

intensive as IT equipment will likely continue to be sold mainly to service producers.⁹ Information-based services supported by equivalent technologies thus provide a good picture of what a large number of services may be like in the near future.

1.2 THE ROLE AND IMPORTANCE OF THE SERVICE SECTOR

Services have always represented a large share in domestic production, either on the production side such as transportation, communications or business services, or for final consumption such as dry cleaning, theatre, etc. In the past, many people believed that services were labour intensive and not very productive. This view is now fading.

A considerable number of studies have been published since the 1960s addressing the relationship between services and domestic economic indicators, such as productivity, output measurement, employment, etc.¹⁰ This interest in services was mainly due to the emergence of a new phenomenon in industrialized countries referred to as “structural shift”, characterized by a gradual shift in employment and output from the manufacturing to the service sector. Several factors might have contributed to this shift in employment and output; among others, a growing mutual interdependency between the service and the goods sectors in conjunction with differences in productivity levels.¹¹

In order to develop an empirically based understanding of the importance of the service sector, recent research findings and issues in the areas of employment, output and productivity are presented below.¹² This review, and the review in Section 3 on trade in services, do not attempt to provide a comprehensive review of the literature, but rather attempt to provide the reader with an overview of recent trends and discussions about services.

1.2.1 Employment

-Impact of the growth in services on employment

A pervasive theme in the services literature has been the impact of growth of services on employment. Employment figures have been used to illustrate the growth in the services sector and the corresponding decline in manufacturing and agriculture in

⁹ According to Wyckoff, four-fifths of the IT sold in the United States is now purchased by services providers.

¹⁰ As mentioned above, one of the most crucial elements to consider when elaborating an analytical framework for services is to determine precisely how to define them. This specific problem of measurement has been the main factor responsible for the bias in analytical results. It has also rendered difficult the application of some models for services that were used traditionally for goods.

¹¹ EEC report (1991).

¹² Due to the close relationship between employment and output in services, there might be some crosswalks of evidence and issues between these two categories.