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**Contribution of Services Sector in the  
Economy of Pakistan**

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### **ABSTRACT**

The services sector has provided steady support to Pakistan's economic growth. Its share in GDP now stands at more than 50 percent. The paper analyses its contribution to the growth of the economy in general and the development of trade and generation of employment in particular. The study identifies the bottlenecks in its growth and suggests measures to remove them. A set of policy reforms has been suggested to make the sector more effective in the growth of the national economy.

*Keywords:* Services Sector, Industry, Employment, Financial Institutions and Pakistan's Economy

## 1. INTRODUCTION

Services sector is largest and fastest growing sector in the world economy, accounting largest share in total output and employment in most developed countries. The share of services sector in total GDP is 47 percent in low income countries, 53 percent in middle income countries and 73 percent in high income countries. The sector accounts for a significant and rising share in cross-border trade and foreign direct investment and gives more export opportunities for services suppliers and lower costs for imported services. It is expected that rising trend of services sector would continue, to gain more and more importance through advancement in the area of knowledge based and skill oriented activities. The rising consumer and business demand is steaming from service related activities in manufacturing firms and enhancing role of IT.

Starting with Clark (1941) Kuznets (1957) and Fuchs (1980) observe that shifting the population or structure changes from agriculture to manufacturing and from manufacturing to services in the course of economic development. Kongsamut, *et al.* (2001) estimates for 123 countries from 1970-80 that with increase in services raises the per capita GDP of these economies. These economies move from agriculture sector to more in services sector and less in industrial sector. Rath, *et al.* (2006) analyses that higher growth in services sector leads to India's economic growth. They argue that service sector not only provides more job opportunities but also is widening the tax base and the buoyancy of taxes.

In case of Pakistan, the shares of services are increasing in all sectors of economy over the period. In fact, the growth rate of services sector is higher than the growth rate of agriculture and industrial sector. Services sector accounts for 54 percent of GDP and little over one-third of total employment. Services sector has strong linkages with other sectors of economy; it provides essential inputs to agriculture sector and manufacturing sector. The objective of this paper is to analyse the importance of services sector in an economy and better understanding about Pakistan services sector. The study also explores the relative performance of services sector and its contribution in the economic growth, trade and employment generation.

The paper is planned as follows. The Section 2 discusses the classification of services sector, while the Section 3 analyses the global prospective of services sector. The contribution of services in economy of Pakistan is highlighted in Section 4. The Section 5 looks at the performance of Pakistan's service trade and Section 6 discusses the employment in services sector. The final section presents the conclusion and recommendation.

## 2. CLASSIFICATION OF SERVICES SECTOR

The services sector is not only the one sector at all rather it is highly diversified. Services sector consists of four major sectors in Pakistan that is; distributive, producer, personal and social services. These sectors are further distributed in different subsectors. According to the (Table 1) classification of services sector in Pakistan at the distributive services are further distributed into two subsectors i.e., transport, communications and trade sector. The distributive sector provides the utility to consumer, household and profits for the traders. Producer services consist of financial sector, which not only facilitates the consumers; it also

Table 1

*Classification of Services Sector in Pakistan*

<b>I. Distributive Services</b>	
• <b>Transport, Storage and Communications</b>	<ul style="list-style-type: none"> <li>◆ Railways</li> <li>◆ Water Transport</li> <li>◆ Air Transport</li> <li>◆ Pipeline Transport</li> <li>◆ Road Transport</li> <li>◆ Mechanised</li> <li>◆ Non - Mechanised</li> <li>◆ Communications</li> <li>◆ Storage</li> <li>◆ Water Transport</li> </ul>
• <b>Wholesale, Retail Trade and Hotels and Restaurants</b>	<ul style="list-style-type: none"> <li>◆ Wholesale and Retail Trade including Imports</li> <li>◆ Purchase and Sale Agents and Brokers</li> <li>◆ Auctioning</li> </ul>
<b>II. Producer Services</b>	
• <b>Financial Institution</b>	<ul style="list-style-type: none"> <li>◆ State Bank of Pakistan</li> <li>◆ Commercial Bank</li> <li>◆ Other Financial Intermediaries</li> <li>◆ Insurance Corporations and Pension Funds</li> </ul>
<b>III. Personal Services</b>	
• <b>Entertainment and Recreation Services</b>	
• <b>Ownership and Dwelling</b>	
<b>IV. Social Services</b>	
• <b>Public Administration and Defense</b>	
• <b>Social Community and Private Services</b>	<ul style="list-style-type: none"> <li>◆ Education</li> <li>◆ Medical and Health Services</li> <li>◆ Other Household and Community Services</li> </ul>

*Source:* Annual Report of State Bank of Pakistan (Various Issues).

