Brussels Studies

La revue scientifique pour les recherches sur Bruxelles
/ Het wetenschappelijk tijdschrift voor onderzoek over
Brussel / The Journal of Research on Brussels
Collection générale | 2020

Advanced services: the attractiveness of Brussels and local issues

Services avancés : attractivité bruxelloise et enjeux locaux

Geavanceerde diensten: de aantrekkelijkheid van Brussel en lokale uitdagingen

Gilles Van Hamme, Maëlys Waiengnier, David Bassens and Reijer Hendrikse

Translator: Jane Corrigan

Electronic version

URL: <http://journals.openedition.org/brussels/5141>

DOI: 10.4000/brussels.5141

ISSN: 2031-0293

Publisher

Université Saint-Louis Bruxelles

Electronic reference

Gilles Van Hamme, Maëlys Waiengnier, David Bassens and Reijer Hendrikse, « Advanced services: the attractiveness of Brussels and local issues », *Brussels Studies* [Online], General collection, no 149, Online since 08 November 2020, connection on 16 December 2020. URL : <http://journals.openedition.org/brussels/5141> ; DOI : <https://doi.org/10.4000/brussels.5141>

This text was automatically generated on 16 December 2020.

Licence CC BY

Advanced services: the attractiveness of Brussels and local issues

Services avancés : attractivité bruxelloise et enjeux locaux

Geavanceerde diensten: de aantrekkelijkheid van Brussel en lokale uitdagingen

Gilles Van Hamme, Maëlys Waiengnier, David Bassens and Reijer Hendrikse

Translation : Jane Corrigan

Introduction

- 1 This article explores the production and impact of advanced services in the Brussels economy. Based on a four-year study funded by Innoviris on advanced services in Brussels, this article aims to address three main objectives. Firstly, it provides a portrait of advanced services in Brussels and their spatial dynamics (1995-2014). This question is particularly relevant in times of geopolitical and geo-economic instability. During the period studied, the financial crisis and the austerity policies which followed favoured low interest rates and resulted in low investment opportunities in the economy. It was also during this period that “systemic” banks were rescued or taken over by international groups. Since 2008, the economic conditions in which advanced services operate, in Brussels and elsewhere, have therefore undergone an extensive transformation. In addition, the advanced service sectors (finance, accounting, legal services, consulting, etc.) have undergone major technological changes (digitisation, automation, etc.) and spatial changes, causing a decrease or a transformation or transfer of jobs at different levels. Furthermore, there have been major geopolitical changes recently, such as Brexit. Secondly, based on the idea that the emergence of global cities is linked to the socio-spatial polarisation of cities [Friedmann, 1986; Sassen, 1991], we propose an analysis of the economic and social impact of this economy on the economic and social fabric of Brussels. Thirdly, on the basis of these

observations, the article aims to propose a reflection on the possibilities for action by the political authorities, in particular by the Brussels-Capital Region (BCR).

- 2 This last objective constitutes the main framework of the article. In this perspective, the city's attractiveness – in particular on an international scale – sometimes seems to resonate as an obsession among the Brussels elite, as it does among those in other cities. This vision is very clear in the PRDD:

“The economic development of Brussels is therefore based on the requalification of economic sectors, support for sectors which create jobs and quality for Brussels and on improving its international attractiveness. The means implemented by the Region to promote its assets among foreign investors are only effective if this attractiveness is real and perceived as such by the latter.”¹

- 3 This article examines the need to emphasise internationalisation in the policy of the Brussels-Capital Region, in particular the wish to attract capital in the strategic field of advanced services. The argument is twofold. Firstly, Brussels is an international city. Its internationalisation is based on its political function and its strong insertion in advanced service networks on a European and global scale. Brussels is described in the literature as a major hub in international advanced services networks (see box for a brief discussion of the definition of these concepts), notably in the most famous of these rankings positioning cities in interurban networks of international advanced services firms, compiled by GAWC² [see for example, Beaverstock *et al.*, 2000; Taylor and Derudder, 2016]. In such a context, international attractiveness is a reality of the Brussels economy, whose major challenge is undoubtedly not so much development as maintenance.
- 4 Secondly, the deciding factors for the location of these services and their dynamics depend on factors over which local authorities have little influence. These advanced services, concentrated in a network of global cities, are at the heart of control and command functions, ensuring the coordination and governance of global production chains as well as assistance provided to their clients in entering financial markets [Bassens and van Meeteren, 2015]. The geography of these services is therefore in keeping with a hierarchical logic, with the most specialised services being produced by the most central locations within the urban networks. This geography of advanced services thus reproduces in its very structures the hierarchies of urban systems, sometimes monocentric (as in France, Belgium and the United Kingdom), and sometimes polycentric (as in Germany). Indeed, these services depend on the specialisation of the labour force or the services associated with them, forming what Sassen [1991] calls an advanced services complex. Agglomeration economies, i.e. the competitive advantage resulting from the geographical concentration of activity, therefore play an important role in these sectors, explaining their grouping within the major metropolises, or even in certain specialised districts of these metropolises (La Défense in Paris, the City in London). If we look at the dynamics of these activities, we notice that macroeconomic (low interest rates, new regulations after 2008, etc.) and geopolitical (Brexit, protectionism, etc.) developments weigh heavily on their global and European spatial changes.
- 5 After presenting the geography of advanced services in Brussels and its dynamics (section 1), the article will be structured around three policy issues, which also correspond to different scales of analysis. Starting from the position of Brussels on the global and European map of advanced services, section 2 will examine the opportunity

for Brussels to improve its international position, i.e. the advantage in pursuing such a policy as well as the Region's ability to influence these dynamics. Section 3 proposes a political reflection on another scale: based on the geography of advanced services in Brussels, in particular the differences observed between the centre – likened essentially to BCR – and the outskirts, we assess the possibility of action to improve the position of the centre in the Brussels metropolitan space. Section 4 focuses on the broader impact of advanced services on the economic and social area of BCR.

