

The New Era of Global Services

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The New Era of Global Services: A Framework for Successful Enterprises in Business Services and IT

BY

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Emerald Publishing Limited
Emerald Publishing, Floor 5, Northspring, 21-23 Wellington Street, Leeds LS1 4DL.

First edition 2023

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-83753-627-6 (Print)

ISBN: 978-1-83753-626-9 (Online)

ISBN: 978-1-83753-628-3 (Epub)



INVESTOR IN PEOPLE

To my mom and me, because of the change in the observer that I am today.

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List of Acronyms

| | |
|--------|---|
| A2B | Administration to business |
| A2C | Administration to consumer |
| ABSL | Association of Business Service Leaders (Polonia) |
| AI | Artificial Intelligence |
| AIBEST | Association for Innovation, Business Excellence, Services and Technology (Bulgaria) |
| ALES | Latin-American Association of Service Exporters |
| APIs | Application Programming Interfaces |
| AR | Augmented Reality |
| BC/DR | Business Continuity and Disaster Recovery |
| BEPS | Base Erosion and Profit Shifting |
| BI | Business Intelligence |
| BPaaS | Business Process as a Services |
| BPESA | Business Process Enabling South Africa |
| BPO | Business Process Outsourcing |
| B2A | Business to Administration |
| B2B | Business to Business |
| B2C | Business to Consumers |
| B2E | Business to Employee |
| B2I | Business to Investor |
| B2P | Business to People |
| BP | Business Process |
| BPM6 | Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual |
| BT | Blockchain Technology |
| C2B | Customer to Business |
| C2C | Consumer to Consumer |
| CC | Cloud Computing |
| CCO | Chief Customer Officer |
| CSD | Centers for Software Development |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CI | Creative Industries |
| CTO | Chief Technology Officer |
| CX | Customer Experience |
| CXM | Customer Experience Management |

xiv List of Acronyms

| | |
|----------|---|
| DA | Data Analytics |
| DEPA | Digital Economy Partnership Agreement |
| E2E | End to End |
| EaaS | Everything as a Service |
| EU | European Union |
| F&A | Finance and Accounting |
| IaaS | Infrastructure as a Service |
| GATS | General Agreement on Trade in Services |
| GDP | Gross Domestic Product |
| HMD | Head Mounted Display |
| IDB | Inter-American Development Bank |
| IMF | International Monetary Fund |
| IoT | Internet of Things |
| IP | Intellectual Property |
| IT | Information Technology |
| ICTs | Information and Communication Technologies |
| ITIDA | Information Technology Industry Development Agency (Egypt) |
| ITO | Information Technology Outsourcing |
| KIS | Knowledge-intensive Services |
| M&A | Mergers and Acquisitions |
| MBA | Master in Business Administration |
| ML | Machine Learning |
| MVP | Minimum Viable Product |
| NLP | Natural Language Processing |
| GATS | General Agreement on Trade in Services |
| GATT | General Agreement on Tariffs and Trade |
| GDPR | General Data Protection Regulation |
| GSA | Global Sourcing Association (Reino Unido) |
| KPI | Key Performance Indicator |
| KPO | Knowledge Process Outsourcing |
| OECD | Organization for Economic Cooperation and Development |
| OM | Outsourcing Malaysia |
| P2P | Peer-to-Peer |
| R&D | Research and Development |
| RPA | Robotic Process Automation |
| SLASSCOM | Sri Lanka Association of Software and Service Companies |
| SaaS | Software as a Service |
| SMEs | Small- and Medium-sized enterprises |
| SSC | Share Service Center |
| STEM | Science, Technology, Engineering, and Mathematics |
| UNESCO | United Nations Educational, Scientific, and Cultural Organization |
| VLCM | Vegan Leaders in Corporate Management |
| VPN | Virtual Private Network |
| VR | Virtual Reality |
| WIPO | World Intellectual Property Organization |
| WTO | World Trade Organization |
| XaaS | Anything as a Service |

Foreword

There is no doubt that Javier is a bold person; only someone like him can attempt to predict the future characteristics of one of the most dynamic and changing industries of the last few decades, and moreover, do so at a time when the world is experiencing one of the biggest disruptions in its history due to the COVID-19 pandemic. However, audacity is appropriate at the present time, and this book is particularly relevant not only because of the subject matter it deals with but also because of the moment in which it is presented.

