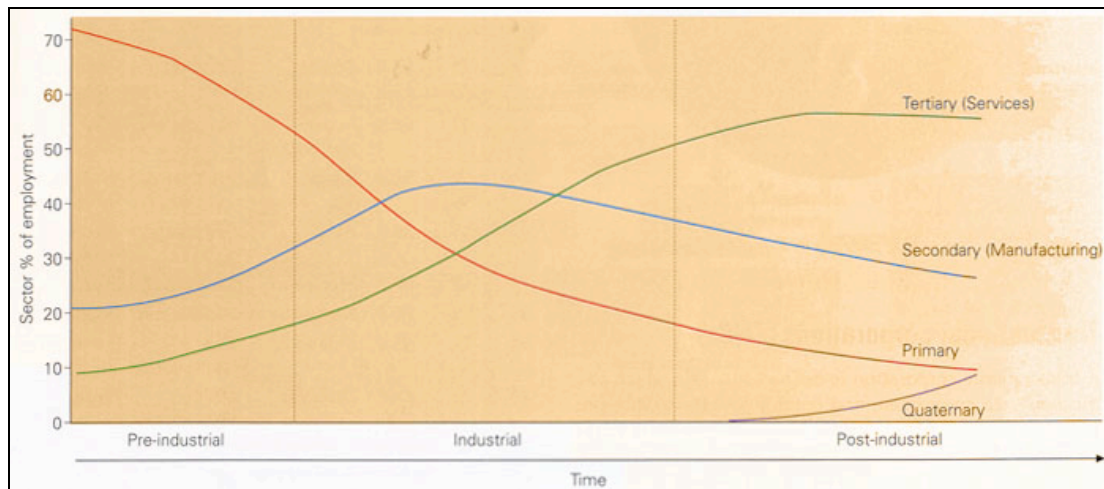


Impact of Global Economic Change

1. Rise of new service sectors
2. Locational trends in producer & consumer services
3. Internationalization of service firms
4. Rise of SMEs
5. Deregulation of public services

(1) RISE IN NEW SERVICE SECTOR

Clark Fisher Model



http://www.geographyalltheway.com/igcse_geography/economic_development/industrial_systems/imagesetc/clark_fisher_model.jpg

- ✓ Demonstrates decline of manufacturing, shows relative importance of different employment sectors over time as region develops

Stage	Characteristic
<u>Pre-industrial</u>	Domination of primary industry
<u>Industrial</u>	Diversification Begins with low-tech industries using local raw materials Proportion of workforce in manufacturing increases Manufacturing base widens over time
<u>Post-industrial</u>	Gradual development of tertiary industry Domination of service sector in supporting greater range of industries & demands of richer population Most people employed in tertiary sector

Economic Sectors

Primary

- ✓ Extract / harvest products from earth (agriculture)
- ✓ Producing raw materials & basic foodstuff

Secondary

- ✓ Give utility to products of primary industry
- ✓ Manufacturing & processing

Tertiary

- ✓ Providing services (intangible output) to primary & secondary industries
- ✓ **Tertiarisation:** manufacturing → service in response to rising incomes & demographic factors
- ✓ **High growth of tertiary industry in MEDCs**
- ✓ Lines between service & manufacturing blurring as all manufacturers & services require both goods & services
- ✓ Service sector components: transportation & communication, tourism & entertainment, government, non-profit organizations, finance, insurance & real estate
- ✓ Main difference between manufacturing & service: expertise by services more on workforce skills, experience & knowledge and less on physical techniques

Quaternary

- ✓ Advanced form of services involving specialized knowledge, technical skills, communication & administration (e.g. accountants, software developers, statisticians)
- ✓ **Basis of economic growth in most MEDCs** (employment of 50%<)
- ✓ High growth in demand & consumption of information-based services
- ✓ Externalization of specialized services similar to outsourcing of low-level tertiary functions
- ✓ Difference from tertiary: transferable activities, knowledge & skill-based thus can be divorced from clients
- ✓ **Underlying technological base:** electronic digital processing & telecommunications transfer, no need for face-to-face contact (e.g. insurance claims)

Quinary

- ✓ Subdivision of tertiary sector, representing special highly-paid top executives, officials, researchers & consultants
- ✓ **Highest level of decision making**

