

# Development Level and Tendency of Modern Service Industry in China

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**Abstract** This article adopts contrastive analysis, qualitative study and quantitative analysis methods to reveal the connotation of modern service industry, elaborate the characteristics of modern service industry, analyze the development level of modern service industry in China, propose the development tendency of modern service industry in China, and study on development of modern service industry in China.

**Key word** Modern service industry; Development level; Tendency

## 1 Introduction

Service industry refers to services provided to the society by using equipments, the tools, the places, the information or the skill. Although it is an ancient profession, the time conducting the research on service industry systematically is not long, and it is not studied until the 50s, the 60s, 20th century. The proportion of output value of American service industry has already surpassed 50% when Fuchs the author of "service economics" started studying on service industry in 1963, but he discovered that the huge and developed department in American economy is actually short of data. Because its research time is not long, moreover it is a rapid development industry, there is not a unified classified form for service industry. Currently the main international classification standards of service industry are as follows: classification according to functions of service activities, classification according to characteristics of different stages of economic development, classification guided by service supplies (production), classification guided by service demand (market) and so on. Western classification of service industry is based on its historical culture and its economic development level, and service industry in China is just at the development phase, we could not understand it separating from the realistic situation of China's economic development, moreover China's statistical indicator system of national economy and social development is mainly according to triple divisions of industry, so service industry classification in this article is based on China's tertiary industry, and its connotation and extension equals to the tertiary industry.

## 2 Connotation and Characteristics of Modern Service Industry

### 2.1 Connotation of modern service industry

Modern service industry is a specific concept about the development of service industry in China, because China's service industry is quite backward, the majority of them are traditional service industry. To speed up economic structure reforming, we must develop service industry vigorously, distinguish this kind of service industry from the backward traditional service industry, and realize the spanning of service industry development phase, so we propose modern service industry which distinguishes from traditional service industry according to the present situation of China's service industry and the goal of the service industry construction. China proposed "modern service industry" in the reports of the 15th Central Committee of the CPC at September, 1997, and proposed "develop the modern service industry, reorganization and transformation traditional service industry" in the Tenth Five-Year Plan of the Fifth Session of the 15th Central Committee of the CPC at October, 2000. It is proposed that both transform the traditional service industries and develop new emerging service industry such as the traveling, information, accountant, consultation, legal service are necessary in the Central Economic Work Conference at 2000. Because service industry development has already been perfect internationally especially in the developed countries, there is not a designated concept of modern service industry, instead there is service industry generally, knowledge intensity service industry, or strategic service industry.

Modern service industry is a relatively dynamic and development concept, which extends and develops the tertiary industry. Generally it is considered that modern service industry is knowledge and technology intensity industry which depends on the information technology and modern management concepts. The modern service industry mainly contains two aspects: firstly, traditional service industry after transformation; secondly, newly emerging service industry. Modern service industry is service

industry essentially, in short, modern service industry is the modern tertiary industry which doesn't directly engage in the physical commodity production, but mainly provides the service for the society depends upon the technology and the knowledge.

**2.2 Characteristics and classification of modern service industry**

With the development of manufacturing industry, the deepening of labor divisions, as well as the development of managerial technique and science technology, western service industry, in the developed industrialization stage, starts to promote gradually and forms the new service industry. Compared with the traditional service industry, the technique content of modern service industry is getting higher and higher, and the knowledge is getting more and more important to service industry, which is knowledgeable, high added-value, high quality, high technical and newly emerging and so on.

The characteristics of modern service industry make it different from the classification of traditional service industry, American scholar Daniel Bell detailed analyzes the characteristics of post-industrial society in his book "post-industrial society approaches", and he emphasized prominently the difference between modern service industry of post-industrial society and the service industry before that (Daniel Bell, 1937). He believed that in agricultural society, because of the low production efficiency, the redundant and poor quality surplus-labors, service industry provides individual service and domestic services primarily; In the industrial society, service industry is closely related with the commodity production activity, and it mainly provides commercial service and transportation service; But in the post-industrial society, service industry provides by technical, knowledgeable service and collective services primarily<sup>[1]</sup>.

**3. Development Level and Tendency of Modern Service Industry in China**

**3.1 Present situation of modern service industry in China**

Since the reform and open policy in 1978, the average annual growth rate of national economy is 15.64%, average annual growth rate of primary industry and the second industry is 12.20%, 15.75% respectively, and average annual growth rate of service industry achieves 17.61% to 2007, which has surpassed the average annual growth rate of GDP. Although average annual growth rate of service industry is the quickest in three major industries, its proportion in the industrial structure is lower than the second industry.