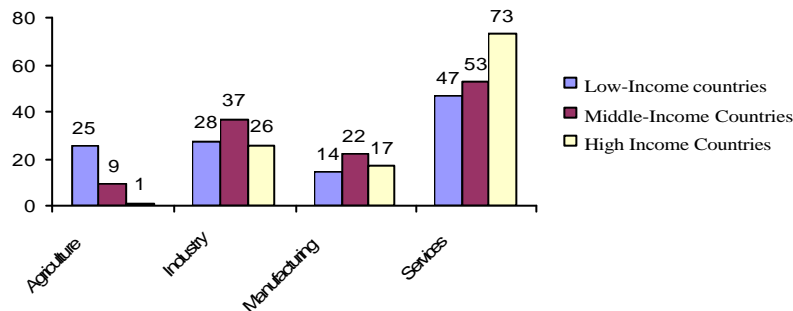
provides the capital for industrialist and business community. The personal services sector provides the public goods and shelters to the citizens of the country. Lastly, the social services sector is distributed in two subsectors (i) public administration and defense, and (ii) health and education facility.

Other system of classifying services developed by Browning and Singeleman (1978) provides market based classification system that consists of public and private provision. Elfring (1988), building on this system, regrouped the service activities from the (International Standard Industrial Classification) ISIC under the four sub-sectors (see Appendix A).

World Trade Organisation (WTO) has identifies 12 areas covering 161 sub-sector of the services. The main sectors are construction, computer and software development, engineering services, professional services (marketing, audit/accounts, taxation and legal etc.), banking, insurance, communication, tourism and business services.

### 3. GLOBAL PERSPECTIVE OF SERVICES SECTOR

Services represent the fastest growing sector of the global economy and account 69 percent of global output, 35 percent of global employment and nearly 20 percent of global trade. The value of services in world exports has increased by 41.7 percent whereas the value of goods has increased just by 35.5 percent during 1975 to 2005.



Source: WDI, 2010.

**Fig. 1. Sectoral Share in GDP of World Economies, 2008**

In high income countries the share of services in GDP is 73 percent (Figure 1). These are services based economies and in spite of having either resource constraint in term of natural resources or having very small industrial base, could be able to make marvellous strides in economic development on the basis of advanced service sector and this has been mainly on the account of developing their human resources through imparting quality education and



technical skill of higher order. The role of industry and agriculture sector in advance countries has been shirking, as the economies increase their productivity and education, and shift to advanced services.

The service sector contributes in all segments of the economy. But in recent times, technological advancement in human capital has been reflected expansion in services sector which has taken a tremendous turnabout in the growth trajectory of many developing economies.

With increasing complexity of modern industrial organisation, manufacturing activities have become more and more service intensive, both upstream (e.g. design, research and development) and downstream (e.g. Marketing and advertising). Competitive advantages of a firm depends more on providing specialised service like financing and after-sales facilities than in production, which has increasingly become routinised. Even within the services sector intra services dependence has given rise to health catch-up phenomena.

The contribution of services has been increasing in the cross boarder trade and foreign direct investment that provides exports opportunities and lower-cost imports. Under the General Agreement on Trade in Services (GATS), the WTO (1999) aims at liberalising trade in services among its member countries. Trade in services has been defined in term of the following four modes covered in the GATS.

#### **Cross-border Supply**

This is the possibility for non-resident services suppliers to supply services cross border into member territory (e.g. telecommunication and insurance services supplied by one country to another).

#### **Consumption Abroad**

This is the freedom for the resident of one country to enjoy and consume from territory of another country (e.g. tourism and to get the education).

#### **Commercial Presence**

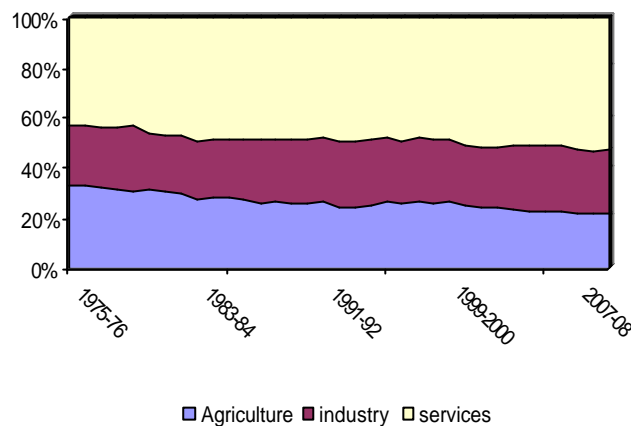
This is the opportunities for one country to establish joint venture, foreign based corporation or expand a commercial presence to supply services for the people of their own country, such as establishment of branch office and agencies to provide services of banking, insurance, communication and legal advice.

