

UDC

**M. Ye. Gorozhankina<sup>1</sup>, Doctor  
of Science, Economics, A.P.,  
S. I. Plakyda<sup>2</sup>, Ph.D. student**

1 – Donetsk National University of Economics  
and Trade n.a. Mykhailo Tugan-Baranovskyi,  
Donetsk, Ukraine, e-mail: gormar52@gmail.com

2 – Donetsk National University of Economics and  
Trade n.a. Mykhailo Tugan-Baranovskyi, Donetsk,  
Ukraine, e-mail: svetlana.plakida@ukr.net

## GENESIS OF SERVICES FORMATION AND DEVELOPMENT

### Abstract

**Purpose.** The purpose of the article is to substantiate the periodization of the main historical stages of formation and development of services.

**Methodology.** In the course of research the following was used: methods of theoretical generalization and comparison, analysis and synthesis (for definition of priority kinds of services at each society development stage, comparative analysis of the pre-industrial, industrial and post-industrial society structure).

**Findings.** Based upon the analysis carried out, the priority kinds of services at each stage of society development were defined, the comparative analysis of the structure of each society and its peculiarities was carried out, by the example of development in the leading western countries there were traced the formation history and the causes of post-industrial society origination, as well as successive stages in service business development while transfer from the industrial society to the post-industrial one.

**Originality.** The priority kinds of services at each stage of society development were defined, the comparative characteristic of the pre-industrial, industrial and post-industrial society was improved which, as opposed to the existing ones, allows to research the development of services more detailed.

**Practical Value.** Given the lack of political and economic researches in the service sector, the findings are aimed at its comprehensive analysis and subsequent formation of a concept of service sector development in Ukraine.

**Key words:** *a service, kinds of services, pre-industrial society, industrial society, post-industrial society, service sector.*

**Problem definition and its connection with the most important scientific and practical tasks.** The last decades are characterized by the increasing role of the service sector in the world economy. The range of proposed services is broadening; there are evidences of increase in GDP share and number of employees in this sector. The scope and dynamism in development of the service sector, its leading role in the economic body and social life of the society, and a special place among other economic sectors necessitate the research of a “service” category, definition of its formation and development stages towards further generation of a development concept for the service sector in Ukraine.

Researches of various service sector aspects, in particular, of historical development stages in services formation and development, are displayed in studies of national and foreign scientists: H. A. Avanesova, O. M. Azarian, D. A. Amanzholova, L. S. Demidova, V. L. Inozemtsev, V. K. Karnaukhova, Yu. O. Kovalenko, S. N. Korobkova, O. B. Morhulets, L. B. Niurenberher, A. P. Rumiantseva, V. L. Tambovtseva. At the same time, there is an evidenced lack of political and economic researches in the sphere, especially of a comprehensive service sector analysis.

**The purpose of the article** is to substantiate the periodization of the main historical stages of formation and development of services.

**Summary of basic data for study.** Despite of the fact that a definite economy sector prevailed at each society development stage, changes in the service sector have always been a part of the world economy development.

In the late XX century and notably at the turn of XX and XXI centuries, a specific interest was attracted by the enlarged gradation in human society development, in particular, acknowledgement of the 3 epochs (civilizations) – the pre-industrial, the industrial, and the post-industrial ones (in terms by D. Bell), or the first, the second and the third waves of civilization (by E. Toffler), or the pre-modernism, modernism and post-modernism states (S. Crook and S. Lash), or the pre-economic, economic and post-economic society (by V. Inozemtsev) [1, p. 15, 2 p. 37, 3 p. 70, 76, 4, 5].

According to the well-known American sociologist and futurist Alvin Toffler, the humanity experienced the two great waves of social transformations, and now it is experiencing the third one [6]. Each of them caused a radical change in the lifestyle, which was inconceivable for those humans living before. The first wave of changes is an agricultural revolution (the agrarian society), the second one is an industrial civilization, and the third one is a super-industrial society.

However, so far the more stable in terminology has been a breakdown into the pre-industrial, industrial and post-industrial society.

The analysis of various sources determined the successive change in the economic structure due to predominance of one or another branch therein, which may be displayed as follows (pic. 1). So, let us consider the service sector state in more detail by the principal stages of society development – the pre-industrial, the industrial and the post-industrial ones.