1. Brussels: a major hub for advanced services

- 6 Brussels is high up on the world urban hierarchy and, together with Zurich, is the smallest city in this position [Taylor and Derudder, 2016]. This ranking is based on Sassen's [1991] idea that the globalisation of production implies a concentration of strategic activities necessary for the functioning of the global economy, in particular advanced services (financial, legal, etc.), as well as their networking on a global scale. Global cities therefore owe their strategic position both to their strong global connectivity and to the benefits which firms derive from the concentration of specialised services within them. At Belgian level, based in particular on their own surveys, various authors [Vandermotten *et al.*, 2006; Hanssens and Derudder, 2011] underline the leading role of Brussels in the Belgian urban network: Brussels is the best connected city at global level, as well as at national level.
- 7 The predominance of Brussels is based on two essential pillars. On the one hand, Brussels is the main centre for advanced services for the national market, in particular via the regional or national head offices of major international firms [Hanssens and Derudder, 2011]. This predominance is therefore based on the centrality of Brussels in a relatively restricted national market [Vandermotten *et al.*, 2006], as well as on the very high density of advanced services which the firms there can rely on locally. Brussels thus emerges as the hub of intermediation between the global networks of transnational firms and the national market. Almost half of the advanced services at national level are concentrated in Brussels: the city and its outskirts³ even account for nearly 66 % of national added value in the finance and insurance sectors (54 % of national employment), including 55 % for BCR alone; the concentration is lower for property activities (32,9 %) and legal, accounting and management services (44,6 %) (see table 1). In Europe, this level of concentration is exceeded only by a few secondary cities (Dublin, Athens, Helsinki, Budapest, Lisbon), which have a hegemonic weight in their national urban hierarchy (figure 1). On the other hand, its status as the seat of the European institutions explains the location of specialised advanced services, in particular legal services, including lobbying and information services [Elmhorn, 1998; Vandermotten *et al.*, 2015]. The significance of Brussels as a metropolis is therefore not characterised in terms of the location of the head offices of large international firms [Vandermotten *et al.*, 2014], but rather in terms of advanced services, as they provide the interface between global stakeholders and the national market, or develop on the fringes of the international political and administrative functions of Brussels.

Table 1. Weight (%) of Brussels in the national total and significance (%) of the various advanced services in the Brussels economy, 2014

		Weight (in %) of the functional city in the national total	Including BCR	Total BCR, in jobs and in millions of euros	Proportion of the different sectors in the functional city, in %	Proportion of the various sectors in BCR, in %
	Population	29,5	10,5	1175173		
Employment	Consultancy and computer programming	51,8	18,2	10869	2,1	1,6
	Information services	53,2	34,2	3410	0,4	0,5
	Financial and insurance services	53,9	40,4	58879	5,3	8,8
	Property	36,8	19,0	8763	1,1	1,3
	Legal and accounting activities	38,4	16,4	11588	1,8	1,7
	Head offices; consultancy	56,7	25,3	18421	2,8	2,8
	Advertising and market research	51,3	25,4	6362	0,9	1,0
	Advanced services	49,5	27,5	118292	14,3	17,7
	Employment	33,2	14,9	667889	100	100
Added value	Information and communication services	61,3	22,9	1295	2,9	2,2
	Financial and insurance services	65,8	54,9	11074	11,2	18,5
	Property	32,9	14,3	3988	7,8	6,7

Legal, accounting and consultancy services	44,6	19,5	4890	9,4	8,2
Advertising and other activities	54,1	31,6	668	1,0	1,1
Advanced services	47,3	27,1	21915	32,3	36,7
Added value	37,0	18,7	59786	100	100

Sources: BNB, ONSS and INASTI calculations

- 8 As a result, the Brussels economy is highly specialised in advanced services. Figure 1 shows a very high level of specialisation in business and financial services, i.e. approximately 35 % of the local economy, a level similar to that of Frankfurt or Milan, which is only surpassed by global centres in Europe, namely Paris, Amsterdam and London. The finance and insurance sectors account for more than half of these advanced services for the Brussels-Capital Region, a little less if we consider the entire functional city (table 1). On the other hand, advanced services account for only 17 % of employment. This large gap is largely due to finance, which accounts for more than 18 % of BCR added value for 9 % of employment. Jobs are therefore twice as “productive” or, in other words, generate twice as much income – from labour or capital – as the average. We shall take a further look at this gap between the weight of advanced services in Brussels in the economy and in employment. However, it should be noted from the outset that this higher productivity is at least partly due to the capacity to extract value produced by the economy as a whole; in other words, the key position of finance allows it to extract income from the global economy without having to take risks, since the bankruptcy of the major financial groups would drag the entire economy into a major crisis [Barth and Wihlborg, 2016; Parnreiter, 2019; Krätke, 2014].

Box 1. Advanced services

In the literature inspired by Sassen [1991], advanced services include the strategic activities necessary for the functioning of a global economy, while the production of low-skilled and/or general goods or services is increasingly dispersed on a global scale. Instead, these strategic activities are concentrated in global cities. According to the classic definition, they include finance and insurance, accounting, legal services and advertising. It is not a question of discussing the relevance of this definition, which would lead to endless debates. On the other hand, let us underline some of the difficulties in the operationalisation of this definition:

- the existing sectoral classifications do not allow these sectors to be covered easily, in particular for measuring added value or in European comparisons. In practice, the figures produced in this article therefore do not always use exactly the same definition, especially when it comes to measuring added value;

- a significant proportion of the advanced service sectors are in practice simple customer services (legal services, accounting services, etc.), and by no means strategic services on a global scale. In short, by measuring the number of jobs in the advanced service sectors, we overestimate the weight of the strategic sectors. On the other hand, from a hierarchical point of view, the considerable weight of these activities in a given city is a relevant indicator, if one makes the reasonable assumption that the proportion of these services dedicated to local customers is similar within developed cities.

Figure 1. Proportion of the financial sector in local added value and proportion of the city in the national advanced services economy. A European comparison, 2013

Sources: Eurostat calculations

- 9 Moreover, advanced services have undoubtedly contributed to the growth of the economy in general, and of the Brussels economy in particular: between 1995 and 2014, growth in added value – especially in employment – was higher in these services than in the economy as a whole. More surprisingly, after 2008, while the financial sector is at the heart of the crisis at both global and national level, the added value of advanced services continues to grow at a higher rate than the rest of the metropolitan economy. However, after 2008, this growth has occurred with declining employment. This growth in advanced services and in finance in particular raises questions as to its role and impact. Indeed, the social (collective) benefits of the significance of finance can be questioned: since 2008 at least, the growth in added value has been disconnected from that of employment (table 3) [Waiengnier *et al.*, 2020]; it participates in the generalised process of financialisation, which is reflected, among other things, by the imperative of short-term profitability and supplying a large sphere which is detached from the production of goods and services [Harvey, 2007].
- 10 After this brief portrait of advanced services in Brussels, in the following sections we shall look at the opportunity and possibilities for action in the Brussels-Capital Region at different levels: that of international competition (section 2), that of intra-urban competition with the outskirts (section 3), and that of the economic and social impact of advanced services in BCR (section 4).

