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CHAPTER 3

THE INFLUENCE OF THE WORLD CRISIS ON THE EMPLOYMENT IN SERVICE SECTOR

Introduction

Services sector is dominant in modern highly-developed market economies in the respect of producing value added as well as the number of workplaces. In highly-developed market economies service sector generates about 70% of gross value added and employs over 70% the whole of the employed. Services can be taken to be the core of economic growth in the last thirty years of all developed market economies. Crowding out of modern economies is a continuing process and can constitute one of the most synthetic measures of the social-economic progress. In the last few years the European Union became an indisputable leader if it goes about export and import of services (Kłosiński, 2003, p. 8). In 2007 contribution of the European Union made up 49,7% in the world export of services and in import 45,5%. In contrast the contribution of the United States of America constituted 14,3% in export and 12,0% in import, in Japan it was 3,9% in export and 4,9% in import (UNCTAD)[1].

Such a great significance of services in social-economic development justifies the need of their monitoring, especially in the period of world crisis. It is necessary to pay attention to how service sector and its separate subsections feel the influence of the world crisis.

The aim of this study is to identify the following changes: number and structure of workplaces.

The analysis covers European Union countries in the period of 2000 to 2008.

Services sector – general trends

Changes taking place in modern economies has a very extensive and diversified range what considerably makes their analysis and identification difficult. One of the signs of the evolution of the economies are the changes in the structure of employment according to economic sectors. Services sector occurs to be the main source of absorbing a labour force. In the theory of economy the third sector was distinguished in the thirties of twentieth century (1930s) on the basis of so-called residuum. In spite of the fact that service sector is one of the most dynamic one, some separate subsections of services are developing unequally. It results from its diversity. Heterogeneity of service sector characterizes by classifying different forms of business activity and it serves different functions. It is connected with the sphere of financial and non-financial production of the household needs (Węgrzyn, 2008, p. 94). It seems that one of the causes of different development of service sector in separate economies can have a diversified direction of the migration of labour force.

On the basis of the analysis of statistics J. Singelmann[2] stated that there had been a shift of jobs store from agriculture to services and construction, not from production industry to services what is commonly thought (Castells, 2007, p. 210). Under the influence of the economic process of restructuring and technological changes, the direction of the employed migration was totally the other way round (the period from 1970 till 1990). Then in all studied countries a significant decrease in employment in industry occurred. Although this trend was common, the scale of employment reduction in industry was very diversified. It points out

[1] Data UNCTAD: http://stats.unctad.org/Handbook/TableViewer/tableView.aspx (date of collecting: 11.01.09)
[2] The analysis covered countries of group G-7 in the period of 1920-1970.

clear diversification of social structures, in accordance with the differences in economic policies and enterprises' strategies. M. Castells stated that "this it comes from a diversified benchmark in a studied historical period, runs the convergence of trends towards the structure of employment that characterizes by simultaneous development of industry and services at the expense of agriculture" (Castells, 2007, p. 210). It is being observed then, that the character of economy, the level of its development as well as its specificity influences on the development of service sector.

Sevices sector – basic characterization

At present a certain universal trend of development having some objective factors is being observed. The process of crowding out economy occurs as a result of a shift of consumerist demand together with the increase of incomes, towards services. Also the increase of a demand for high-quality and more expensive products which value added are often services. A crucial effect of this process is the increase of level in the standard of living and the societies' quality of living. Services make up a diversified subsection of economy which includes both government departments activities and non-profit institutions and first of all every private enterprise having an attitude to gain profit (such as: banks, other financial institutions, forwarding companies, hotels and restaurants etc.). This heterogeneity of services activities causes specific problems with classification of services. Undoubtedly the evolution of the economies towards the service economies using information techniques caused the abandonment from C. Clarks' old paradigm based on distinguishing the first, second and third sector. Such a division constitutes epistemological barrier for understanding contemporary societies (Castells, 2007, pp. 207-208).