\* Сільське господарство – Agriculture; Доіндустріальне суспільство 8-10 тис. років – The pre-industrial society 80-10 thousand years ago

\* Промисловість – Industry; Індустріальне суспільство 200-300 років – The industrial society 200-300 years ago

\* Сфера послуг – Service sector; Постіндустріальне суспільство 20-50 років – The post-industrial society 20-50 years ago

Picture 1- Epochs of human society development

The pre-industrial society (slave-owning, feudalistic formations and early stages of capitalism development) is peculiar for interaction with nature. The labor is concentrated mostly in agriculture (for this reason, it is also called the agrarian society), as well as in the forestry, fishery, mining, i.e. in extractive industries. Raw material, rather than energy, acts as a primary resource; predominant is the product recovery from natural materials, rather than their production; labor is more intensively used, rather than capital. A man applies the technologies of the previous generations (a traditional society), the environmental perception is formed under the influence of natural conditions in a certain location – change of seasons, hurricanes and storms, soil fertility, water reserves, mineral resources depth, periodic droughts and floods. The latter played a primary role in the service sector of the pre-industrial society. A prominent American economist John Galbraith describes peculiarities of services in this epoch as follows: “In pre-industrial epoch, a large part of non-agricultural economic activity was reduced to the personal servicing of one man by another. It included cooking, wardrobe care, help with personal dressing and hygiene, services in the sphere of education, entertainment and religion, physical protection of a man and many other services by the one person directly to another one. A serviceman, except perhaps for a churchman, was dependent on the service receiver” [7p.87-88]. “Low productivity and overpopulation dictate a great share of sub-employed population, which is distributed in agriculture and household service sector – this is how this social system is characterized by Daniel Bell, the author of the post-industrial society theory. That is why there is a significant employment in the sector of services remaining in their majority personal ones. As employees are most often

satisfied with the fees sufficient for livelihood only, the domestic labor is cheap and immensely widespread” [8 p.169]. The pre-industrial civilization is more lasting: its duration accounts for thousands of years.

The transfer to the industrial society started about 300 years ago. The distinctive feature of the industrial, i.e. mature capitalist and socialist societies is in development of processing types of activity (industries), and industry development caused sharp decline in the number of household servants. The main task of economy in this epoch is a mass production of manufactured goods. Mechanization of production and class struggle gradually led to that the salary of factory workers began to be in excess of the fee for the personal household service.

The service sector in the industrial society developed following the two directions.

Firstly, much attention is given to the gender aspect, in particular, to the role of a maid in the household passes to a woman. According to numerous social researches, a woman in a modern society spends for householding four hours more than a man. In Ukraine and many other countries, there is a rooted cultural tradition recognizing a set of labourious activities in household (laundry, cleaning, cooking etc.) as being a predominant “woman’s” work.

Secondly, the numerous services used to be carried out by the family members are transferred to small firms and independent private enterprises. There are different appliances created to facilitate household work (washing-machines, vacuum cleaners, kitchen units etc.), as well as a chain of enterprises dealing with their repair and maintenance.

There exist and develop the free and charged educational and health care services; the services of culture and art establishments are rendered. The services ensuring functioning of industry and agriculture (equipment repair and maintenance, cargo traffic) have also become widely spread.

The service sector developed both in the economy of capitalist and socialist countries. The difference in the nature of service activity in these socio-political systems lied basically in the fact that in the socialist countries there was a more developed free service network, and in the capitalist ones – a paid one. The result is that socialist services appeared to be more affordable for population – they often were paid not by a particular consumer, but from the state budget. Besides, the service sector was almost fully monopolized by the state (private business activity was illegal, except for a minor repair, clothes and footwear tailoring). The paid commercial services aimed at profit earning were predominant in the capitalist countries. Consequently, the services were becoming less affordable for the disadvantaged population in the capitalist countries; however, their quality and variety were much higher than in the context of socialism in view of competition between numerous service companies. A specific character of service activity is that mostly private persons, small firms or specialized small subdivisions of big corporations are engaged therein. That is why the prohibition on private business in socialism hindered the development of the service sector more severely than, for example, of the heavy industry [9 p. 29-30].

A greater part of the world population resides currently in conditions of the industrial society, including our country too, though a level of industrial stage development varies from country to country.

Starting from the late XX century (60-70<sup>th</sup>), a practice of the post-industrial society formation in developed countries has become evident.

According to D. Bell, a concept of the post-industrial society is based upon “evaluation of a new social medium differing markedly from the one dominating during the last centuries: above all, it is notable for a decline in the role of material production and development of the service and information sector, another nature of human activity, changed resource types involved into production, as well as essential modification of a traditional social structure” [8 p. 16].

