

In the previous chapters you have read about two important productive activities – agriculture and industries in India. Service activities constitute the other major sector. What is a service activity? What is the nature of service activities in India? How are they important for the country and challenges that we face? In this chapter we will try to answer these questions.

What is a service activity?

1. Sarojini is a doctor working in a hospital. She goes around the wards, examines patients, prescribes medicines and monitors their progress. What exactly does Dr. Sarojini produce? In terms of commodities – nothing. But in terms of services, she is helping the patients to recover and to achieve good health.
2. Soundarya sells groceries. This shop has been set up in the front portion of her house. She opens the shop after sending her children to school and manages this till late night. Her husband helps her in buying all the grocery items from wholesale shops in the town. As a trader she is providing a service or doing the work of reaching the products to the consumers.
3. Ramesh works as an accountant in a company. He has to check accounts, verify payments and receipts, and make sure that the accounts tally with the bills. Writing and maintaining accounts is a service or work that all business organisations require.
4. Sampath has a mini-van. Every morning he goes to the fish market. Many women buy fish from the fish market and use Sampath's mini-van to travel to their locality. He collects payments for transporting fish from market.

All the four – Sarojini, Soundarya, Ramesh and Sampath are engaged in service activities. You will find that their activities are different from farmers, agricultural labourers or industrial workers. (Refer Venkatapuram, Class VI or paper mill and industrial workers, Class VII).

They are not producing something tangible like paddy or cloth. They are however doing work that people and business require in the form of specialised services. Service here refers to the nature of work done. This is in contrast to or different from producing a good. 'Service' in this context of work doesn't mean something that is done free of cost or out of love and devotion. All the above people earn money through this work. This is their livelihood.

Service activities are required for agriculture and industrial activities. What would happen to paddy and vegetables if bullock carts, trucks and buses were not there to provide transport? How one can build buildings if there are no railways to transport cement bags from factories to sales outlets located in towns and cities? Even if these goods reach market, there should be a group of people who buy these and either sell directly to consumers or to other producers such as rice mills, oil mills etc. This means trading activity also constitutes a major segment of service activities.

Working people engaged in service activities do not produce a commodity, like that in agriculture or in industry. They do special kind of activities that help agriculture and industry and also provide a lot of service that people require. Another example is the banking and finance related service activities required by people and business organisations. You have read about this in Class VIII chapter (Money and Banking). Similarly there are the cell phone, internet and all other types of telecommunication service providers

There are eight categories of service activities given below. Some details are filled in, others are left out. Fill in the blank ones after discussing with your teacher.

1. **Education:** Institutions – schools, colleges, universities, technical institutions come under this category. This means those who are working in these institutions such as teachers, all the administrative staff and their activities constitute services.
2. **Health and Medical Services**
3. **Trade:** A variety of selling activities both wholesale and retail that we see around.
4. **Public Administration:** Public services under village and town panchayats, state and central governments come under this category. Examples: people who work in police stations, workers of various other government departments such as village administrative officers, revenue inspectors, tahsildars, Collectors, those who work in all kinds of courts, assistants, clerks, accountants, typists, peons, drivers etc.
5. **Defence:** Activities and people who work in all the armed forces like army, navy and air force.
6. **Financial activities:** Banks and
7. **Personal Services:** Workers who do domestic work, laundry, cleaning, dyeing services, hair dressing, running beauty parlours, tailoring shops, photo and video studios.

8. Activities such as : People working in entertainment and information technology industry – production of films, TV serials, those working in media, newspapers, television channels, and advertisement agencies are also included in services.

Importance of the service sector and some challenges

In any developing country such as India, developmental initiatives involve setting up of many establishments. This includes expansion of infrastructure facilities and other services. Refer to the two employment charts in the previous chapter. Service activities constitute about one-fourth of all the jobs people do in India. How are the service jobs expanding? One possible reason could be due to improvement in general well being of the people. When people earn better incomes, the way they spend their income also undergoes change. They tend to spend more on service-oriented activities such as education, entertainment, eating out and tourism. Let's examine some of the factors for increase the importance of the service sector.

Changes in technology and exports of services

The continuously changing technology is also one of the driving forces of service sector. Since the early 1990s, there has been tremendous change in the communication technology about which you have studied in Class VIII. Business Processes Outsourcing (BPO) has brought in new kinds of employment opportunities to many young people. BPOs employ people located here but they provide a service to people located across the globe using telecommunication links. Many Information Technology companies established in metropolitan cities employ highly skilled engineers that provide specialised software services to companies all over the world. They get projects from these companies abroad.