The term services itself is not clearly defined in literature and evokes a lot of controversy and developing revolution in information technology additionally complicates it. The analysis of service sector is a very difficult assignment, because the available statistics considerably limit empirical verification, not coping with the changes which occur in economies. The significance of the sector increases among others because of dynamic development of new fields of services. The sector of Information Communications Technology in the last years is getting more important, in the respect of the number of workplaces as well as producing value added (Rosa, 2005, p. 65). The employed in the service sector in 2007 in The EU (27) made up 69,2% the whole of the employed (Table 1). In separate countries this index was clearly diversified. The highest one was in Great Britain (80,8%) , the Netherlands (80.1%) and in Belgium (78%). In Romania (38,7%), Poland (54,4%), Slovenia (56,3%) and Portugal (59,6%) characterized by the lowest contribution in service sector.

Table 1. Main indicators of Services in the EU-27, 2007

Specification	Employment (in %)	Value added (w%)
EU-27	69,2	71,7
Austria	69,9	66,9
Belgium	78,0	75,0
Bulgaria	52,0	61,5
Cyprus	75,1	78,6
Denmark	76,3	73,0
Estonia	60,7	68,5
Finland	69,3	64,6
France	76,5	77,2
Greece	68,2	73,3
Spain	66,8	66,9
Ireland	67,2	63,4

Lithuania	59,1	61,4
Luxembourg	76,3	85,2
Latvia	62,0	74,7
Netherlands	80,1	73,7
Germany	72,4	69,0
Poland*	54,4	64,6
Portugal	59,6	72,9
Czech Republic	58,4	59,3
Romania*	38,7	55,3
Slowakia	62,1	60,1
Slovenia	56,3	63,5
Sweden	75,1	69,8
Hungary	62,8	66,4
United Kingdom	80,8	77,4
Italy	67,5	70,9

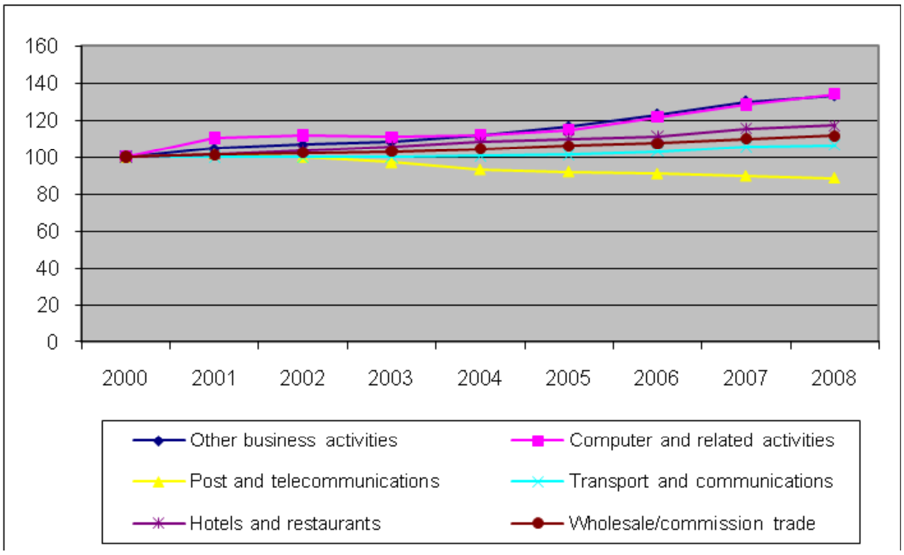
* Data about the employed from 2006

Source: presentation based on self – studied analysis on the basis of GUS and Eurostat data www.stat.gov.pl, http://nui.eurostat.ec.europa.eu. (date of collecting: 20th March 2009)

Changes in the employment in service sector

Particular sections included in service sector characterize by different dynamics of development described by the process of job creation. The changes in absorption of work force by six main services section illustrates table 1. In 2000 to 2008 in the EU (27) the highest increase in employment occurred in the following sections: Information Technology (by 34%) and Business activity (33%). In Information Technology high increase fell over 2005 - 2008, while in Business activity on 2004 to 2008. The decrease in number of the employed occurred in the studied period only in the section of Postal service and Telecommunication. It started in 2003 and deepened year after year . In 2008 the number of the employed in this section was lower by 11,3% than in 2000. It is worth mentioning that in the analyzed period employment in industry (without construction) decreased by over 8%.