2. Can and should Brussels improve its international position in the advanced services economy?

- 11 The political issue regarding the attractiveness of Brussels for advanced services is essentially a question of how to improve the position of Brussels in interurban competition. This discussion will be based on a number of theoretical and empirical elements. Our central argument is twofold: advanced services in Brussels are largely captive; their dynamics depend on macroeconomic trends over which local authorities have little control.
- 12 *On the one hand*, advanced services in Brussels, as in other metropolises, are strongly rooted in the Brussels region, so that political action to maintain them or attract new investments can only produce very uncertain results. Advanced services in fact form a cluster, sometimes described as a “complex” of advanced service firms, or as location economies [Cook *et al.*, 2007]. The drivers of this type of spatial concentration of specialised activities are well described by economic geography. This concentration is based on the importance of the relations which these firms establish among themselves within the same sector; geographical proximity therefore appears to be critical for the operation of these firms, which very regularly require the services of other firms in the same sector of activity [Bassens and van Meeteren, 2015; Clark, 2005]. Table 2 shows the sectoral distribution of the intermediate consumption of advanced services, i.e. which services economic stakeholders in this sector consume, produced by other economic stakeholders from the same or other sectors. It appears that the advanced services sectors consume mainly other advanced services, accounting for 69 % of their total intermediate consumption [Federal Planning Bureau, 2013; Avonds *et al.*, 2016]. This is in keeping with the idea of a Brussels complex of advanced services. However, on closer examination, the bulk of this consumption is actually internal to each of these sectors: banks buy services from banks, as do advertisers from advertisers. There are only two big exceptions to this domination of intra-sectoral relations: the property sector has strong relations with the construction sector (25 %) and advertising with the publishing and audiovisual sectors (26 %). The question as to the existence of a complex comprising an interdependent network of firms from all advanced services thus remains open.
- 13 In any case (whether or not there is a complex which crosses the lines of the different advanced service activities), the competitiveness of advanced service firms is also based on a system of dense relations between firms, as it can depend on the respective abilities of different firms to provide a complex service [Cook *et al.*, 2007; Waiengnier *et al.*, 2020].

Table 2. Sectoral distribution of intermediate consumption of advanced services in the Brussels-Capital Region, 2010

	Information and communication technologies	Banks	Insurance	Auxiliaries	Property	Legal services - Head offices	Advertising	Advanced services
--	--	-------	-----------	-------------	----------	-------------------------------	-------------	-------------------

Information and communication technologies	37	5	3	5	1	2	1	5
Banks	5	38	13	19	6	10	2	18
Insurance	1	1	12	3	3	1	0	3
Financial auxiliaries	1	19	40	15	1	2	0	12
Property	1	2	2	2	10	4	0	3
Legal services - Head offices	9	11	12	13	10	43	13	20
Advertising	2	3	1	2	1	4	44	8
Advanced services	55	79	84	60	31	66	61	69
Other	45	21	16	40	69	34	39	31
Total	100	100	100	100	100	100	100	100

Reading: If we take the example of 9 % in the first column, it can be read as follows: 9 % of everything which information and communication technology firms consume in the rest of the Brussels economy is provided by legal services firms.

Source: Federal Planning Bureau, 2013

- 14 Beyond these market relations, the literature underlines the importance of “untraded interdependencies” [Storper, 1997], i.e. all of the informal relations between firms or their staff, ensuring for example the circulation of information or specific know-how. These “informal dependencies” are based in particular on trust between stakeholders, requiring direct and regular contact between them [Aguiléra, 2003]. Through these informal relationships, there is a flow of tacit and non-codified know-how [Clark, O'Connor, 1997; Asheim, Coenen and Vang, 2007]. Therefore, spatial proximity appears necessary for this circulation of information through informal contacts in distinct social spaces [Coffey and Shearmur, 2002], which explains the ongoing attractiveness of urban centres [see Pandit, Cook and Beaverstock, 2016 regarding London]. In a study on relations between professionals in advanced services [Waiengnier *et al.*, 2020], it appears that the metropolitan scale remains the scale on which interactions between professionals take place most of the time: for one in ten professionals, the interaction takes place in the same street or neighbourhood, and for one in two professionals, on the scale of the city or its immediate outskirts. For certain activities such as those of international law firms, physical proximity to the European institutions and the other law firms is of vital importance and is marked by a shared presence, sometimes even in the same building or street [Van Crielingen *et al.*, 2005]. Thus, despite the possibilities opened up by digital communication technologies, a large part of the exchanges between advanced service firms remains rooted in the Brussels region. This is in

keeping with the idea that firms benefit from their proximity to other firms and to urban infrastructures. Agglomeration economies therefore play a role in the location choices of firms, even those of international stakeholders such as advanced services.

