

KEY ISSUE 1

Where Are Services Distributed?

- Three Types of Services
- Rising and Falling Service Employment

Services generate more than two-thirds of GDP in most developed countries, compared to less than one-half in most developing countries (Figure 12-2). Logically, the distribution of service workers is opposite that of the percentage of primary workers (refer to Figure 10-6).

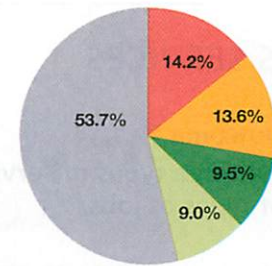
Three Types of Services

The service sector of the economy is subdivided into three types—consumer services, business services, and public services. Each of these sectors is divided into several major subsectors.

CONSUMER SERVICES

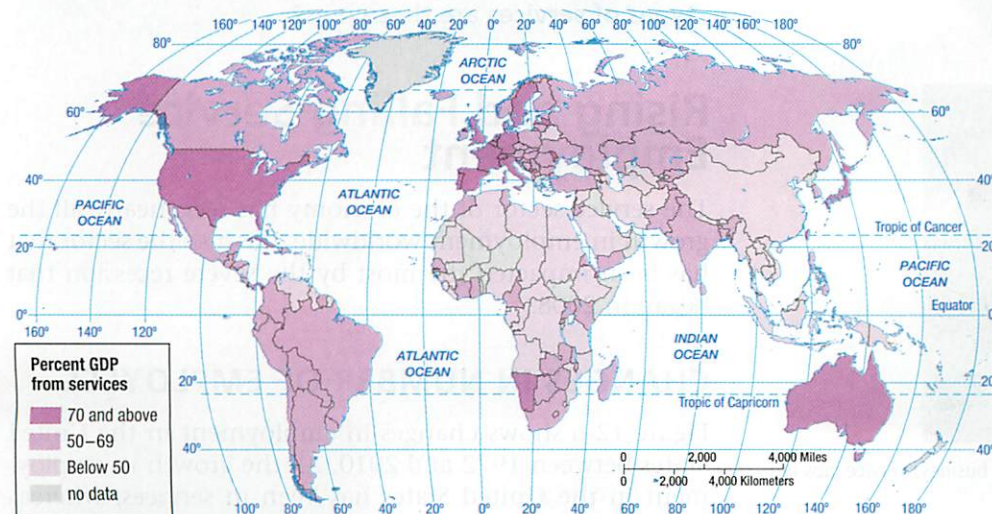
The principal purpose of **consumer services** is to provide services to individual consumers who desire them and can afford to pay for them. Nearly one-half of all jobs in the United States are in consumer services. Four main types of consumer services are retail, education, health, and leisure (Figure 12-3):

- **Retail and wholesale services** comprise about 14 percent of all U.S. jobs. Department stores, grocers, and motor vehicle sales and service account for nearly one-half of these jobs; another one-fourth are wholesalers that provide merchandise to retailers.
- **Education services** comprise about 15 percent of all U.S. jobs. Figure 12-3 shows only 9.5 percent in education services, because it does not include public school teachers, who are shown separately in Figure 12-5.
- **Health and social services** comprise about 14 percent of all U.S. jobs. One-third are in hospitals, one-half in other health care services, such as doctors' offices and nursing homes, and one-sixth in social assistance.
- **Leisure and hospitality services** comprise about 9 percent of all U.S. jobs. Three-fourths of these jobs are in restaurants, bars, and lodging; the other one-fourth are the arts and entertainment.



▲ **FIGURE 12-3 U.S. CONSUMER SERVICES** Most consumer service jobs are in retail and restaurants.

▼ **FIGURE 12-2 PERCENTAGE OF GDP FROM SERVICES** Services account for more than two-thirds of GDP in developed countries, compared to less than one-half in developing countries.