The global services industry has been showing increasing importance in the world for decades and has played a key role during the pandemic. In fact, services have now become the main sector of activity for most economies, generating the majority of employment and gross domestic product (GDP) in the developed world and in much of the developing countries. In terms of international trade, services are growing at higher rates than goods and are progressively contributing to the value added of exported manufacturing.

Within services, global services are the most dynamic sector, capturing more than half of the world's exports of services, and their exports have been more resilient than exports of goods or other services during the pandemic (just as they did during the global financial crisis of 2008 and 2009).

This book has great timing and highlights an industry that has enormous potential for job creation and generating foreign exchange. Global services provide the countries in the region with the opportunity to promote successful international integration that supports their development processes. Latin America and the Caribbean's participation in the international trade of global services is clearly limited despite the many relative advantages that countries in the region have to position themselves in this industry. We should see this as a clear opportunity. The efforts we make to successfully integrate into this industry will be key to the future growth of our countries, and this book is a great contribution to designing those efforts.

The global services industry has also played a key role in the management and response to the pandemic. This type of service has played a highly relevant role, for example, collaborating in reducing health risks through telemedicine and the remote design of medical devices or facilitating the continuity of interactions that nourish the economic and social life of people through distance learning, online shopping, and video call platforms, among many other functionalities. Global services involve sophisticated and distinctive tasks from the digital era, which undoubtedly will lead the economy of the future (not-so-distant) and play a key role in the post-pandemic economic recovery.

In this context, the timing for a detailed analysis of this industry could not be more appropriate. The industry is at a turning point. The pandemic has led to many changes that were expected to occur over decades to materialize in months. In particular, changes related to the advancement of digitalization, the adoption of disruptive technologies, new mechanisms for service provision, and changes in consumption and labor organization habits. At the same time, this accelerated process of change has led to the emergence of new trends that were not on anyone's agenda.

As a result of social distancing measures, the world witnessed a historic escalation in the use of the Internet and digital services, which has caused an unprecedented increase in global demand for information and communication technologies. In turn, the pandemic has created new consumption habits that generate both challenges and opportunities for the industry. For example, online shopping has become more natural, consumers are more careful about the health standards of what they consume, virtual provision of services has advanced, such as childcare using digital platforms or live participation in cultural activities virtually. This undoubtedly generates areas for the growth of the global services industry, but also generates challenges, given that competition is more global than ever. For example, a postgraduate university course no longer competes only with offers from universities in the same city or country but also with all similar courses offered virtually around the world.

The pandemic also has accelerated changes in the organization of work. Remote work has ceased to be the exception and has become the norm, and everything indicates that this will continue even after the pandemic is over. Work teams are becoming more flexible, and competition for human capital is now global. Human resources teams no longer focus on attracting the best programmers in their area or convincing them to move to the city where their company is located. Instead, they focus on creating the conditions for the best programmers in the world to want to work remotely for their company. These changes are compounded by others, such as the new forms of social interaction that people were forced to implement, or new environmental and social concerns that permeate society. All of this is leading to paradigmatic changes in the industry, changes that Javier systematically addresses (and anticipates).

The book you are about to read not only presents an exhaustive characterization of the industry, its organizational forms, its modes of delivery, and its evolution, but it also investigates the fundamental factors that companies must address for their success in the not-so-distant future. It does so in a novel and multidisciplinary way, systematizing quantitative and qualitative information and collecting the vision of more than 70 industry leaders.

I would like to highlight two factors that are combined in the analysis and, in my opinion, make it as original as it is interesting. On the one hand, the interaction between technology, business, and the human being. Studying the impact of new technologies such as artificial intelligence, blockchain, process automation, 3D printing, etc., on the evolution of business is key. But even more relevant is doing so considering that this evolution is not independent of the human being, their environment, their beliefs, and their values. Undoubtedly, the relationship

of causality is not unidirectional between these variables, and the future configuration of this industry will be the result of the interaction of these factors.

A second aspect to highlight is the impact that “new” generations will have on shaping the future evolution of the global services industry. The resulting configuration of the interaction between technology, business, and the human being will not be independent of those who will lead the industry in the near future, and those who will do so will be millennials, centennials, and digital natives who have different preferences and beliefs than those who currently lead it. They are people with a preference for remote work in close connection with technology, they demand greater work flexibility, they have a preference for horizontal relationships, a certain detachment from material matters, and a growing interest in the social and environmental impact of what they do and where they do it.

Understanding these characteristics and their future impact on the industry is key to designing better public policies that allow us to take advantage of the opportunity that we discussed earlier. Designing specific actions that enable us to take advantage of the opportunity that the sector offers to our countries is a challenging issue given the distinctive characteristics of the sector and the preconceptions that exist regarding it.