For this reason, the postindustrial stage of civilization development is defined as an “information society” or a “service economy”. Presently in the USA over 70% of labor is engaged in the public service sector. The analysts of the postindustrial society associate its essence with learning to use new information, knowledge-intensive technologies, outer space exploration, use of nanotechnologies, i.e. gaining of a new nature of economy with attributes of the fifth and sixth technologic patterns.

The transfer from the one technologic pattern to another is accompanied by the deep structural changes that give grounds to offer a three-sector model of economics: the primary sector (the pre-industrial society) based upon agricultural industry; the secondary one (the industrial society) based upon industry; the tertiary one (the postindustrial society) based upon the service sector. Consideration of the sectorial structure of economy is primarily based upon the theory of three sectors, with its grounds given by Colin Clark in his book “The conditions of economic progress”. Changes of sectors in the process of economic development were analyzed and theoretically substantiated by J. Fourastié and S. Kuznets [10].

A quaternary sector, an information one, is often distinguished from the tertiary economic sector. These are the information technologies, education, scientific researches, global marketing, banking and financial services and other ones associated with planning and organization of production, rather than with the latter as such.

The new kinds of services (design, programming etc.) become widely spread in the post-industrial society.

The main features distinguishing the postindustrial society from the industrial one are the following: many-fold increase in labor productivity, life quality improvement, creation of an industry with innovative technologies, venture business development.

A concept of the post-industrial society development is reduced to the priority of human capital investment, improvement of its quality, including life quality, to achieve improvement in quality and competitiveness of innovation economy.

It should be noted that analysts do not agree on a concurrent view regarding the reasons for the post-industrial society origination.

The authors of the post-industrial theory point out the following reasons [4,11]:

- improvement of technologies, production mechanization and automation allow reducing a share of people directly engaged in material production;

- the modern economy has achieved such a quality that most employees must have a relatively high educational level;
- welfare of a significant population share has grown to the extent that intellectual development and improvement of creative abilities have taken a prominent place in the value scale of a society;
- people with satisfied material needs are engaged in intellectual work and produce a higher demand for service.

Increase in the skilled labor share leads to the fact that qualification of employees becomes the main “means of production”. It changes the social structure of society, and ownership to the material “means of production” loses its former importance. Therefore, the white collar workers have become to be distinguished in a detached social group (a term introduced by the American scientist F. Machlup (1962)). It is notable that the new class of intellectual workers started to hold not only a unique position in the social production structure, but it is also rapidly increasing in the general employment structure [5].

The example of development in the leading western countries allows tracing the history of postindustrial society formation. The transfer from the industrial society to the post-industrial one consists of three successive stages of service activity development.

1. Production development results in expansion of primarily transport services and in general of those related to product movement.

2. In the context of mass welfare consumption there is an increase in the exchange sector (retail and wholesale), financial services, real estate and insurance transactions.

3. A share of the household income spent for food is reduced. The population applies its free funds first of all for purchase of durable goods (clothes, cars) and real estate, and then – for the luxury goods, recreation and leisure. The leisure service sector is expanded: chains of restaurants, hotels, travel, entertainment and sports industry. There is an acute interest to the two fundamental service sectors – health and education. All of that gives rise to formation and development of new kinds of services.

Based upon the comparative analysis it may be concluded that services play an important role in any society. Certain kinds of services were of priority and widely spread at each stage of society development (table 1).

Table 1–Priority kinds of services at the three stages of society development

Type of society	Kind of service
Pre-industrial	Household and personal services (personal servicing of one man by another – cooking, wardrobe care, physical protection)
Industrial	Activity facilitating the production: utility services, transport services (including garages and repair shops), equipment repair and maintenance.
Post-industrial	Information services: (programming, consulting, scientific research, education).

Based upon analysis of different literary sources it is possible to give a classified comparative representation for the three stages of society development (table 2).