Fig. 8.1: Call Centre

The entertainment industry creates jobs to work in various print media firms, cable television channels. It is common to find internet cafes and public telephone booths in most of the cities and towns. The advertising industry has also brought new job opportunities. Many new activities

are found in banking and insurance sectors. All these are possible now due to change in technology.

All these require not only advanced level of technological equipments such as computers but also employ a very few highly skilled workers. In other words, producers in the service sector use a lot of machinery and equipments, employing less number of highly skilled people. Thus, the way service sector is growing may not help in reducing unemployment in the country.

There are many “call centers” in big cities. If a resident of London wants information about her bank deposits or her hospital records she may get it from such a “call center” located in them.

I am Sarala working as specialised software engineer for the last 3 years. My company has 120 employees on its pay roll and has a sales figure of about Rs. 50 crores. Four friends together started this company seven years ago. Many of our colleagues regularly go abroad for providing various support services and consultancy. I’m paid a good salary but also expected to work very long hours.

Shifting of service activities to others: “Outsourcing”

Due to changes in technology and stiff competition in industrial sector, many industries have diverted a major section of their activities to service sector. They don’t do it themselves but get it done from ‘outside’. For example, until a few years before, if any company employs security staff, they used to recruit people and pay their salary from the company’s pay-roll. Now-a-days, in order to reduce cost and avoid paying health, pension and provident fund benefits to workers, a large number of industries outsource security services to security agencies. Many manufacturing companies outsource their work for research and development, accounting, legal services, customer service, public relations etc.

Lack of job opportunities, hence employed in low income service

Closure of many industries particularly in textiles and other industries has forced workers of these factories to work as small vendors, rickshaw pullers and other low income service professions. This shift also has created unemployment in urban areas. People from rural areas come to work in the city but there are not enough employment opportunities in urban areas. So they either go back to agriculture sector or land up in many unskilled low earning employment opportunities in services.

I am Aseem. I came to Delhi more than 10 years ago. I ply the rickshaw during the day and stay on the roadside at night. Every evening I have to pay rent to the owner. My earnings from cycle rickshaw are not regular. Some days I earn Rs.250 and on other days I get hardly 100-150 rupees. These days there's more competition and the number of cycle rickshaws in this area is increasing.



- The following table shows the number of workers (in lakhs) employed in different service activities in large enterprises in 1991 and 2010. Read the table carefully and answer the questions that follow.

Service sector activities	Government jobs		Private jobs	
	1991	2010	1991	2010
Wholesale and retail trade	1.5	1.7	3.0	5.1
Transport, storage and communications	30.3	25.3	0.5	1.7
Finance, insurance, real estate etc.	11.9	14.1	2.5	15.5
Community, social and personal services	92.3	90.5	14.9	21.4

- Which service activity gave maximum employment in 2010?
- Has the number of government jobs increased or decreased over the years? What kind of jobs has government generated most during this period?
- What kind of jobs were people able to get in the private service activities?
- Are there any differences between jobs provided by the government and private employers? Discuss.

Stress in jobs in Information Technology

Becoming software engineer has become dream of the young people in these days. These service jobs although bring a lot of income to families but at the same time bring stress in the new jobs that they do. Read the following statement of an IT professional.

My lifestyle has improved due to IT. In college I had just two trousers and two shirts. Now I don't know how many shirts I have, I haven't counted. I buy good quality clothes and I don't have to think about what I am spending. So definitely, working in software has added comfort to my life. Earlier there were a lot of financial problems in the family— my brothers and sisters were not able to study properly due to this, and I am very happy that I have been able to solve this problem. But it is a stressful and mechanical life; there is no social life. In my

hometown, there were always people around—neighbours and relatives. There was always someone to go and talk your heart out with—but here it's not like that.

Desired service today

In recent times, there has been some debate about expansion of service activities that we need to understand. Read the following two different case studies and answer the questions that follow.

Case Study 1: Foreign Direct Investment in Retailing Activities

Since 2012, foreign companies can set up retail shops to sell goods in India. While a few are supporting this new policy, many others are arguing against this policy. Those who are critical about this argue that the small farmers may initially find it attractive to sell directly to the large foreign supermarkets but these foreign investors companies will sooner or later misuse their power to buy in large quantities and compel the farmers to sell at very low prices. About 20-40% of agricultural goods are wasted due to lack of proper storage facilities. This is not a small quantity which can be neglected when it comes to the improvement of the living conditions of farmers. This wastage can be minimized if government establishes state of the art storage facilities which only MNCs can have today. Also that supermarkets will minimize wastage of farm produce through investment in storage facilities is not persuasive on two counts: the alleged wastage of farm produce is exaggerated, and the big retailers have in fact not invested as much as they were expected to do in storage facilities; there will be loss of jobs in traditional, smaller retail sector; and they will drive out smaller retailers, resulting in concentration of market power in the hands of a few.

