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Service Economy and the Specifics of its Development in Russia

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Abstract

Fast-paced development of the service sector is an important trend in the development of present-day economy. It has resulted in the emergence of a specific economic model, namely, service economy. Developed countries and developing ones differ in terms of preconditions essential for a service economy to form. However, growing service sector proportions in countries' GDPs can be observed worldwide. That has to be taken into account when drafting state structural policy and planning business development strategies. What is more, consideration has to be given to service business specifics, both industry-wise and country-wise.

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1. Introduction

Over the past few decades the world economy as a whole and in particular, the economies of developed countries have been undergoing a substantial structural transformation. It consists in the tendency for relative proportions of the GDP to change, specifically for such types of economic activity as the production sector and the service sector. The share of the latter keeps growing steadily. This can be graphically illustrated with the data given in Table 1.

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Table 1: Changes in GDP structure worldwide, %

Countries by category	Agriculture		Industry		Manufacturing		Services	
	2000	2012	2000	2012	2000	2012	2000	2012
World	4	3	29	27	19	17	67	70
Low income	34	27	21	24	12	13	45	49
Middle income	13	10	36	37	23	21	51	53
Low & middle income	13	10	36	37	22	21	51	53
High income	2	1	28	25	18	15	70	74

Source: the World Bank (<http://wdi.worldbank.org/table/4.2#>)

In this respect it is fair to say that a new economic model has emerged, which is called service economy. Its essential distinguishing feature is the prevalence of the service sector as a component in value added structure. Those changes do not only affect economic relations, but also the society at large, influencing income structure and distribution, rates of economic growth in various areas, how much in demand certain skills and jobs are, structural adjustments to be made to the educational system, etc.

For that reason a lot of scientists engaged in studying service economy (Brown, Stern, 2000; Buera, Kaboski, 2009; Katz, Shapiro, 1985; McLachlan, Clark, Monday, 2002; OECD, 2000; Stern, Arbor, 2001; Volkova, 2011 and other) who laid the foundation of the service economy theory and analyzed the specifics of its development in various countries. Their analysis, though, was concerned primarily with the developed countries. As for the developing countries, among them Russia, the specifics of their service economies have not been looked into sufficiently.

2. Service Economy and the Specifics of Producing Services

Modern economy is developing in the direction of expanding and complicating the structure of its service sector. The transition to a post-industrial development model in the developed countries, which began in the last third of the 20th century, is linked to an increasing portion of service production and consumption in the GDP (Table 2).

Table 2: Generalized GDP structure of selected countries of the world, %

Country	Agriculture	Production	Construction	Services
Germany	1,1	25,0	4,1	69,8
Israel	1,8	17,1	4,8	76,3
Italy	2,3	20,8	6,0	70,9
Canada	2,2	25,5	5,4	66,
Mexico	3,8	20,6	5,4	70,2
Netherlands	2,1	18,2	5,7	74,0
South Korea	3,3	31,1	9,2	56,2
Russia	4,7	27,2	5,5	62,6
Turkey	8,7	22,2	5,6	63,5
France	2,2	15,1	5,8	76,9
Sweden	1,8	22,7	4,3	71,2
Estonia	3,1	20,6	7,9	68,5

Source: compiled by authors from official data (Rosstat, 2010)

This sort of structural transformation of the economy is induced both by domestic factors brought about by the stage-by-stage nature of socioeconomic development, and by external ones. First and foremost, it is globalization that is bringing about the emergence of a uniform worldwide market. The aforementioned changes do not only affect the structure of the economy at large, but its constituent sectors and branches as well, and the service sector, being the fastest developing part of the economy, is affected to a still greater degree. In addition, by virtue of some objective reasons (namely, intrinsic specifics determined by the specifics of demand for services, portfolio of resources for their production and delivery, socio-cultural barriers, government and international regulation etc.), individual elements (branches) of the service sector vary in the extent of their involvement in market processes and

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