Meanwhile, China's added value of service industry per person has increased from 89 Yuan in 1978 to 7298 Yuan in 2007 (Details are in table 2-2). In 1978, there are 48.9 million jobholders of service industry in China, and the number increased to 218 million in 2003 suddenly, net gained 169 million, which is almost two times of net gaining jobholders of second industry at same time, and service industry has become the main channel of create employment<sup>[2]</sup>.

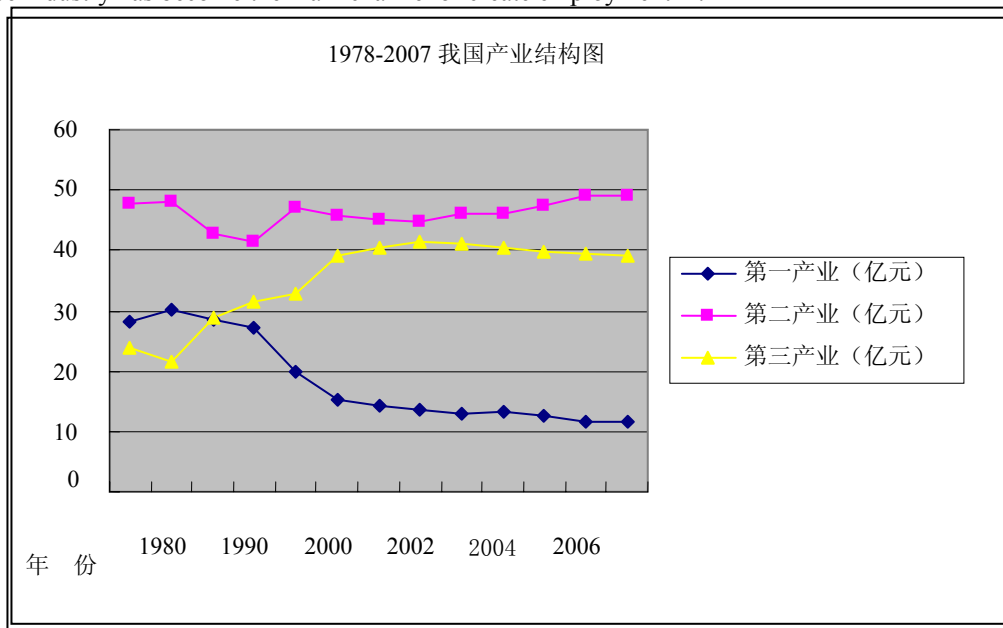


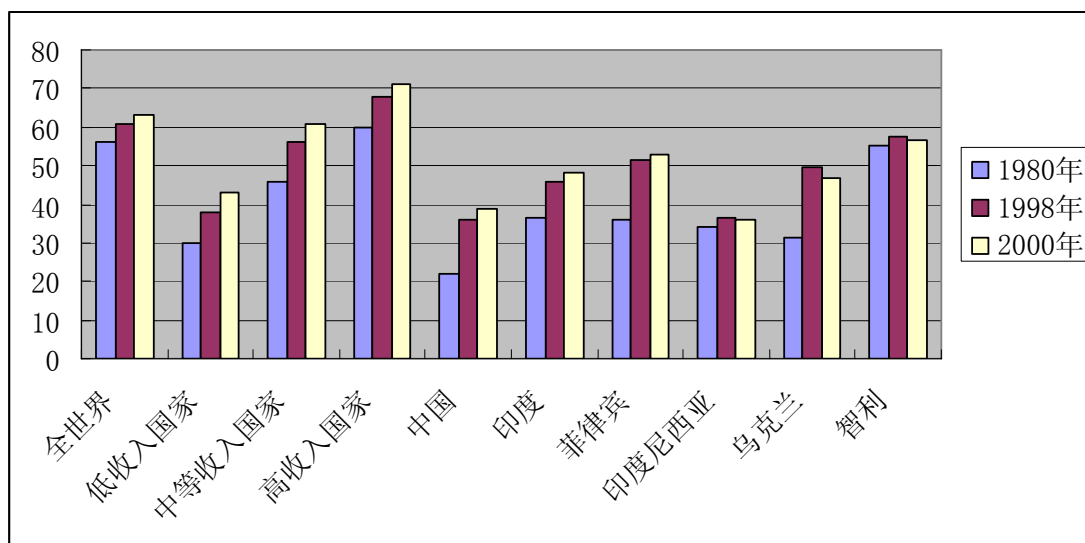
Figure 1 1978-2007 Change Graph of Industry Structure in China

Modern service industry will represent the development direction of the future service industry, and sustainable development ability of service industry and its developing level all depend on its proportion. Because the information technology has changed its inherent attribute to a certain extent such as face-to-face service, the individual service, and the instantaneity service, which makes it possible to save, long-distance range transmits the digitized service product, and thus be exchangeability. Compares with the developed country, China's modern service industry starts late and lags behind relatively. It is weak especially in knowledge technology-intensive service trade such as modern physical distribution, finance, insurance, computer digital data service. Because modern service industry is not developed, China's transaction cost is 10%~20% higher than overseas. From the Table 3-1 and Graph 3-2 we can find that there is very big disparity between China's service industry level and the medium income countries.