In short, the journey you are about to embark on is a fascinating path that, building from today, seeks to anticipate the future of an industry in constant evolution, exposed to dizzying technological advances, and that will be led by generations with very different preferences than the current ones. I told you that Javier was an audacious guy!

Pablo M. Garcia
Head of Regional Integration Unit
Inter-American Development Bank

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Acknowledgments

First, I would like to express my deepest gratitude to my mom, who gave me the gift of perseverance, and to my dad, from whom I learned resilience. I would also thank each one of the 70 world and regional leaders who generously shared their time and ideas with me. Special thanks to Claudio Piacenza, who introduced me to the topic of service exports in 2004, and Pablo García, who encouraged me to think about the future of global services in early 2020. Also, this book would not have been possible without the contributions of Javier da Silveira, who carried out the research work for most of its chapters; Anderson Parra, who collaborated in the topic of agile methodologies; and José Carlos Tol, who was in charge of the statistical analysis presented at the beginning of this publication. Last but not the least, I would like to thank the Latin American Association of Service Exporters (ALES), whose participation was vital for making this book possible, and, in particular, to each one of its members, whom, after more than 10 years of joint work, I consider part of a great family.

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Introduction

“The meaning of life always changes, but [...] it never ceases to be ...”
Viktor Frankl, *A Man's Search for Meaning*, 1946

I was born and raised on a cattle ranch surrounded by fertile Uruguayan farmland, and it seemed natural that my destiny was to make a living by buying and selling livestock. However, since I was a child and was told to “go see to the pigs,” I knew that it was not who I was at all.

One of the things I remember most fondly from those years is how the *paisanos*, the country folk of the ranch, had fun with bets by participating in traditional games like *taba*, card games, and horse racing. We had a race-track at the ranch, so every Sunday, very early in the morning, we sat by the fire discussing the odds. The horse racing *aficionados*, or *burreros*, would say, “Johnny’s horse is a sure bet! I’m telling ya!” And when the horses were at the starting gate, they would yell, “I’m going for Johnny’s horse!” or “I’m going for Billy’s!” The tension was palpable by the tracks, and people would huddle together, catching their breaths. Our foreman would ring the bell, and the horses would thunder down the straight, leaving a cloud of dust behind. One of the regular sharps would cry out, “I’ll pay 3 to 1 on Johnny’s!” Everybody’s attention would be on the horses, and bets would be placed until the race ended. From a distance, you could see the winner with their hat in the air.

Since I turned 30, I have been wondering what the purpose of my life was, and during this pandemic year that restlessness has felt stronger than ever. That’s why, a little bit moved by what Viktor Frankl wrote: “The meaning of life always changes, but [...] it never ceases to be... we can discover this meaning ... in three different ways: (1) by creating a work; (2) by experiencing something; and (3) by suffering,” and feeling adrift, floating away in the ocean like a piece of wood that seeks shelter in some distant shore, putting this book together has been my own way of discovering that “meaning.” This is my “work.” Because, you see, one of the things I find

The New Era of Global Services:

A Framework for Successful Enterprises in Business Services and IT, 1–4

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doi:10.1108/978-1-83753-626-920231012

most motivating, or perhaps most invigorating, is a good challenge. My own personal carrot, you might say. And so I am truly grateful for the challenge I was presented with at the beginning of 2020: to picture the future of Global Services.

To be honest, it was not a simple task. I had my ups and downs. At times, I was in doubt whether or not my ideas were a bit naïf; wondering if what I was perceiving was right. Still, with my eye on the carrot, I kept on.

I am not, nor do I pretend to be, a fortune-teller with a crystal ball. But, apart from feeling that the “sure bet” in the future of Global Services is explained in the concepts I have included in this book (microsourcing, conscious sourcing, among others), a number of signs in today’s market, together with the very particular characteristics of the new generations (millennials, centennials, and digital natives) point in that direction. Anyway, we’ll have to wait a few more years to see whose lucky hat is in the air.

It is thus, feeling grateful for where cold determinism has brought me, that I now declare myself an apprentice to openness and possibilities. And as a consequence, as if I was sending out my message in a bottle to wander the seas, hopeful that I will come across this book in a few years, I trust I will remain close to Louis Armstrong’s words when he said: “... and I think to myself what a wonderful world.”

The curtain falls. And the show begins ...