- 15 In addition to this, let us mention the existence of a pool of skilled labour, whose mobility (between firms) can be a factor in the circulation of information, as well as the existence of infrastructures necessary for the operation of these activities, such as international air connectivity. All of these factors leave no doubt regarding the fact that the activities of specialised services are strongly anchored in the Brussels region.
- 16 This regional anchoring is especially strong as it is also based on the specific characteristics of Brussels, in particular its status as national capital and seat of the European institutions. This dual status explains why Brussels acts as an interface between the global or European and national economy, and also hosts a whole range of activities related to the European institutions (communication, lobbying, legal services, etc.). For example, as the national capital, Brussels has been home to the head offices of the major financial institutions since the 1830s and is therefore at the heart of national economic decision-making, with strong links to the political institutions. This function continues to this day. And as the seat of the European institutions since the 1960s, Brussels has developed other specific activities. In any case, firms and networks of firms are being formed, strongly rooted in the Brussels region [Vandermotten, 2014].
- 17 *On the other hand*, the dynamics of advanced services respond more to macroeconomic trends or geopolitical decisions than to the action of the regional authorities. Macroeconomic trends weigh very heavily on the location choices of advanced service firms. For example, they are the result of technological developments, which have led to the geographical concentration of strategic activities [Sassen, 1991]. The processes of internationalisation and consolidation of the banking world, visible since the 1990s at European level, are reflected in waves of mergers and acquisitions in the European banking sector and have major consequences on financial activities in Brussels [Berger *et al.*, 1999; Jeffers and Oheix, 2003]. Indeed, the emergence of large multinational banking groups has led to an intensification of the international division of labour, resulting for example in the relocation of strategic or routine activities [Troudart, 2012; Finance, 2016]. These processes accelerated further in Belgium after the 2008 crisis. For example, following the takeover of Fortis by BNP-Paribas [Vincent, 2012], the Brussels head office has lost certain strategic activities to the Paris head office, and more routine activities to the Lisbon and Warsaw head offices.
- 18 In addition, certain political decisions, such as the choice of Brussels as the seat of the European institutions or Brexit, also have significant consequences for advanced services activity.
- 19 To conclude, the location of advanced services is subject to a dual system of constraints on which local political action weighs little: macro-economic or political developments, on the one hand, and regional anchoring resulting from the density of local relationships or dependence on the specific features of the area in which these activities are located, on the other hand. The levers available to the Region (the mobility policy, part of the tax policy, etc.) therefore seem to be insufficient in order to influence the location choices of international groups in activities which are strongly anchored in the region, therefore unlikely to relocate, and dependent on structural trends at macroeconomic and macro-political level.

3. Internal geography of advanced services and competition between centre and outskirts

- 20 Here we propose a change of scale, by examining the location logic of advanced services within the Brussels metropolitan area. The policy issue underlying this analysis is the competition between the centre – likened to BCR – and the outskirts in attracting advanced service firms.
- 21 At the scale of the functional area of Brussels, the geography of advanced services is characterised, on the one hand, by strong centrality and, on the other hand, by a certain tendency towards the spatial concentration of different activities, such as accounting or finance (figure 2). These two processes are not similar, since the concentration of certain activities can take place in peri-urban areas, as is the case of the large accounting firms in the functional city of Brussels (Zaventem is an example).
- 22 Figure 2 illustrates the very high concentration in the centre of Brussels of approximately 100 000 jobs (116 000) in advanced services. The main stakeholders in the sector – in particular the financial sector – are located in the historic centre and the European quarter, located immediately east of the pentagon, between Arts-Loi and Schuman (figure 2). This is also where the European institutions have been located since the 1960s, generating the development of specialised private services (lobbying, legal services, etc.). The map also illustrates the significance of the North quarter. This business district created in the 1960s took off only in the 1990s, and today represents a major centre of activity. In addition, there are smaller clusters, notably along Avenue Louise, with a concentration of legal services, and along Boulevard du Souverain in the southeast of the city. The map also illustrates more dispersed activities in the city, due to the many small and medium-sized stakeholders, whose activities are largely focused on local clients (accountants, law firms, etc.). On the outskirts, the biggest cluster is in the northeast, to some extent due to the presence of the airport and the property developments partly associated with it. In the south, certain hubs in Walloon Brabant, such as Wavre or Louvain-la-Neuve, are characterised by more modest concentrations.
- 23 Thus the location of different types of activity within the urban space depends on their nature, i.e. fundamentally on the need and ability to occupy a central position. The search for centrality can be explained in several ways: prestigious location, proximity to other economic stakeholders and/or to political stakeholders, importance of direct formal or informal contacts, etc. [Aguilera, 2002; Gaschet and Lacour, 2002]. From this perspective, there is undoubtedly some complementarity within the urban space: the most qualified and prestigious activities seek a central location while the more commonplace activities tend to be located on the outskirts [Cook *et al.*, 2007]. While financial activities remain very central, the major international stakeholders in auditing and accounting have favoured a more peripheral location close to the airport, outside BCR.
- 24 However, in large developed cities, the peripheralisation of economic activities appears to be a major trend [Garreau, 1991; Halbert, 2005; Fernandez, 2011]. The drivers of this type of process have been explored widely in the literature: essentially, the peripheral hubs of large metropolises provide all the necessary externalities without the costs associated with congestion in urban centres [Garreau, 1991]. The intensity of this process depends on the context and seems to be stronger in North America than in

Europe, where the prestige of a central location appears to persist. Above all, the studies point out that the decline of the centres is relative and not absolute; in other words, the expansion of advanced services is taking place more on the outskirts without employment decreasing in the central areas [Coffey and Shearmur, 2002]. In addition, there is a trend towards the concentration of activities with higher added value in central areas [Shearmur and Alvergne, 2002].

Figure 2. Location of advanced services in Brussels, according to neighbourhood within BCR and to former municipality in the rest of the area, 2014

Note: The Brussels employment area comprises all of the municipalities in which more than 15 % of employed residents work in the Brussels-Capital Region. This excludes outlying Flemish centres such as Mechelen or Leuven.

Data source: D-Bris database, DGSIE

- 25 Brussels is no exception. For decades, economic growth on the outskirts has been higher than in the city centre. In the 1960s, growth on the outskirts was based mainly on industry – following the deindustrialisation of the city centre – as well as on services to the population, which at that time followed the peri-urbanisation of the middle and upper classes of Brussels. Since the 1990s, even the Brussels outskirts have been de-industrialising, and strong growth there is now based on business services: in table 3, it is clear that business services are growing faster in the functional city as a whole than in the centre, and this gap is much greater in advanced services than in the economy as a whole.