Figure 1. Employment trends in the main subsections of EU-27 Services, 2000 to 2008 (2000 = 100)



Source: presentation based on self – studied analysis on the basis of Eurostat data: http://nui.eurostat.ec.europa.eu (date of collecting: 20th March 2009)

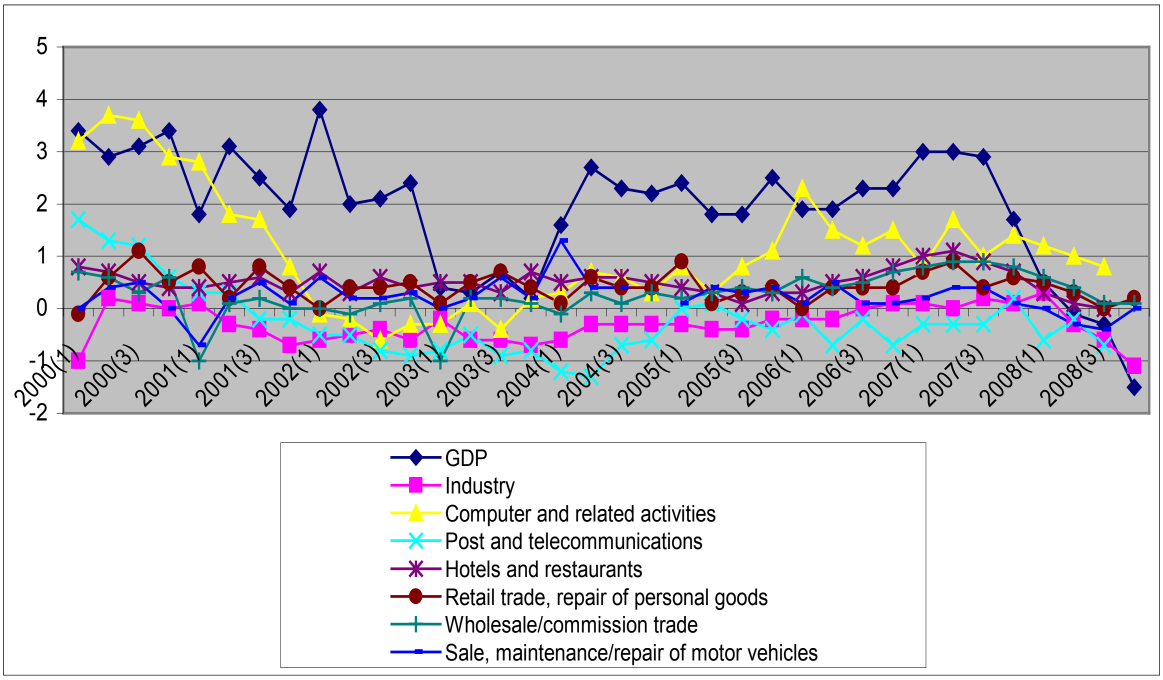
Economic crisis versus employment in service sector

In the European Union the service sector showed the highest dynamics in the last few years in job creation. However it is worth pondering over in the period of world crisis it is clother going to be the same; the number of workplaces in services still increases or starts falling down; how particular service sections will react to crisis.

Over 2000 - 2008 the level of employment in a service sector showed considerable fluctuations in comparison to the changes of employment in industry. From the analysis of data it appears that from the second quarter of 2000 till the third quarter of 2003 there had been a rapid and considerable decrease of employment in services.

Then from 2004 to the end of the second quarter of 2007 is a period of continuous, dynamic increase in the employment in the service sector which was accompanied by an economic boom. But in the third quarter of 2007 important increases of employment in services were taking place. It is clearly seen that in the whole studied period the changes of the level of employment in industry were absolutely smaller than in the sector of services. It can prove that workplaces in a service sector are much more sensitive to the changes of economic situation than the ones in industry. However a present decrease in GDP resulting from world crisis, evidently has an impact on the reduction of workplaces in industry than in services.

Figure 2. GDP and employment in the main subsection of EU- 27 Services, 2000 to 2008.