The New Era of Global Services is the result of reaching out to more than 70 international and Latin American leaders; of the research process undertaken during most of 2020; and, above all, of ourselves acting as observers of the world right now. It brings together our passion for the subject and our belief in the possibility of creating a better world through collaborative work among all players in the ecosystem.

In the coming years, Global Services will tend to grow in business-to-business, business-to-consumer, peer-to-peer, and in particular, peer-to-business relationships. Companies from all segments will create an increasingly intangible offer through fixed-cost or on-demand contract models, as well as comprehensive solutions (end-to-end) to maximize client experience. Deciding on locations will be a more flexible process that will include countries, cities, and also the cloud (virtual sourcing). Therefore, an increase in sourcing options (multisourcing) is expected. As a result, global labor arbitrage will create opportunities not only for secondary cities (Tiers II and III) but also for individuals with outstanding talents and appropriate telecommunication infrastructures. This will pave the way for companies without human resources or physical presence in a specific location to flourish.

The key to success for Global Services companies in the future will be at the crossroads of the worlds of Technology, Business models, and, above all, the Human Being and its environment. At the center of this Triple-Win lies the

DIDPAGA companies model, where DIDPAGA stands for: *distributed*, which will be possible through the growth of microsourcing; *intelligent* or smart, achieved through digitization and automation; *disruptive*, with shorter innovation processes; *platform-based*, emphasizing horizontal and vertical integration; *agile*, with more horizontal and flexible employee–employer–client relationships; *global*, while keeping businesses closer to the demand leaders; and, above all, more *anthropocentric*, which means more aware of the human being, the communities, and the environment as the center of their business plans.

This model aligns with the characteristics of the new generations (millennials, centennials, and digital natives) and has excellent future prospects. To make these ideas come true, each one of us players in the ecosystem (governments, business associations, trade unions, scholars, and individuals) plays a key role.

As a result, in the coming 20 years, thriving companies will be those which not only embrace technology, but also generate disruptive business models in an authentic digital transformation process. However, only those which place the human being and its environment at the center of their business plans will achieve true success.

Objectives and Methodology

This study aims at identifying the most probable scenario for Global Services in the coming years, a sector which has been one of the most dynamic in the last decades. Therefore, these are the questions we will try to answer: Which is the current relevance of the services sector? What are Global Services? Which trends and business models will have the greatest impact? How are these trends and models related to the future leading generations? What policies and strategies should governments develop to foster the sector?

We have carried out primary research collecting data from more than 70 in-depth interviews and specific inquiries to Latin American and global leaders: IT companies, 47%; international leaders, 26%; business process companies, 23%; scholars and others, 3% (see Appendix). The size of the companies is diverse, ranging from 7 to over 16K employees in the IT sector, and from 60 to over 30K in the business process sector. Also, we have researched through a wide variety of secondary sources (see References section).

The first stage in our research started in mid-March 2020, when e-mails were sent to global leaders inviting them to reflect on the future of services. Surprisingly, during the global lockdown, human generosity was exacerbated, as very important people from different places around the world started answering the e-mails! Some wrote comments, others recorded videos and many even joined us at the Global Trade in Tasks undergraduate course, at Universidad Católica del Uruguay, to provide our students with the opportunity of having a different business executive every lesson. This posed quite a challenge, but we managed to make it happen. Motivated by such an enthusiastic response, we asked some of our guest speakers to engage in in-depth interviews to get an insight into their views. That was the easy part. The true challenge was to systematize their ideas into concepts that could be presented in this book. By mid-2020 we finally saw the

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light at the end of the tunnel, and on June 18 that same year we published our first post on LinkedIn about micro-sourcing, together with the first indications that in Latin America Global Services were proving resilient, once again, given the fact that employment and productivity rates were not only constant, but on the rise. After that, we outlined the challenges and opportunities of the model, defined the conceptual framework, and presented end-to-end solutions. We also described nearshoring trends in global business, emphasized the importance of agile methodologies, and presented what we called anthropocentric companies. And this is how we moved forward with each of the key insights of this publication.

Verifying our ideas was a continuous process that we carried out by means of interviews and bibliography. To our surprise, validation came also from the event organized at the end of November 2020 by the Global Technology and Business Services Council, an organization that saw the light in July 2020 – and of which we are founders and active members – to give a single global voice to 12 leading institutions, such as NASSCOM from India, IAOP from the US, ABSL from Poland, and ALES from Latin America and the Caribbean. This event represented a key milestone for us: it was unexpected that the ideas that we had been identifying throughout the year were pointed out and therefore confirmed by different global leaders during the Council. This made us feel confident about the results we had accomplished. Still, we would like to encourage our readers to share their views by sending us comments and suggestions through LinkedIn.