Table 3. Average annual growth of advanced services (%) and the total economy in the centre and outskirts of Brussels, 1995-2014

	1995 – 2014	2008-2014

	BCR	Brussels functional city	- Country	BCR	Brussels functional city	- Country
Population	1,1	0,8	0,4	1,6	1,0	0,7
Total employment	0,5	0,9	1,3	0,2	0,6	0,6
Added value	1,7	1,9	2,2	1,0	0,8	0,6
Finance - Employment	-0,5	-0,4	-0,5	-2,2	-1,8	-1,4
Finance - AV	2,3	2,2	0,8	6,2	6,3	6,0
Advanced services - Employment	1,4	2,2	2,9	-0,1	0,6	1,4
Advanced services - AV	1,6	2,1	3,1	2,9	2,6	2,2

Source: National Bank, ONSS, INASTI - IGEAT calculations

- 26 As we have already pointed out, this growth on the outskirts is partly based on lower added value activities. We are dealing with a logic of complementarity here: the choice of a central or outlying location for firms is based on the nature of their activities and, whatever the location, firms remain connected in the Brussels economic area. Table 4 illustrates the superior productivity of advanced services in the centre, particularly in finance, where activities on the outskirts often amount to direct services to the population.

Table 4 Level of productivity (added value per job, in thousands of euros) in the advanced services sectors, 2008 and 2014

	BCR		Outskirts of Brussels	
	2008	2014	2008	2014
Information - communication services	9,7	9,7	8,0	9,5
Finance and insurance	11,6	18,5	7,8	11,4
Legal services, accounting, testing, consultancy, etc.	12,2	11,9	12,1	11,7
Other professional, technical and scientific activities	7,4	6,4	4,3	3,3
Advanced services	13,7	15,9	14,7	14,6
Total economy	8,5	8,9	7,2	7,0

Source: National Bank, ONSS, INASTI - IGEAT calculations

- 27 However, the differences illustrated in table 4 are still limited and these differential dynamics cannot be reduced to mere complementarity. On the one hand, from an

administrative point of view, centres and outskirts belong to different entities, which compete to attract jobs, capital and concomitant tax resources [Bourgeois *et al.*, 2015]. On the other hand, the nature of activities in the centre and the outskirts is not always so different: qualified activities have grown strongly on the outskirts, so that many activities could be located either on the edge of BCR or outside it. However, these differences in location, sometimes only a few hundred metres apart, have different impacts, particularly in terms of recruitment. For example, we have compared the recruitment of the workforce of advanced services in Evere and Zaventem, two neighbouring municipalities located respectively inside and outside BCR: while 31 % of jobs in advanced services in Evere are held by BCR residents, this figure drops to only 20 % for Zaventem (ONSS datas). The language issue as well as transportation networks could explain such differences over short distances.

4. The “social” impact of high-level services

- 28 It is no doubt possible that advanced services represent a major part of the Brussels ecoNOmy, like in most developed metropolises. The centrality of these sectors in the Brussels economy is also reflected in the significance of the indirect impact: according to the Federal Planning Bureau, the multiplier effect of advanced services on the Brussels economy reaches 0,64; this figure is higher than the average observed in the Brussels economy (0,55) [Federal Planning Bureau, 2013]. This can be explained, among other things, by the significance of intermediate consumption which remains internal to the Brussels advanced services sector, as we have already pointed out in section 2. On the other hand, the impact on employment is much more limited: the injection of €1 000 000 of final demand into advanced services – with all other things being equal – would create 4,89 jobs, a level below the average for BCR sectors, which would reach 6,6 jobs. Whatever the origin (productivity differences between activities, income situations, etc.), this difference actually reflects the creation of highly paid jobs in these activities, even if indirect impact on less qualified sectors is included. This decoupling (between economic and social dynamics) brings the social impact of advanced services on Brussels into perspective.
- 29 From the point of view of the labour force, advanced services therefore have their own characteristics, which partly determine the socio-economic impact on the city. Firstly, it is highly qualified and benefits on average from high salaries. More than two thirds of its workforce have a higher education degree, a level similar to other major cities but much higher than other economic activities in Brussels. In fact, Sassen [1991] identified at an early stage these globalised sectors concentrated in world cities as being responsible for the social polarisation of metropolises, between the highly paid employees of these global strategic sectors and the development of services to these populations, generating low-skilled and low-paid jobs. Already in the 1990s, Hamnett [1996] challenged this argument, showing that while there is a creation of high-paying jobs, there is a decline in low-skilled and/or low-paid jobs (for a summary of this debate, see Vaattovaara and Kortteinen [2003]). This seems to be the case in Brussels [Van Hamme *et al.*, 2011].
- 30 Secondly, the geography of recruitment for advanced services in Brussels appears to be outside Brussels: while 39 % of employees working in BCR reside there, this figure only reaches 29 % for advanced services, and 23 % for finance⁴. The explanation for this

difference is simple: historically, the process of peri-urbanisation is dependent on income and social status. It is therefore not surprising that high-paying sectors have higher proportions of their labour force residing on the outskirts. In any case, this limits the impact of advanced services on the Region's economy (particularly in terms of consumption and taxation) in several respects.

- 31 A final element clearly distinguishes advanced services recruitment in Brussels. In 2011, it was estimated that 0,76 % of the total advanced services labour force had resided in a foreign country only one year earlier (calculations based on DGSEI, 2011). This figure is much higher than that of the Brussels economy as a whole and is also higher than the recruitment of advanced services elsewhere in Belgium, for example in Antwerp (0,16 %). This reality confirms the strong integration of these activities into international networks, which also involves international recruitment or transfers of labour within the various international offices of a firm. Moreover, this international workforce has specific types of behaviour: an overwhelming number of these workers reside in the central neighbourhoods, in particular in the eastern part of the city (Ixelles, Woluwé, etc.). This geographical concentration of a mobile and highly paid international population gives rise to major property projects responding to a specific housing demand (short-term, furnished housing with all the necessary amenities, etc.). While the impact of these dynamics on the property market is difficult to demonstrate, its local consequences are reflected in sometimes large-scale projects, such as the one located at the former head office of Solvay in Ixelles [Locker, forthcoming]. The behaviour of the international elite is therefore usually different from that of the Brussels upper classes, due to its strong anchoring in an urban lifestyle.