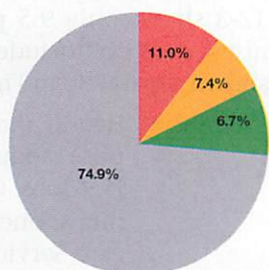
BUSINESS SERVICES

Learning Outcome 12.1.1

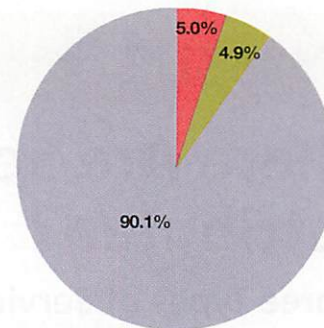
Describe the three types of services and changing numbers of types of jobs.

The principal purpose of **business services** is to facilitate the activities of other businesses. One-fourth of all jobs in the United States are in business services. Professional services, financial services, and transportation services are the three main types of business services (Figure 12-4):

- *Professional services* comprise about 11 percent of all U.S. jobs. Technical services, including law, management, accounting, architecture, engineering, design, and consulting, comprise 60 percent of professional services jobs. Support services, such as clerical, secretarial, and custodial work, account for the other 40 percent.
- *Financial services* comprise about 7 percent of all U.S. jobs. This sector is often called “FIRE,” an acronym for finance, insurance, and real estate. One-half of the financial services jobs are in banks and other financial institutions, one-third in insurance companies, and the remainder in real estate.
- *Transportation and information services* comprise about 7 percent of all U.S. jobs. Transportation, primarily trucking and warehousing, account for 60 percent of these jobs. The other 40 percent are in information services such as publishing and broadcasting, as well as utilities such as water and electricity.



▲ **FIGURE 12-4 U.S. BUSINESS SERVICES** Most business service jobs are in professional services.



▲ **FIGURE 12-5 U.S. PUBLIC SERVICES** Most public service jobs are in local government.

PUBLIC SERVICES

The purpose of **public services** is to provide security and protection for citizens and businesses. About 10 percent of all U.S. jobs are in the public sector (Figure 12-5). Excluding educators, one-sixth of public-sector employees work for the federal government, one-fourth for one of the 50 state governments, and three-fifths for one of the tens of thousands of local governments (Figure 12-5). The census classifies another 5 percent of jobs as “other services” because they don’t fall logically under the categories of consumer, business, and public services.

Pause and Reflect 12.2.1

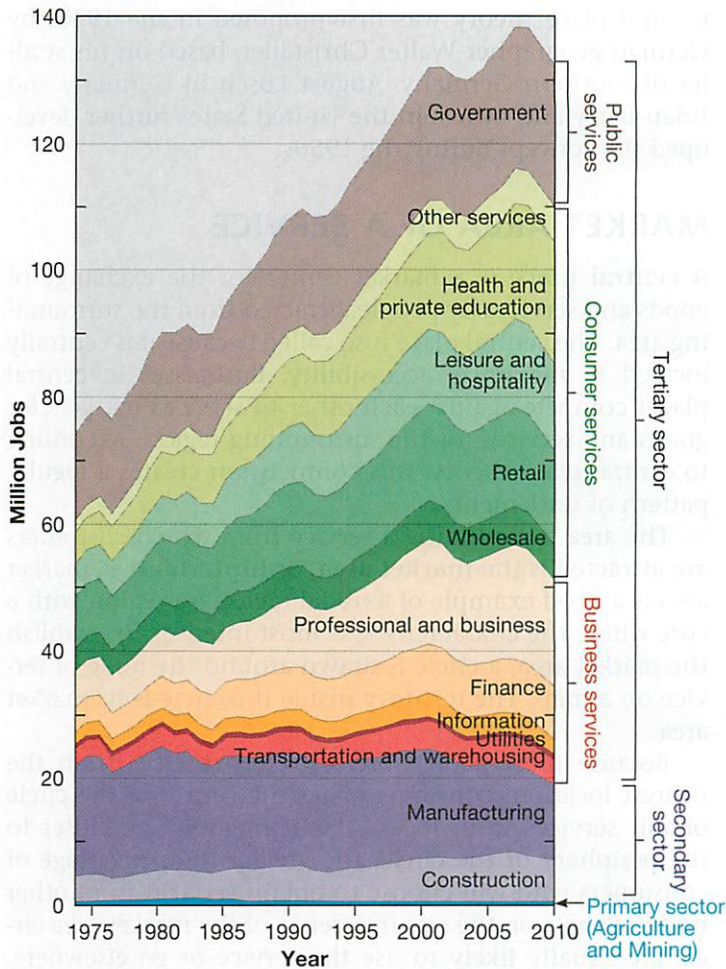
In which sectors of the economy do you or members of your family work? If in the service sector, in which types of services are these jobs?