**Table 1 The Proportion of Added Value of Service Industry in GDP of Different Income Countries (%)**

	1980	1998	2000	2004
All over the world	56	61	63	68
low income country	30	38	43	45
medium income country	46	56	61	50
High income country	60	68	71	72
China	22	36	39	40.4
India	36.64	45.81	48.18	50
Philippine	36.1	51.6	52.94	/
Indonesia	34.31	36.69	35.93	/
Ukraine	31.3	49.63	46.6	/
Chile	55.30	57.68	56.81	/

(Resources come from OECD)



**Figure 2 The Proportion of Added Value of Service Industry in GDP of Different Income Countries**

#### 4 Development Tendeing of Modern Service Industry in China

(1) Upgrade tendency of internal structure of service industry is obvious. The development of traditional service industry is relatively saturated, and the development of modern service industry is serious lagged behind. The statistics revealed that what still occupied the dominant position of tertiary industry in China at present is traditional service industries such as business, dining, transportation, warehousing, and the financial insurance, the information industries, the consulting industry, the technical research, the higher education, the traveling, the news publication, the broadcast television and so on only occupy 25% of the tertiary industry<sup>[3]</sup>.

Take 13 provinces and cities in Yangtze valley as the example, the whole industrial structure of Yangtze valley presents the "two, three, one" situation (see Table 2-4). From Table 2-4 we can find that the proportion of the second industry in the national economy total quantity in Yangtze valley is higher than other industries obviously, moreover its proportion assumes the trend of escalation; The proportion of primary industry in the industrial structure reduces year by year; the development of tertiary industry started from 2001, and it is relatively slow, its proportion is basically invariable.

Promotion of total quantity on the foundation of the structure optimization adjustment is the general goals of government regarding speeds up development of service industry, and also will be the inevitable trend of service industry development in future China. Based on the promotion of entire social life level and the upgrading of the consumption pattern, the traveling and the literary style entertainment leisure service industry will further develop; along with the further development of urbanization and aging of population, service industry such as the property, the community, the household management and the socialization endowment will further develop and mature.

(2) Openness degree of Service domain enlarges gradually. Service industries such as railway transportation and telecommunication still maintain the monopolizing industrial organization structure, their degree of openness are relatively low and their service operation cost are high; " Certain Opinions on Speeding up Development of Service industry " proposed explicitly that the government would encourage and guide the development of non-private economy service industry, and establish the open, just and standard profession admittance system, and service industry is not only to the foreign capital, moreover to the domestic capital. Especially after admittance of monopolizing professions such as banking industry, the multi-capitals will compete fairly, thus bring more choices to the consumers, lower service price and higher grade of service.

Along with the opening of service industry, the international shift of service industry is an irreversible tendency, and with the enhancement of the education level of Chinese labor force, the international service industry will continue to shift to emerging market countries such China in the depth direction, China will continue to strengthen its ability of service industry. Looking from the industrial structure, foreign direct investment (FDI) of service industries mainly concentrates in consumers domain such as real estate and social service industry, next is the wholesale and the retail trade, the food and beverage industry, the transportation, the warehousing and the posts and telecommunications communication industry and so on, and the proportion of the scientific research and the synthesis technology service accounts for less than 1%(see Table 2-5)<sup>[4]</sup>.

(3)The human capital is more and more important to service industry, service industry becomes the important promoter of the new technology, and its development cannot realize without innovative activities, low consumption, low pollution and high benefit and so on. Currently China's service industry idea lags behind, the service level is low, the high quality talented persons of service industry are few and service industry intellectual property protection is insufficient.

Meanwhile, the public service industry will develops a lot, and "service industry" takes the government as main body is also an important member. In view of questions such as city and countryside difference and region difference in the present overall service level, China Government has already pointed out that state-owned capital of service industry will concentrate in the important public product and the service domains from now on to further consummate the public service system and mechanism covers the city and countryside reasonably, and sharpen supplies ability and the level of public services unceasingly.

## 5 Conclusions

Generally, because modern service industry and the modern transportation industry in China are concepts recently proposed, and research on connotation, characteristics, the indicators system and realizing approaches of China's modern transportation industry at present are rather deficient. In order to speed up the construction process of modern transportation industry, we must make thorough research on modern transportation industry, and promote its development level unceasingly to achieve the transportation modernization goal by the time.

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