Table 5. Geography of advanced services workforce recruitment in BCR, 2014

	BCR	Functional city outside BCR	Rest of the country	Total
Programming; IT consultancy	32	40	28	100
Finance - insurance	23	49	28	100
Property	63	29	8	100
Legal and accounting services	46	42	12	100
Head offices; management, consultancy	36	39	25	100
Engineering - architecture, testing and analysis	31	39	30	100
Advertising - market research	38	38	24	100
Advanced services	29	44	27	100
Total employment	39	37	24	100

Source: ONSS

Conclusion

- 32 As we have underlined on several occasions, advanced services are an important part of the Brussels economy and have contributed to regional economic growth over the last two decades.
- 33 It is therefore justified that the regional authorities are concerned about the dynamics of activities at the heart of the Brussels economy. These activities carried out by firms of different sizes, including many subsidiaries of large international groups, are the subject of competition between regions, particularly between metropolises. There are many examples of this type of interurban competition: for example, in the framework of Brexit, any relocation of activity, made necessary in some cases by the legal requirement to be located within the EU, is subject to competition between cities in order to attract these activities. This interurban competition to attract supposedly highly mobile activities and capital must, however, be put into perspective. On the one hand, the cities – via their networks of firms – are complementary: the primary national cities play an essential role of intermediation between the global economy and the national markets, as it is very difficult to enter a national market without being established there; there is also an international division of labour between the global cities [van Meeteren and Bassens, 2016]. On the other hand, it has been shown for Brussels that a large part of the advanced services activities is deeply rooted in the region. In addition to the relatively large proportion of simple services provided to a local clientele (comprising accounting, legal and financial services), advanced service firms are embedded in formal and informal networks which are deeply rooted in the Brussels economy, and their activities are also closely linked to the structural features of Brussels, national capital – and as such, a centre for services at the interface of the global and national economy – and seat of the European institutions. It is in this context that we must question the opportunity to establish attractiveness policies, as these are based on the dubious assumptions of the hypermobility of capital and the ability of regional authorities to influence location choices. The point here is not to deny the mobility of capital, but rather to put into perspective the benefit for international firms to move their concrete activities when their location is explained by local anchors, which are themselves integrated into global and interdependent interurban networks. We do not feel that it is an overstatement to say that these activities are captive in Brussels. Moreover, the dynamics of advanced services are subject to macroeconomic and geopolitical developments which are largely beyond the control of regional authorities: the 2008 crisis and its series of bankruptcies and public bailouts, digitisation – which is profoundly transforming the organisation of work in these sectors – and Brexit are among the most obvious illustrations of these global processes which have an impact on the functioning and geography of advanced services at all levels.
- 34 The competition between regions to attract economic activity, which is on the whole limited, has a more local dimension as well, particularly between BCR and its outskirts. In fact, for several decades now, economic growth on the outskirts has exceeded that in the centre, and the same is true for advanced services. Although partly based on the complementarity between centre and outskirts, with the location on the outskirts of activities which use more space and are more “commonplace”, activities with high

added value are also developing on the outskirts, taking advantage of less congestion and easy access to a diversified and highly qualified labour pool. However, as we have shown, a location within or outside BCR can be very different, for example in terms of workforce recruitment. Differences in property prices and affordability also play an important role. Therefore, an effective mobility policy could play a positive role in favour of a central location.

- 35 Finally, we have also raised the question as to the overall impact of these activities on the population of Brussels. In fact, two major features limit the positive impact for BCR: advanced services provide more added value than jobs, particularly in recent years when economic growth has been accompanied by a decline in employment, especially in finance; workers in these sectors have a strong tendency to reside outside BCR, limiting the impact on the regional economy. Moreover, these sectors recruit a large and highly mobile international workforce; while this workforce favours a central residence, their concentration in certain eastern neighbourhoods tends to influence the property supply, at least locally.
- 36 All of these considerations suggest that Brussels is a very international city, which seems to have little need to cultivate its attractiveness as it is an obvious fact of its sociology and economy. In other words, given the structural trends and the Region's limited competences, we are advocating somewhat provocatively that nothing be done, as the attractiveness policies pursued seem uncertain and sometimes have adverse effects for the populations in place. By “doing nothing”, we are suggesting more precisely to focus the capacity for action on other segments of the Brussels economy, which the Region can control and which require strong public action. It is therefore a question of identifying the sectors in which BCR can act on supply or demand, and whose economic and social impact is high, for example because the weight of firms and/or the Brussels workforce is significant.
- 37 Admittedly, the development of advanced services may face bottlenecks: recruitment of labour, availability of property, accessibility, etc. However, there is nothing to indicate the existence of such bottlenecks which would block the development of these activities in Brussels. If such blockages were to appear, they would not necessarily require a sectoral policy for the said services, but would rather be the result of general difficulties which the Region would have to face. Workforce training is one of these potential obstacles, which could only be addressed through the general improvement of the education system, which alone can train the necessary skilled workforce. The same is true for mobility issues, which can only be solved comprehensively within BCR by shifting to modes of transportation other than the car.

BIBLIOGRAPHY

AGUILÉRA, A., 2002. Services aux entreprises, centralité et multipolarisation. Le cas de Lyon. In: *Revue d'Économie Régionale et Urbaine*. 07/2002. No 3, pp. 397–442.