Rising and Falling Service Employment

The service sector of the economy has seen nearly all the growth in employment worldwide. It is also the sector that has been impacted the most by the severe recession that began in 2008.

CHANGES IN NUMBER OF EMPLOYEES

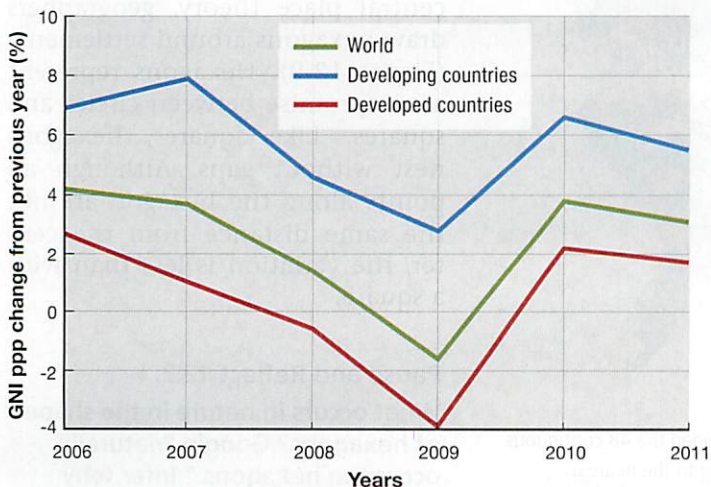
Figure 12-6 shows changes in employment in the United States between 1972 and 2010. All the growth in employment in the United States has been in services, whereas



▲ **FIGURE 12-6 CHANGES IN U.S. EMPLOYMENT** Jobs have increased in the service sector.

employment in primary- and secondary-sector activities has declined.

Within business services, jobs expanded most rapidly in professional services (such as engineering, management, and law), data processing, advertising, and temporary



▲ **FIGURE 12-7 GNI CHANGE** GNI per capita declined during the severe recession that began in 2008.

employment agencies. Jobs grew more slowly in finance and transportation services because of improved efficiency—fewer workers are needed to run trains and answer phones, for example.

On the consumer services side, the most rapid increase has been in the provision of health care, including hospital staff, clinics, nursing homes, and home health-care programs. Other large increases have been recorded in education, entertainment, and recreation. The share of jobs in retailing has not increased; more stores are opening all the time, but they don't need as many employees as in the past.

SERVICES IN THE RECESSION

The service sector of the economy has been the engine of growth in the economy of developed countries, even as industry and agriculture have declined. But it was the service sector that triggered the severe economic recession that began in 2008. Principal contributors to the recession were some of the practices involved in financial services and real estate services, including:

- A rapid rise in real estate prices, encouraging speculators to acquire properties for the purpose of reselling them quickly at even higher prices.
- Poor judgment in lending by financial institutions, especially by offering “subprime” mortgages to individuals whose poor credit history made the loans highly risky.
- Invention of new financial services practices, such as derivatives, in which investors bought and sold risky assets, with the expectation that the value of the assets would continually rise.
- Decisions by government agencies to reduce or eliminate regulation of the practices of financial institutions.
- Unwillingness of financial institutions to make loans once the recession started.

The early twenty-first century recession was also distinctive because it rapidly affected every other region of the world. At the same time, the impact of the global recession varied by region and locality.

The early twenty-first century recession resulted in an absolute decline in world GNI for the first time since the 1930s (Figure 12-7). GNI grew by an annual average of 3.7 percent between 1960 and the start of the recession in 2008. Only twice in that time did GNI grow at a rate of less than 1 percent per year.

CHECK-IN: KEY ISSUE 1

Where Are Services Distributed?

- ✓ Three types of services are consumer, business, and public.
- ✓ The fastest-growing consumer service is health care, and the fastest-growing business service is professional.