#### **Presence of Professional Persons**

These are the opportunities for the entry and temporary stay in the member territory of foreign individuals in order to supply services (e.g. professional services).

#### 4. CONTRIBUTION OF SERVICES SECTOR IN ECONOMIC GROWTH

Services sector contributes the major share in the economic activity of Pakistan. Over the last few decades, the structure of Pakistan economy has experienced significant changes. The goods sector of Pakistan shows that share of agriculture has been declining gradually over time from 43.6 percent in 1960-61 to 21.5 percent of GDP in 2009-10, and share of industry has increased from 15.6 percent in 1960-61 to 25.2 percent of GDP in 2009-10.



Source: Economic Survey of Pakistan.

**Fig. 2. Sectoral Share of GDP, 1975-76 to 2009-10**

Whereas the share of service sector has increased from 39 percent of GDP in 1960-61 to 53.3 percent of GDP in 2009-10, therefore service sector is the largest contributor in the GDP of Pakistan (Figure 2). Cross country data reveals that structure transformation of country goes to various stages. In the first stage of transformation, the decline in share of agriculture sector is compensated by almost equal increase in industry sector, whereas share of services sector remains less or more stagnant. In the second stage of economic growth, substitution takes place between industry and services while agriculture remains constant. This implies that services sector gains momentum at the expense of agriculture. In case of Pakistan, there has been one stage of transformation, i.e. from agriculture to services sector.

The services sector grew very rapidly, from 1975-76 to 2009-10, the growth rate of service sector is 5.46 percent. While the growth rate of goods sector is just 4.96 percent but growth rate of industrial sector is 5.7 percent which is still high than services sector (Table 2).

Table 2  
Annual Growth Rates of Pakistan's Sectors,  
1975-76 to 2009-10

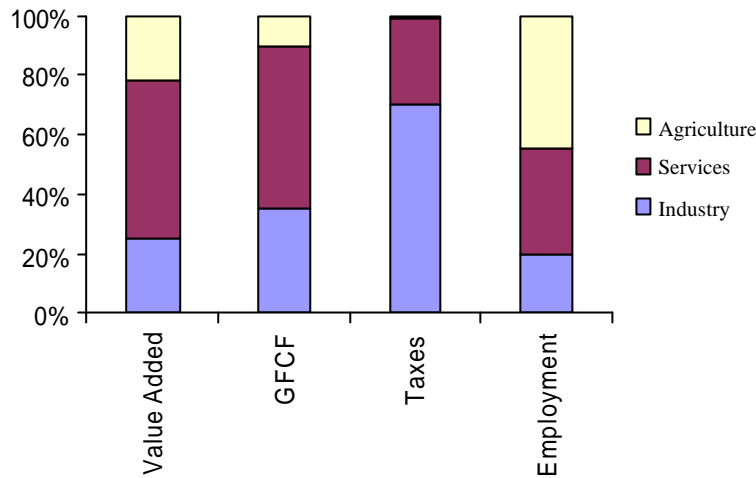
Sector	Growth Rate
Agriculture	3.63
Mining and Quarrying	5.99
Manufacture	6.31
Construction	3.86
Electricity and Gas Distribution	5.46
Industry	5.72
<b>Goods</b>	<b>4.96</b>
Transport, Storage and Communication	5.07
Whole Sale and Retail trade	4.95
Finance and Insurance	6.80
Ownership of Dwellings	5.19
Public Admn and Defense	4.84
Social and Community Services	6.52
<b>Total Services</b>	<b>5.46</b>

*Source:* Economic Survey of Pakistan (Various Issues).

The increasing growth rate of service sector is due to increasing growth in finance and insurance sector. As growth rate of finance and insurance sector is 6.8 percent during 1975-2010. The better performance is due to the pursuance of accommodative policies adopted by of State Bank of Pakistan. The growth rate of social and community sector has also been increasing which is recorded 6.5 percent during 1975-2010.

A group that has experienced modest growth rate, in transport, storage and communication, wholesale and retail trade, ownership of dwelling, public administration and defense.