Table 2 – Comparative analysis of the pre-industrial, industrial and post-industrial society structure [8, 12, 13, 14]

Type of society	Pre-industrial	Industrial	Post-industrial
Production sector/type	<u>Primary</u> Extracting	<u>Secondary</u> Producing	<u>Tertiary</u> Service sector
Dominating branch of economy	Agriculture	Industry	Knowledge-intensive service (production of knowledge)
Leading economic sector	Raw materials Agriculture, fishery, mining operations, timber etc.	Processing Production of commodities, processing industry, construction	Education
Convertible resources	Natural forces Water, wind, domestic animals and human muscles	Creative energy Power based upon coal, oil, gas, atomic fuel	Information, knowledge Data storage, processing and transfer systems
Strategic resource	Raw materials	Capital	Knowledge, information
Dominating social group	Owners of land and people cultivating it (slaveowners, feudalists etc.)	Owners of capital (capitalists)	Owners of knowledge (managers)
Key technology	Individual skill, mastery (labor intensive)	Computer technologies (capital intensive)	Intellectual technologies (knowledge-intensive)
Base professions	Farmer, craftsman, worker	Worker, engineer	Scientists and specialists
Scientific knowledge methods	Common sense, experience, trial-and-error technique	Empiricism, experimentalism	Abstraction, system analysis, software modeling
Purpose (Design - by Bell)	Resistance o natural forces (playing with nature)	Use of natural forces (playing with transformed nature)	Human-human interaction
Temporary prospective	Orientation to past	Adaptation to current conditions, experimentalism	Orientation to past: forecast and planning

Continuation of table 2

Axial principle	Traditionalism (extensive economic growth)	Economic growth (transfer to predominantly intensive economic growth)	Codification of theoretical skills, life quality (innovation type of economic growth)
Type of a “social” man	A traditional (“patriarchal”) man	An “economic” man	A social and creative (“sociologic”) man

**Summary.** It is noteworthy that services play an important role in any society. And there are certain priority and widely spread kinds of services at each society development stage. The analysis of services at the three stages of society development enabled to make a comparative analysis of each society structure by the example of development in the leading western countries, to trace the history of formation and reasons giving rise to the post-industrial society, as well as the successive stages of service activity development in the course of transfer from the industrial society to the post-industrial one. The developing countries show a slowdown in the service sector formation, which in its turn delays formation of the post-industrial society structure.

**Prospects for the follow-up studies in the given direction shall be** formation of a concept of service sector development in Ukraine relying upon experience of the countries with advanced economy.

### References

1. De Santis H. (1996) Beyond Progress. University of Chicago Press. 307 p.
2. Garten J. (1997) The Big Ten. The Big Emerging Markets and How They Will Change Our Lives. New York: BasicBooks. 232 p.
3. Etzioni A. (1996) The New Golden Rule. New York: BasicBooks. 314 p.
4. Inozemtsev V. (1998) Beyond the Limits of an Economic Society. Post-industrial Theories and Post-economic Tendencies in the Present-day World. Moscow: Academia-Nauka. 640 p.
5. Inozemtsev V. (1999) Broken Civilization. Present Implications and Possible Consequences of the Post-Economic Revolution. Moscow: Academia-Nauka. 703 p.
6. Burmenko T. (2009) Psychologization of Economy: the Objective Need of Modern Business Life. Psychology in Economics and Management. No. 1. pp. 18-24.
7. Galbraith J. (1979) Economic Theories and the Public Purpose. Moscow: Progress. 406 p.



8. Bell D. (1999) The Coming Post-Industrial Society. The Experience of Social Forecasting. Moscow: Academia. 956 p.
9. Korobkova S. N., Kravchenko V. I., Orlov S. V., Pavlova I. P. (2005) Service Activity. The Tutorial. Edited by Romanovich V. K. The 3<sup>d</sup> edition. St. Petersburg. 156 p.
10. Sedlak M. (1998) Development Trends in the sectorial Economy Structure. Management Theory and Practice Problems. No. 4. pp. 30-34.
11. Inozemtsev V. (1999) Science, Individual and Society in the Post-industrial Reality. Russian chemical journal. No. 6 (T.XLIII). pp. 13-32.
12. Moses J. & Dertouzos M. (1979) The Computer – Age: a Twenty - Year View. Cambridge, Mass: MIT Press. 491 p.
13. The Course of Economic Theory: General Grounds of Economic Theory. Microeconomics. Macroeconomics. Fundamentals of National Economics. The Tutorial. (2001) Edited by prof. Sidorovich A. V., Doctor of Science, Economics. M. V. Lomonosov Moscow State University. 2<sup>nd</sup> edition, revised and enlarged. Moscow: “Delo I Servis”. 832 p.
14. Service Activity. (2010) Study Guide for full- and part-time students majoring at 100103 “Social and Cultural Service”. Compiled by Legotina I. M. Shadrinsk State Pedagogical Institute. Shadrinsk: ShGPI. 120 p.