- AGUILÉRA, A., 2003. La localisation des services aux entreprises dans la métropole lyonnaise: entre centralité et diffusion. In: *Espace Géographique*. 2003. Vol. 32, no 2, pp. 128–140.
- ASHEIM, B., COENEN, C. and VANG, J., 2007. Face-to-face, buzz, and knowledge bases: sociospatial implications for learning, innovation, and innovation policy. In: *Environment and Planning C: Government and Policy*. 01/10/2007. Vol 25, no 5, pp. 655–670.
- AVONDS, L., HAMBÏE, C., HERTVELDT, B., MICHEL, B. and VAN DEN CRUYCE, B., 2016. Analyse du tableau input-output interrégional pour l'année 2010. In: *Working papers*. Bureau fédéral du Plan. 04/2016. No 5-16. Available at the address: http://statistics.brussels/files/publications/external-publications/WP_1605_11199_F.pdf
- BASSENS, D. and VAN MEETEREN, M., 2015. World cities under conditions of financialized globalization: Towards an augmented world city hypothesis. In: *Progress in Human Geography*. 01/12/2015. Vol 39, no 6, pp. 752–775.
- BARTH, J. and WIHLBORG, C., 2016. Too Big to Fail and Too Big to Save: Dilemmas for Banking Reform. In: *National Institute Economic Review*. 01/02/2016. Vol. 235, no 1, pp. 27–39.
- BERGER, A. N., DEMSETZ, R. S. and STRAHAN, P. E., 1999. The consolidation of the financial services industry: Causes, consequences, and implications for the future. In: *Journal of Banking and Finance*. 02/1999. Vol. 23, no 2, pp. 135–194.
- BEAVERSTOCK, J., SMITH, R., TAYLOR, P.J., WALKER, D.R.F. and LORIMER, H., 2000. Globalization and World Cities: Some Measurement Methodologies, In: *Applied Geography*. 01/2000. Vol. 20, no 1, pp. 43–63.
- BOURGEOIS, M., HALLEUX, J.-M., PAGANO, G., BRUNET, S. and GUYOT, J.-L., 2015. *Amélioration de l'attractivité et de la compétitivité du territoire wallon pour le secteur des services supérieurs: Étude stratégique exploratoire*. Belgrade: IWEPS. Research report no 14.
- BUREAU FÉDÉRAL DU PLAN, 2013. Tableaux Entrées-Sorties 2010. Brussels: Bureau fédéral du Plan.
- CASIER, C., forthcoming. « Faire de la place. » Les migrants européens aisés et la transformation du quartier Solvay (Bruxelles). In: *Territoire en mouvement*. Publication planned for 01/2020.
- CLARK, G.L., 2005. Money flows like mercury: The geography of global finance. In: *Geografiska Annaler, Series B: Human Geography*. Special Issue. Power Over Time-Space: The Inaugural Nordic Geographers Meeting. 2005. Vol. 87, no 2, pp. 99–112.
- CLARK, G.L. and O'CONNOR, K., 1997. The informational content of financial products and the spatial structure of the global finance industry. In: COX, K. (ed.), *Spaces of Globalization: reasserting the power of the local*. New York, London: Guilford Press. pp. 89–114.
- COFFEY, W. J. and SHEARMUR, R. G., 2002. Agglomeration and Dispersion of High-order Service Employment in the Montreal Metropolitan Region, 1981–96. In: *Urban Studies*. 03/2002. Vol. 39, no 3, pp. 359–378.
- COOK, G., PANDIT, N., BEAVERSTOCK, J., TAYLOR, P. and PAIN, K., 2007. The role of location in knowledge and diffusion: evidence of centripetal and centrifugal forces in the City of London financial services agglomeration. In: *Environment and Planning A*. 01/06/2007. Vol. 39, no 6, pp. 1325–1345.
- ELMHORN, C., 2001. *Brussels, a reflexive world city*. Doctoral thesis in economic history. Stockholm: University of Stockholm.

- FERNANDEZ, R., 2011. *Explaining the decline of the Amsterdam Financial Centre*. Doctoral thesis in social sciences. Amsterdam: University of Amsterdam.
- FINANCE, O., 2016. *Les villes françaises investies par les firmes transnationales étrangères: des réseaux d'entreprises aux établissements localisés*. Doctoral thesis in geography. Paris: Université Paris 1 Panthéon-La Sorbonne.
- GARREAU, J., 1991. *Edge City: Life on the New Frontier*. New York: Doubleday.
- GASCHET, F. and LACOUR, C., 2002. Métropolisation, centre et centralité. In: *Revue d'Économie Régionale et Urbaine*. 02/2002. No 1, pp. 49-72.
- HALBERT, L., 2005. Le desserrement intra-métropolitain des emplois d'intermédiation: Une tentative de mesure et d'interprétation dans le cas de la région métropolitaine parisienne. In: *Géographie Économie Société*. 2005. Vol. 7, no 1, pp. 1-20. Available at the address: <https://www.cairn.info/revue-geographie-economie-societe-2005-1-page-1.htm>
- HAMBÛE, C., 2013. Les multiplicateurs de production, de revenu et d'emploi 1995-2005, une analyse entrées-sorties à prix constants, In: *Working papers*. Bureau fédéral du Plan. 09/2013. Available at the address: https://www.plan.be/uploaded/documents/201310310809230.WP_1308_10343.pdf
- HAMNETT C., 1996. Social polarisation, Economic restructuring and welfare state regimes. In: *Urban studies*. 01/10/1996. Vol. 33, no 8, pp. 1407-1430.
- HANSSENS, H. and DERUDDER, B., 2011. The urban geography of advanced producer service transaction links in Belgium. In: *Belgeo*. 2011. Vol. 2011, no 1-2, pp. 17-28. Available at the address: <https://journals.openedition.org/belgeo/6345>
- HARVEY, D., 2007. *A brief history of Neoliberalism*, Oxford: Oxford University Press.
- JEFFERS, E. and OHEIX, V., 2003. Concurrence et concentration bancaires en Europe. In: *Revue d'économie Financière*. 2003. Vol. 72, pp. 223-242. Available at the address: https://www.persee.fr/doc/ecofi_0987-3368_2003_num_72_3_4881
- KRÄTKE, S., 2014. Cities in contemporary capitalism. In: *International Journal of Urban and Regional Research*. 09/2014. Vol. 38, no 5, pp. 1660-1677.
- PANDIT, N. R., COOK, G. A. S. and BEAVERSTOCK, J. V., 2016. Economies and diseconomies of clusters: Financial services in the city of London. In: BELUSSI F. and HERVAS-OLIVER J.-L. (éds.), *Unfolding Cluster Evolution*. London: Routledge. pp. 23-38.
- PARNREITER, C., 2010. Global cities in Global Commodity Chains: exploring the role of Mexico City in the geography of global economic governance. In: *Global Networks*. 01/2010. Vol. 10, no 1, pp. 35-53.
- PARNREITER, C., 2019. Global cities and the geographical transfer of value. In: *Urban Studies*. 01/01/2019. Vol. 56, no 1, pp. 81-96.
- SASSEN, S., 1991. *The Global City*. Princeton: Princeton University Press.
- SHEARMUR, R. and ALVERGNE, C., 2002. Intrametropolitan patterns of high-order advanced service location: A comparative study of seventeen sectors in Ile-de-France. In: *Urban Studies*. 01/06/2002. Vol. 39, no 7, pp. 1143-1163.
- STORPER, M., 1997. *The Regional World: Territorial Development in a Global Economy*. London: Guilford Press.

