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Analytical Classifications for Service Industries

Service industries -- residually defined as all industries that are not extractive and transformative -- are characterised by great diversity and heterogeneity. A meaningful analysis of their activities requires classification into major categories. As a reflection of their complex nature a great number of classifications have been developed, with each of them emphasising a particular aspect. The most elementary ones are based on the main sectors that produce services. Another group of classifications considers services from the point of view of consumption. Other general classifications distinguish between different functions. More specific ones focus on the kinds of relationships of services with goods, or relationships between providers and users of services, and on trade and investment orientation of services.

I. Producer-based classifications

This group of classifications distinguishes between the sectors that provide services.

The classification proposed by R. Dobell et. al.⁽¹⁾ distinguishes between the profit sector -- which encompasses all enterprises -- and the non-profit sector which comprises the government and non-profit institutions.

A comparable classification is applied by the Commission of the European Communities⁽²⁾. It distinguishes between market and non-market services. Market services, according to this classification, cover all services which can be the object of purchases and sales on the market and which are produced by units whose resources are mainly derived from the sale of its output. Non-market services comprise the public administration, health, education and welfare.

II. Consumption-based classifications

This group of classifications focuses on the characteristics of consumption of services. The main distinction -- applied by UNCTAD⁽³⁾ in its analysis on services and the development process -- is between (i) intermediate services, which are inputs in the production of commodities or of

other services, and (ii) services for final demand. This distinction is of particular relevance in the input-output analysis. Final services can further be divided ⁽⁴⁾ into (i) personal services consumed by individuals and households as a part of private consumption and (ii) collective services consumed by groups of persons as a part of public consumption. A variant ⁽⁵⁾ of this classification adds primary services (i.e. services of production factors) to intermediate and final services.

III. Function-based classifications

These classifications emphasise the economic function of the services. The most important of this group of classifications -- the Browning -- Singlemann classification ⁽⁶⁾ -- distinguished four categories:

- a. Distributive services: transportation and storage, communication and commerce;
- b. Producer services: financial services, real estate and professional services;
- c. Social services: health, education, welfare and government;
- d. Personal services: domestic services, hotels, restaurants and leisure.

A partially different functional classification is proposed by Riddle ⁽⁷⁾:

- a. Infrastructure services: electricity, gas and water; construction; transport, storage and communication;
- b. Trade services: wholesale and retail trade; restaurants and hotels;
- c. Business services: financing, insurance, real estate and professional services;
- d. Community services: public administration and social/personal services.

A third version was used by the Bank of England ⁽⁸⁾; it appears to be the most significant and operational one. It distinguishes:

- a. Consumer services (which include the restaurant and hotel industries, household services and private transport): demand may be governed by price and personal income;
- b. Social services (which include health care and education): these services are often provided free or subsidised by the state and individual demand is therefore less constrained by price and personal income;
- c. Producer or intermediate services (which include consultancy, contracting and banking); used largely in the production of final goods and services; demand is governed by output or investment decisions of enterprises;

- d. Distributive services: these contribute to both intermediate and final demand and include freight, transport and wholesale and retail trades.

IV. Classifications based on relationship to goods

This kind of classification focuses on the relationship between services and goods. The classification elaborated by the Canadian Institute for Research on Public Policy ⁽⁹⁾ distinguishes four services categories:

- a. Services which are embodied in goods such as sound recordings, motion picture films and computer tapes;
- b. Services which are complementary to goods such as transportation and transportation services, banking, finance, insurance and advertising;
- c. Services that may substitute for local goods production such as franchising, chartering and leasing;
- d. Services which are produced without a relationship to goods production such as legal, medical, telecommunications, data processing and information services.

V. Classification based on producer-user relationship

This classification ⁽¹⁰⁾ is derived from the fact that certain services are embodied in the suppliers of the services and require their physical presence, whilst other services can be disembodied from the supplier and provided without a physical presence being necessary ("long-distance services", "separated services").

The services for whose provision physical proximity is essential can be divided into:

- a. Movement of providers only: for this class of services the provider has to move to the user, while the reverse is impossible. An example for these demands - located services are construction services;
- b. Movement of users only: here the services are necessarily provided in the country in which providers are physically located. An example for these providers - located services are tourism, educational and medical services;
- c. Movement of providers and demanders: for this class of services mobility is symmetrically possible, services are in principle transmittable between user and provider in either's location; examples for these footloose or non-supported services are lectures and repairs.

VI. Classification based on trade and investment orientation

This classification proposed by Shelp ⁽¹¹⁾ is relevant for the analysis of national and international regulation. It distinguished three categories:

- a. Investment-related services (e.g., banking, professional services, employment services, advertising, leasing, and hotel and motel services);
- b. Trade-related services (e.g., air and maritime transportation); and
- c. Trade- and investment-related services (e.g., insurance, communications, computer services, education and health services, motion pictures, construction and engineering, and franchising).

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