The supporters argue that there will be gainers and losers from FDI in retail, but the overall gains will outweigh the losses. Moreover, in course of time the losers too will benefit. It was argued that large and medium sized farmers will initially benefit the most, while the small farmers or landless labour will be the losers. However, the purchases by the big supermarkets will increase demand for agricultural products, which in turn will expand agricultural output ... which in turn may increase demand for labour. This will increase agricultural wages in the long run.

You may recall what you learnt in class VI social studies how paddy wholesale traders earn their profit from farmers by lending money and get back their produce at lower than the price prevailing in markets. The foreign retailer may also enter into an interlinked contract with farmers, and at a lower interest rate than charged by the moneylenders. This too is not a desirable state of affairs for the farmer, but a lesser evil: MNCs can purchase more of the produce due to

better storage facilities and this will be more beneficial to farmers than what they have to put up with moneylenders.

- What do you think? Can government do anything to address this issue?

Case Study 2: India faces an acute shortage of skilled human resources in the health sector, says a recent report

India faces an acute shortage of over 64 lakh skilled service professionals in the health sector with Uttar Pradesh alone accounting for a shortfall of 10 lakh allied healthcare professionals, according to a study. The density of doctors in India in 2011 was six for a population of 10,000, while that of nurses and midwives is 13 per 10,000 persons. India has a doctor to population ratio of 0.5: 1000 in comparison to 0.3 in Thailand, 0.4 in Sri Lanka, 1.6 in China, 5.4 in the U.K., and 5.5 in the U.S.

Also there is a gap of 20 lakh dental assistance-related technologists, 18 lakh rehabilitation-related workforce, 9 lakh miscellaneous health workers and 9 lakh surgery and anaesthesia-related professionals. There is also a shortage of around 2.4 lakh medical technologists, 2 lakh surgical and intervention technology-related health professionals, 1.3 lakh ophthalmology-related workers, 62,000 medical laboratory professionals.

The shortfall of different medical professionals has resulted in the uneven distribution of all cadres of health workers, medical and nursing colleges, nursing and ANM (Auxiliary Nurse and Midwife) schools, and allied health institutions across the States with wide disparity in the quality of education. The uneven distribution of professional colleges and schools has also led to an imbalance both in the production capacity and in the quality of education and training, leading to poor health outcomes. By empowering allied health professionals or paramedics, as they are known at present, they can be the leaders of change, playing critical role in improving the reach of health services in underserved areas.

- What is your opinion on foreign companies setting up retail shops in India? How do you think that they can generate employment in India?
- Talk to some retail shop owners in your neighbourhood. Discuss their opinions on foreign retailing shops in your class.
- Prepare a table with two columns and list out the advantages and disadvantages of allowing foreign company retail stores in India.
- Why is it necessary to establish more medical institutions in India?
- Who, in your opinion should set up new medical institutions – private sector or government? Why?

To sum up, in this chapter, we have looked at the importance of service activities and how they contribute to economic development of the country. India is required to shift people working in agriculture to industry and service jobs. This means sufficient number of jobs will have to be generated. There should be more and more factories established and infrastructure such as roads, hospitals, educational institutions are to be set up. We need more good quality roads and other transport facilities, storage facilities, credit facilities. Many industrial activities are now depending on the service activities to face the competition. New economic policies in India are also giving emphasis to expansion of service activities.

Key words

1. Call centers
2. Service activities
3. Outsourcing
4. Information Technology
5. Economic development
6. Retail trade

Improve your learning

1. What is meant by the term, “service activities”?
2. List five service activities and give your reasons why they are not to be considered as either agricultural or industrial activities.
3. How can service activities help in the overall development of a country?
4. How are agricultural and industrial activities related to services?
5. The growth of service sector is sustainable and can make India as a rich country. Do you agree with this statement? Elaborate.
6. Why are service sector activities becoming important?
7. Service activities cannot expand beyond a level unless agriculture and industries. Explain.
8. How can service sector reduce educated unemployment in India?
9. Is there any migration of labourers from your area? Find out the reasons for the migration.
10. Read the 9th paragraph of this chapter; (Service activities do not produce) and answer the following:
What are the service activities required for agriculture and industries?

Project

Discuss with any seven people identify with sector they are employed in. Write a brief note or design a poster about their work. What relationship do you see between their employment and place of residence?

Sl. No.	Name of the person	Nature of work done	Agriculture/ Industry/ Services
1			
2			
3			
4			
5			
6			
7			

Explain your reason for the classification.