Role of Technology & IT

- ✓ Technological advances revolutionizing image of services
- ✓ Expansion of service sector seen as effect of deindustrialization
- ✓ In LEDCs, service sector emerged from informal sector & swelling public sector
- ✓ As IT transforms service sector & as awareness of importance of efficient producer services grow, the service sector has become a precondition to economic growth
- ✓ **Main thrust of service revolution:** expansion of KBE (e.g. banking & insurance industry) & growing tradability of services
- ✓ Service sector is main investor in IT worldwide
- ✓ Spending on knowledge-based services (highly income elastic) growing rapidly in MEDCs & LEDCs

(2) LOCATIONAL TRENDS

- ✓ Increasing trend towards **decentralization of production & services**
- ✓ PUSH factors (-ve externalities of core): lack of space, high bid-rent (higher rent downtown), traffic problems etc
- ✓ PULL factors (+ve externalities of suburb): lower rent, proximity to labour markets, land for expansion etc
- ✓ Planned decentralization is an opportunity to:
 - Create balance between resident & worker populations
 - Reduce work travel cost & time
 - Allow tapping on labour resources in high-population suburbia
 - Relieve population pressures in core
- ✓ E.g. Tampines Regional Centre
 - Decentralization of commercial functions from CBD
 - Firms relocate to tap on large labour & customer base
 - Attracted service-oriented companies, banks & retailers

(3) INTERNATIONALIZATION

- ✓ **Expansion of economic activities across national boundaries** (increasing trade, commodities & technology-sharing) → more extensive geographical pattern of economic activity
- ✓ Production organized within national boundaries in past, but today national boundaries no longer watertight containers from production processes

Internationalization of Service

- ✓ **Core of economic globalization: growth of service MNCs**
- ✓ Service industry provide links between geographically-dispersed economic activities
- ✓ As technological progress reduces communication costs, trade in services will continue brisk expansion
- ✓ **Professional service firms follow clients into international markets to serve growing needs**
- ✓ Other motivations for internationalization:
 - EOS
 - Increasing market power
 - Entrepreneurial opportunities
- ✓ Growing internationalization of services & rapid changes in IT present opportunities & challenges to LEDCs
 - Opportunities for developing new exports & attracting more services-related foreign investment
 - Technical progress allow countries to leapfrog stages of development in building info-infrastructure
 - Challenge in designing appropriate regulatory environments for service industries as access to efficient service creates potential for new export
 - Undertake necessary investments in IT networks & adapting educational system to information age

(4) RISE OF SMEs

- ✓ SMEs: companies with headcount 250> (medium) / 50> (small) & limited turnover
- ✓ Growing interest in role of SMEs in economy
- ✓ Reputed for innovation

Case Study of Singapore

- ✓ Governing body: **SPRING Singapore**
- ✓ Role of government: grants to help SMEs
 - Local Enterprise Technical Assistance Scheme
 - Subsidy for hiring external consultants for quality management & IT systems
 - Enterprise Challenge
 - Funding & open platform to test unproven innovations with potential to create new value
 - Technology Innovation Programme (TIP)
 - Embracing technology innovation as competitive strategy
 - Help SMEs leverage on technology to innovate & grow as they may be reluctant to invest in new technology (lack of awareness of available technology & in-house skilled personnel & equipment)
 - Create conducive environment (technology consultancy & advice, development of practical downstream technology platforms)
 - Enhance SMEs capacity for innovation (Support existing A*STAR programme to attach researchers to SMEs)
 - Encourage & catalyze technology innovation projects
 - 20 SMEs have benefited, e.g. Trilobyte Tech Pte Ltd (Design & manufacture biometric chips)

(5) DEREGULATION OF PUBLIC SERVICES

- ✓ Deregulation & privatization of public services during 80s & 90s
 - **Create investment opportunities**
 - **Enable massive transfer of ownership & control of public utilities to private sector**
- ✓ Deregulation: removal of government restrictions from industry or sector to allow free and efficient marketplace
- ✓ Privatization: transfer firm's ownership from state-owned into private firm
- ✓ More companies taking over public utilities concentrating (through mergers & acquisitions) into small conglomerates dominating provision of essential services worldwide