- TAYLOR, P. and DERUDDER, B., 2016. *World City Network: A Global Urban Analysis* (2nd edition). London, New York: Routledge.
- TOOZE, A., 2018. *Crashed: How a decade of financial crises changed the world*. London: Penguin.
- TROUDART, J., 2012. *Analyse et comparaison des stratégies d'internationalisation des banques*, Thesis in management sciences. Bordeaux: Université Montesquieu – Bordeaux IV.
- VAATTOVAARA, M. and KORTTEINEN, M., 2003. Beyond polarisation versus professionalisation? A case study of the development of the Helsinki region, Finland. In: *Urban studies*. 01/10/2003. Vol. 40, no 11, pp. 2127-2145.
- VAN HAMME, G., WERTZ, I. and BIOT, V., 2011. La croissance économique sans le progrès social: l'état des lieux à Bruxelles. In: *Brussels Studies*, General collection. 28/03/2011. No 48, pp. 1-21. Available at the address: <https://journals.openedition.org/brussels/850>
- VANDERMOTTEN C., 2014. *Bruxelles, une lecture de la ville*, Brussels: Editions de l'ULB
- VAN MEETEREN, M. and BASSENS, D., 2016. World Cities and the Uneven Geographies of Financialization: Unveiling Stratification and Hierarchy in the World City Archipelago. In: *International Journal of Urban and Regional Research*. 01/2016. Vol. 40, no 1, pp. 62-81.
- VANDERMOTTEN, C., LECLERQ, E., CASSIERS, T. and WAYENS, B., 2009. L'économie bruxelloise. In: *Brussels Studies*, Synopsis. 26/01/2009. EGB no 7, pp. 1-13. Available at the address: <https://journals.openedition.org/brussels/934>
- VANDERMOTTEN, C., ROELANDTS, M., AUJEAN, L. and CASTIAU, E., 2006. Central Belgium: polycentrism in a federal context. In: HALL, P. and PAIN, K. (eds.), *The Polycentric Metropolis: Learning from Mega-City Regions in Europe*. London: Earthscan. pp. 146-153.
- VINCENT, A., 2012. Restructurations et réductions d'emplois dans le secteur bancaire belge. In: *Les analyses du CRISP* [online]. 18/12/2012. Available at the address: <http://www.crisp.be/2012/12/restructurations-et-r%C3%A9ductions-d%e2%80%99emplois-dans-le-secteur-bancaire-belge/>
- WAIENGNIER, M., VAN HAMME, G., HENDRIKSE, R. and BASSENS, D., 2020. Metropolitan Geographies of Advanced Producer Services: Centrality and Concentration in Brussels. In: *Tijdschrift voor economische en sociale geografie*. 09/2020. Vol. 111, no 4, pp. 585-600.

NOTES

1. Plan régional de développement durable (PRDD). Available at the address: http://perspective.brussels/sites/default/files/documents/prdd_2018_fr.pdf
2. See for example the 2018 ranking. Available at the address: <https://www.lboro.ac.uk/gawc/world2018t.html>
3. In this study, we define Brussels as the functional city, i.e. the Brussels-Capital Region and its employment area, defined as all municipalities which send more than 15 % of their working population to BCR. The employment centre is likened to BCR itself. This definition is illustrated on Map 1.
4. Calculations based on ONSS data, 2014.

ABSTRACTS

Based on an analysis of the dynamics of advanced services in the Brussels economy, which account for more than a third of the total added value in BCR (Brussels-Capital Region), this article looks at the necessity for international attractiveness which accompanies the development of these services. Three reflections are developed in this framework. Firstly, given the international nature of the Brussels economy, the need as well as the possibility to strengthen the international economy linked to advanced services are examined. Next, the competition between the centre and the outskirts in the area of advanced services is examined. Finally, a critical analysis of the social impact of this economy is carried out, highlighting in particular the fact that these activities create few jobs.

À partir d'une analyse des dynamiques des services avancés dans l'économie bruxelloise, comptant pour plus d'un tiers de la valeur ajoutée totale de la RBC, cet article s'interroge sur l'impératif d'attractivité internationale qui accompagne le développement de ces services. Trois réflexions sont développées dans ce cadre. D'abord, partant du constat du caractère très international de l'économie bruxelloise, on propose de s'interroger sur la nécessité et la possibilité de renforcer l'économie internationale liée aux services avancés. Ensuite, une réflexion est menée sur les concurrences entre le centre et les périphéries dans les services avancés. Enfin, une analyse critique de l'impact social de cette économie est proposée, soulignant notamment le caractère peu créateur d'emplois de ces activités.

Op basis van een analyse van de dynamieken van de geavanceerde diensten in de Brusselse economie, goed voor meer dan een derde van de totale toegevoegde waarde van het Brussels Gewest, onderzoekt dit artikel de noodzaak van internationale aantrekkelijkheid die gepaard gaat met de ontwikkeling van deze diensten. In dat kader belichten de auteurs drie punten van overweging. Eerst en vooral staan ze, gezien het zeer internationale karakter van de Brusselse economie, stil bij de noodzaak en de mogelijkheid om de internationale economie die gekoppeld is aan de geavanceerde diensten te versterken. Vervolgens gaan ze dieper in op de concurrentie tussen het centrum en de rand in de sector van de geavanceerde diensten. Tot slot reiken ze een kritische analyse van de sociale impact van deze economie aan, waarbij ze vooral benadrukken dat deze activiteiten weinig arbeidsplaatsen creëren.

INDEX

Subjects: 6. économie – emploi

Keywords: economic development, internationalisation

Trefwoorden: economische ontwikkeling, internationalisering

Mots-clés: développement économique, internationalisation

Funder: <http://dx.doi.org/10.13039/501100004744>

AUTHORS

GILLES VAN HAMME

Gilles Van Hamme is a professor of economic geography at Université libre de Bruxelles.
gvhamme[at]ulb.ac.be

MAËLYS WAIENGNIER

Maëlys Waiengniez is a doctoral student at ULB-VUB. Her research focuses on the dynamics of advanced services in Brussels.

`mwaiengn[at]ulb.ac.be`

DAVID BASSENS

David Bassens is a professor of economic geography at VUB. His research focuses in particular on the financial sector.

`david.bassens[at]vub.be`

REIJER HENDRIKSE

Reijer Hendrikse is a postdoctoral researcher. As a financial geographer, his research interests are broadly centered on the interface between financial development, global city formation and the state.

`reijer.hendrikse[at]vub.ac.be`