterised by foreign direct investments in voice-based services (Kleibert 2015b).

After the initial rush of services offshoring, the dust is now settling, the sector maturing, and emerging specialisations within GSPNs becoming visible. Multi-locational strategies and 'follow-the-sun' models are used that are increasingly conforming to a functional division, rather than a division based on geographies. Management consultants propagate the creation of "diversified location portfolio[s]" of offshore service locations, involving complex networks of multiple countries and locations to mitigate risks (Daub et al. 2009). Emerging fine-grained divisions of labour are also driven by the rise of multinational corporations from India opening offshore service delivery subsidiaries in the Philippines, leading to new patterns of South-South trade. Moreover, competition for the delivery of lower-end services is rising, including from African countries (see e.g. on Kenya: Mann & Graham

2016). The current configuration of service delivery networks may change again, as several lower-end services come under pressure to be automated (UNCTAD 2004; Zysman et al. 2013). Voice-based call centre services, for example, can increasingly be replaced by voice-recognition software, raising the stakes for upgrading into higher-end services for countries integrated at the lower-end of global offshore service production networks.

4.3 The local offshore services-nexus and regional value capture

The last empirical section discusses the opportunities for regional value capture opportunities as a result of integrating into networks of services offshoring. The original GPN approach distinguishes between value creation, value enhancement and capture; in the recently revised 2.0 version, the focus on the *territoriality* of GPNs and value capture trajectories, based on different forms of strategic coupling, is further expounded⁵ (Coe & Yeung 2015). Similar to attracting foreign direct investments in manufacturing, potential benefits can occur through employment creation, knowledge spill-overs, local firm stimulation and capital injection (Dicken 2015). Many offshore service sector investments, however, reflect the most dependent form of strategic coupling, which Coe and Yeung term ‘structural coupling’. In the Philippines, the IT-BPO sector is dominated by lower-end services, which are exported from special economic zones and controlled by foreign investors, showing signs of a branch-plant syndrome (Kleibert, 2016). Given these conditions, even in the case of successful economic upgrading, the fruits of value creation and enhancement may not translate to social upgrading or to value capture in the region.

Value capture opportunities in offshore services beyond worker’s wages are limited since few local inputs are sourced, tax incentives granted, and the repatriation of profits (and transfer-pricing) probable, especially from subsidiaries functioning primarily as ‘cost-centres’ rather than as revenue-generating offices within the wider firm structure. ICT-enabled services, serving export-markets, generally have relatively fewer input-output linkages than manufacturing activities; their main inputs tend to be other services (Magtibay-Ramos et al. 2008). In the offshore service sector, a territorially embedded local support services-nexus is formed to enable but also to benefit from the region’s articulation into GPSNs. These local service networks involve both upstream and downstream services. Upstream, the main inputs required are rental office spaces and real-estate services, telecommunications infrastructure, electricity, facilities management and security (Beerepoot & Kumar 2015; Kleibert 2015a). Another important service input, given the large volume of skilled and trained workers in the sector is the education sector (Kleibert 2015c). A whole gamut of private sector

⁵ According to the Coe and Yeung (2015, p. 67-74), it is precisely this focus on territoriality and processes at the local and regional level that sets the GPN approach apart from (national-scale dominated) GVC research.

institutions has emerged in services-exporting regions to offer specialised training, sometimes further incentivised by government subsidies⁶.

Despite low input-output linkages, a high job multiplier effect is estimated for the offshore service sector - of up to four indirect jobs for every direct employee (Bautista 2011; NASSCOM 2010). The majority of induced employment creation occurs downstream, as a result of the relatively high spending power and new consumption preferences of offshore service workers. Importantly, most of the indirect employment is created in the services sector: construction of new housing, transportation, food and beverage services industry, retail and entertainment - much of it operating 24 hours (ibid.). New 'globalised' consumption patterns are pursued by the workers, whose increased spending power prompts new lifestyles and the (conspicuous) consumption of previously out-of-reach goods and services (Krishnan 2015; Papadongonas & Beerepoot 2017).

As a result of integration into GSPNs, the local service economy is boosted. The heightened demand for office buildings and IT-Park infrastructure, telecommunications services and utilities presents opportunities for domestic entrepreneurs and conglomerates to strategically couple with foreign investors. These local-global linkages are a type of strategic coupling, which allow existing elites (in sectors largely protected from foreign competition) to capture value from the rise of the offshore service sector (Kleibert 2015a). Without an explicit focus on the territorial embedding and strategic coupling with the local services sector - using a local services-nexus lens - many of these issues, albeit highly relevant for an assessment of regional value capture trajectories, remain out of view.

In addition to relatively-high paid office-based employment, demand for other service has grown in offshore services hubs, creating indirect service employment opportunities in the local economy, including in low-paid service professions. Similar to findings of the socio-economic repercussions of the expanding global service sector in New York, London and Tokyo in the last century (Sassen 1991), this increasing polarisation between high- and low-paid service jobs seems to also prevail in the newly emerging 'global cities' in India and the Philippines (Dittrich 2005; Kleibert 2015a; Krishna & Nederveen-Pieterse 2008). The question of *where* value gets captured can also be posed at the (sub-) regional scale: even within regions, large differences may exist, polarisation may be increased between cities and rural areas, and fragmentation within cities may occur.

⁶ One of the associated benefits, or value capture opportunities, of the growth of the offshore services sector are human capital investments. Although studies arrive at different outcomes, recent research has shown that workers themselves evaluate their learning positively and successfully transfer to other sectors and positions within the local economy, suggesting the existence of learning spill-overs (Vira & James 2012; Beerepoot & Hendriks 2013; Marasigan & Lambregts 2017).

5. Conclusions

Services are a complicated and uncomfortable category: intangible, ill-defined and increasingly part of all value-creation activity. Offshore services are a crucial part of increasingly complex, vertically disintegrated, and geographically far-spread GPNs. This paper developed three lenses to conceptualise services in GPNs and explored the offshore service sector in its role as intermediaries within manufacturing GPNs, as dedicated services networks, and as local support services networks. The analysis has, on the one hand, shown how the GPN framework offers a valuable (though so far largely underutilised) heuristic device to study the globalisation of services and their value capture trajectories, but has, on the other hand, exposed some of its current limitations, especially relating to territoriality.

Focusing on the horizontal connections of global service networks has shed light on the often hidden territorial processes as a result of a region's articulation into GPNs and, in this case, the creation of a local services-nexus. Further research on the enabling and benefiting services providers in regions could expand the scope of research on services and bring into focus the still largely blurred vision at the boundaries of GPNs. In line with recent work on financial services as intermediaries (Coe et al. 2014; Dörry 2016), the real-estate sector is an interesting candidate for GPN research, especially given its vital role for capital switching and rent generation in cities (Bassens & van Meeteren 2015; Kleibert 2015a). A research agenda on services and global production networks thus could also provide an important point of intersection with the urban studies literature to refine our understanding of regional, local and urban development opportunities.

Moving ahead, both GPN and GVC research would be well-advised to engage more thoroughly with services to redress the ongoing neglect of the services sector in their approaches, which sits squarely with the significance of services in the global economy. In an age where services have become pervasive in value-creating activities around the globe, shying away from studying services is no longer an option if our aim is to understand (regional) economic development. We should move beyond seeing services only as intermediaries that connect and link globalised production processes, but see them as central components of value creation, enhancement and capture activities in the global economy.

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