Chapter 1

Importance

Abstract

In this chapter, the author begins by highlighting the main landmarks in Global Services. Additionally, the author analyzes the relevance of trade in services to key economic indicators such as GDP, employment, FDI, and international trade both at the international level and in the Latin American and Caribbean region.

Keywords: International trade in services; employment in services; foreign direct investment in services; GDP in services; value-added; Y2K

Fabrizio Operti, “The times they are a-Changin” and services are the protagonists

When he was a child, Fabrizio dreamed of “scoring goals” and becoming an expert in international affairs. Nowadays, he is the manager of the Integration and Trade Sector at the Inter-American Development Bank (IDB). Being the son of Didier Operti, an expert in international law, former minister of Foreign Affairs of Uruguay, and former secretary of an international organization like the Latin American Integration Association, Fabrizio is living proof that the apple does not fall far from the tree.

Among the key factors that have led him to where he is now are his love for teamwork, innovation, and hard work as well as, and above all, his proactive attitude. “Show initiative and take risks”: that is his personal motto, which sounds more likely to come from an entrepreneur than from an international officer. However, this approach underlies the radical shift he has introduced in the organization he leads, where actions speak louder than words, through the implementation of projects and operations with direct impact on the growth of countries’ GDP.

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doi:10.1108/978-1-83753-626-920231001

His leadership has led him to “score several goals” in Global Services: creating ConnectAmericas (the first network for businesses in the Americas) and Outsource2LAC (the most important Global Services event in Latin America and the Caribbean), implementing different programs in the region, such as Finishing School in Uruguay, and supporting the creation of the Latin American Association of Service Exporters (ALES), among others.

Just like Bob Dylan’s song, “The times they are a-Changin,” and services are the protagonists of this new era, as they have a major effect on GDP, employment rates, FDI, and international trade. In this respect, Fabrizio points out that the current evolution from manufacturing toward providing services is driven by the features the latter display: resilience, greater growth and productivity, and presence in every sector. Digitization has resulted in services becoming more noticeable than ever and, although technology can also be challenging – especially as regards employment – from a historical perspective, it also represents a golden opportunity to complement the ability to persuade, communicate, and understand people which is innate to the human being. Therefore, technology will solve many of the challenges humankind will face in the future, but the human being will be the only one capable of understanding complex problems, always affected by emotional factors.

In the coming years, talent will play a central role, which is why having the necessary skills, both soft and hard, will be key to meet the basic abilities required for the jobs of the future. In turn, this calls for training through right skilling and attracting migrant talent as a way to develop high value-added propositions.

Fabrizio considers himself fortunate that his vocation has led him to a job at an institution he takes pride in being a part of. Nevertheless, it appears that his success can be attributed to his hard work, perseverance, and dedication.

This research has also allowed me to get to know what “success” means for the leaders of this sector. For Fabrizio, it means something as simple and yet complex as “love and being loved.” At the end of the day, and just like Aristotle pointed out, the human being is a *zoon politikon* (political animal), whose happiness is based on interacting with others. Hence, one of the greatest assets a person can have is their social capital.

Main Landmarks in Global Services

During the last 30 years, services have grown fast, both locally and globally, leading some authors (Sáez, Taglioni, van der Marel, Hollweg, & Zavacka, 2014) to consider this phenomenon one of the most important changes in trade patterns during this period.

There are at least three main historic landmarks which explain the evolution of Global Services. The first one is related to the advent of one of their main enabling factors, the development of information and communication technologies (ICTs) in the early 90s with the spread of Internet. Its creation in 1989 is one of the first milestones for the evolution of services, as these could be traded without the need for direct contact between provider and consumer. Hence, Internet has contributed to the fragmentation of the production process and the coordination of tasks at a global level, which enables selling ideas, activities, and/or processes which used to be non-tradable.

The second landmark revolves around the Y2K effect in 1999 (the need to reprogram computers at 12 a.m. on January 1, 2000 to avoid them “going back” to 1900) and around companies realizing they could trade services globally through digital means to enhance their competitiveness. Not only did Y2K lead to a high demand of information technologies, but it also represented a chance to access competitive expert talent at remote locations, such as India. This was a breaking point for the international delocalization of ideas, activities, and processes between companies (offshoring), as they opened branches abroad and hired expert providers, trend which later spread to other areas and locations globally.

