

### 13. Tertiary industry

High-technology (knowledge-based) industries and light industry are not dependent on raw material sources (reserves).

In 1980s and 1990s high-tech industries grew very rapidly. They have relatively free choice of where to locate => they can be located almost anywhere:

- on the *edge of towns*
- on *purpose built industrial estates*
- *business and science parks*

Science parks = industrial estates with direct links to universities, situated on greenfields out of university towns (cities), concentration to R&D (research and development).

Business parks = provide pleasant working environment for offices and workers. Sometimes they have retail-outlets such as hypermarkets.

Industrial estates = often found in industrial zones. They don't realise much R&D themselves, they perform more manufacturing.

When such an area has become attractive to one firm, it may attract more companies of similar nature => this concentration of industries = *agglomeration* (clustering).

Structure of a major high-tech firm:

- ❖ R&D, top management
- ❖ Product manufacture
- ❖ Administration and sales

TERTIARY industry = industries provide services to assist other industries and to make life easier for all of us, e.g. people and goods are transported, products are marketed (sold), machines and buildings are maintained.

QUATERNARY industry or PROGRESSIVE TERTIARY (often included in tertiary industry) = services involving expertise, specialisation, information and administrative services, provision of information.

#### **Service industry (tertiary industry)**

Services are activities that do not produce or modify goods = increasingly the main form of employment in developed countries => employment in finance, retailing, administration, education, health care, social welfare, local and national government, emergency services, tourism, transport, cleaning and domestic work.

Developed countries: as manufacturing declines, alternative employment is found in services.

Main factor = accessibility

2 main groups:

1. highly-educated, high-skilled, well-paid workers, e.g. financial advisor
2. low-paid, unskilled workers, e.g. cleaning and transport

#### Characteristics of services

- labour intensive but limited possibilities for economies of scale
- the quality of the product depends upon the quality of the labour
- much services are non-manual and salaried
- service employment is easily started due to low levels of capital intensity

- ❖ *Producer services* = activities like market research, management consultancy, finance, advertisement
- ❖ *Consumer (household) services* = provided generally for people, e.g. health care, retailing, education, distribution
- *Private (market) services* = organised by independent companies, ranging from retailing to international banking and insurance
- *State (non-market) services* = organised by national and local government, e.g. health care and education
  - *Basic services* = sell to customers at any distance, market beyond local economy, serve a national or global market, bring money into a region
  - *Non-basic services* = for users in a local area, generally have limited multiplier effects, limited range

### Main classification of services

- a) *Distributive services* = transport and communications, wholesale and retail
- b) *Producer services* = finance, insurance, business services
- c) *Social services* = health and welfare, education, postal services and government
- d) *Personal services* = domestic and personal services, hotels and restaurants, repairs, entertainment

### **The differences between industrial and service society**

<b>Industrial society</b>	<b>Post-industrial (service) society</b>
Mass production	Differentiated production
Long series production	Short series of production
Standardisation	Flexibility and complexity
Stable and homogenous market	Turbulent and segmented markets
Capital most important factor of production	Knowledge and creativity most important factors of production
Cost minimisation	Quality maximisation
National markets	International markets
Mass consumption	Individual consumption
Price competition	Product competition

Increasing efficiency and productivity of manufacturing sectors give workers a larger disposable income => spent on leisure, transport or education.

Decline of manufacturing employment (deindustrialisation) has forced many manufacturing employees to service sector. Moreover, consumers in developed countries have been buying more imported goods (foreign import) => reduces demand for home-manufactured goods and speeds up deindustrialisation.

Externalisation of services = people pay for services (cleaning) which was traditionally within household.

### **Main factors that influence location of services**

quality of telecommunications, direct access to motorways and an international airport, qualified labour, cost of rent, access to information, accessibility to other businesses, image and prestige, quality of environment, distribution of customers

### **Keywords:**

business/science parks, R&D, administration and sales, administrative services, provision of information, accessibility, high-educated/low-skilled labour, (non-)market services, disposable income, product competition, externalisation