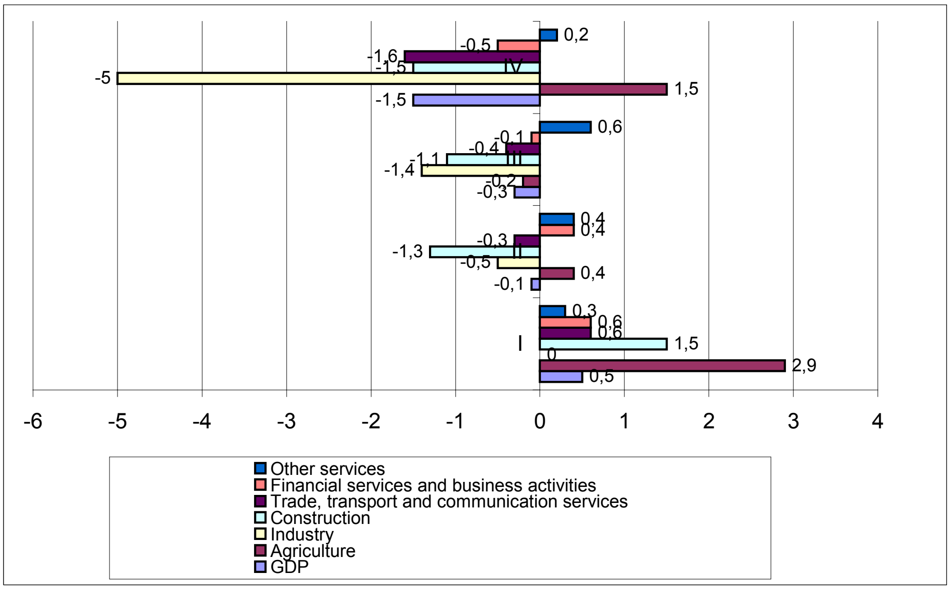
Source: Source: presentation based on self – studied analysis on the basis of Eurostat data: http://nui.eurostat.ec.europa.eu (date of collecting: 20th March 2009)

The decrease of GDP in the fourth quarter of 2008 in comparison with the previous quarter was 1,5%, employment in industry decreased by 1,1%, meanwhile in service sections employment did not change or even slightly increased (in retail trade by 0,2% and in wholesale by 0,1%). In 2008 in the European Union a service sector showed the increase of production in most sections. The highest production increase was noticed in the following sections: water transport and other business activities like Land transport; pipelines.

Whereas the decrease occurred in such section as (Remond-Tiedrez, 2009, p.5):

- Motor trade (-8,1%),
- Hotels and restaurants (-0,5%),
- Air transport (-0,1%).

Figure 3. GDP and Gross Value Added by industry EU 27 in 2008 r (quarterly data in %)



Source: presentation based on self – studied analysis on the basis of Eurostat data epp.eurostat.ec.europa.eu/pls/portal/docs/PAGE/PGP_PRD_CAT_PREREL/PGE_CAT_PREREL_YEAR_2009/ (date of collecting: 15th April 2009)

The main measure of crisis is the decrease in GDP. In the European Union in 2008 in the fourth quarter there was a fall of GDP by 1,5%. Present crisis, although it had begun from the financial market concerns mainly industrial production and construction. Service sector and agriculture have not felt any negative effects of crisis so far.

Conclusion

Services sector in the last few years played an important role of driving force of economic increase in all European Union countries. They created the biggest number of new, of high-quality workplaces. European countries with relatively poorly developed service sector registered in 2000 to 2008 much more growth in the number of workplaces than the countries with highly-developed service sector. It bear witness to catch a developmental gap up in a service sector. In the period of world crisis service sector copes absolutely better than industry and construction. However separate service sections feel the crisis in different ways. In the fourth quarter of 2008 the production in Trade, Transport, Communication services (-1,6%), Financial services and Business activities (-0.5%) clearly decreased. Other services remain in a relatively good situation (there has been an increase by 0,2%).

It seems that services sector – in fact – in a lower level than industry and with a certain delay – but will feel the influence of crisis. On the one hand the reduction of GDP will influence on the decrease of some services and on the other will generate demand for services of different kind (repairs of domestic appliances, services connected with job searching, information). Services will be a kind of a stabilizing factor of economic situation.

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