Finally, the most recent landmark is the COVID-19 pandemic, which represented a successful concept test for the Global Delivery Model with the inclusion of small cells and even atomized individuals that have shifted to remote and distributed work at a large scale almost overnight. These milestones have paved the way to the business and work model which we have called microsourcing and to the advent of conscious sourcing, both based on long-term relationships which go beyond the lucrative incentive.

Looking toward the future, we have anticipated the next relevant landmark will take place 20 years from now, but hope it will happen well before: new generations (millennials, centennials, and digital natives) will lead companies, playing major roles in them. Considering their interest for creating and working on projects with social and environmental impact, we believe conscious sourcing will no longer be the exception, but the norm.

These landmarks represent moments which have been or will be significant in a sector that is key for economy. Besides, services are not only traded per se but also represent major inputs in other productive processes, which underlies the idea

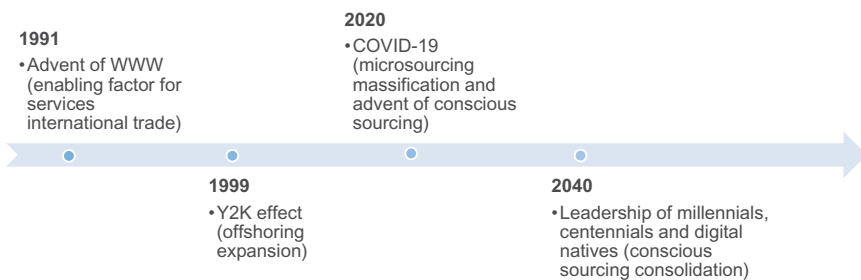


Fig. 1. Main Landmarks in Global Services. *Source:* Author.

that they are the glue that makes global chains work (Drake-Brockman, 2018). Therefore, the importance of services is observed in the role it plays in GDP, employment rates, investment, and international trade.

GDP

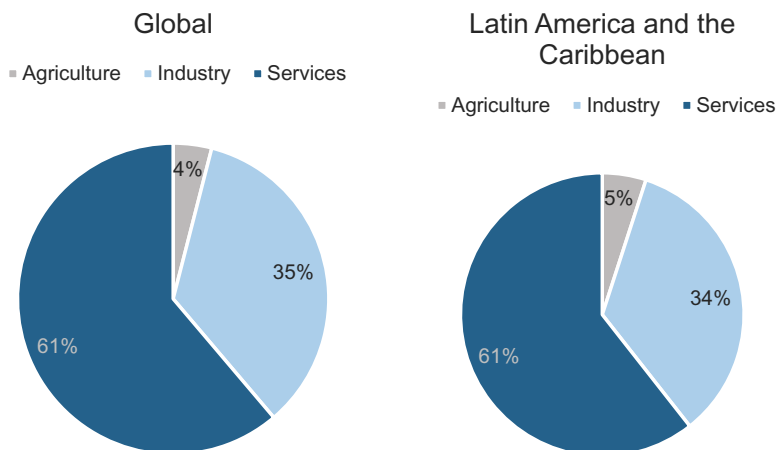
Services, both tradable and non-tradable, are the main contributors to world GDP, accounting for 61.2%. In high-income countries, this figure rises to 70%, whereas in middle- and low-income countries it represents 55.7% and 50.6%, respectively.

In Latin America and the Caribbean, the services sector is the most important one and its share of total GDP has steadily grown until the COVID-19 pandemic. In fact, while in 2010 services contributed 55.8% of regional GDP, in 2019, this figure was as high as 60.6%. This share is even larger in countries such as Uruguay (60.9%), Guatemala (62.7%), Brazil (63.3%), Panama (65%), Costa Rica (69.6%), and some others in the Caribbean (World Bank, 2020).

Employment

With regard to employment, considering both private and public sectors, services have the greatest percentage of employed people globally, and figures are steadily growing since the 90s: from 38.37% in 1999 to 50.42% in 2020. In Latin America and the Caribbean, the average is at 66.08% and even exceeds 70% in countries such as the Dominican Republic (71%), Brazil (71%), Uruguay (73%), and Argentina (79%) (World Bank, 2020).

Nowadays, economies around the world have become a great services system. In 1800, 90% of US employment depended on farms (Maglio, 2005); in 1900, this



Graphic 1. Global GDP in Services – Latin America and the Caribbean GDP in Services. *Source:* Data based on information by the World Bank (2020).