A share of service sector has been increasing in major activities of economy (Figure 3). The service sector has major contribution in value added and gross fixed capital formation (GFCF) in Pakistan. Employment share in services sector is increasing, people are moving from agriculture sector to services sector. Service sector is also important sources of revenues as 26 percent of revenues are received from taxes compare with 1 percent from agriculture sector.



Source: Economic Survey of Pakistan .

**Fig. 3. Economy Activities of Pakistan by Sector Wise, 2009-2010**

#### 4.1. Consumer Demand for Goods and Services

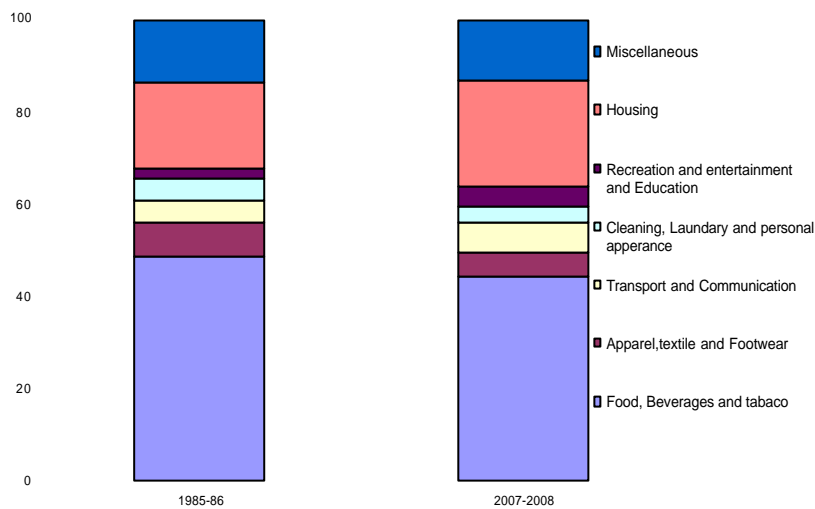
The demand for goods and services are mostly related with income. A common expectation about demand of goods and services is that with rise in income , demands of services are higher than demand of goods. The relationship of demand for goods and services with income are measured by income elasticity. Income elasticity of demand measures the responsiveness of demand of goods and services due to change in income.

The empirical evidence in the income elasticity demand of goods and services are mixed, some of the studies show that income elasticity of services sector is higher than that of goods.

Fuch (1968) found that in United States the income elasticity demand for services is 1.12 and for goods is 0.93 during 1925 to 1967. Summer (1985) estimates the elasticity of demand by using cross sectional data. His result shows that a service such as medical care and housing has income elasticity greater than unity, whereas the income elasticity for education, transportation and communication is less than unity.

However, there are different views about the factors that increase the demand of services. Gershuny (1978) finds that in United Kingdom the relative demand of service was constant during the period of 1954 to 1974; although the larger proportion of income was spend on services. He argues that this increase in demand of services is due to the “self-service economy” where the relative cheaper manufacture products satisfy the services need.

Demography and lifestyle changes have the major contribution to increase in the growth of consumer demand of services. Pakistan's consumption data shows that the demand of services is increasing over the time (Figure 4). During the 1985-86 people spent more of their income on goods than services. More than 55 percent of their income was spent on food, textile, footwear items etc.



Source: Household Integrated Economic Survey.

**Fig. 4. Household Final Consumption Expenditure Share, 1985-2008**

But in 2007-08 the demand of food, textile and footwear decreased by 6.4 percent; whereas demand of services increased by 4.9 percent

Consumption demand of transport and communication are increased by 1.73 percent. The people have been spending more on the rent and housing, the spending on housing is increased from 18.9 percent in 1985-86 to 22.7 percent in 2007-08. Similarly, households now spend more of their income on recreation, entertainment and education. The increase in consumer demand of services some how explains the rapid growth of services.

## 5. PAKISTAN SERVICE TRADE

The Statistics Department of State Bank of Pakistan has been compiling Balance of Payment (BOP) accounts since November 2003 onward on the basis of fifth IMF Balance of Payment Manual, in the view of harmonisation of balance of payment statistics with the Revised System of National Accounts (UN-SNA-1993). International service transactions have been disaggregated in many sub-categories.

Data on the share of services and goods in trade for fiscal year 2008-09 and 2009-10 is shown in (Table 3).

Table 3

*Share of Goods and Services in Trade, 2008-09 and 2009-10*

Sectors	2008-09		2009-10	
	Exports	Imports	Exports	Imports
<b>Goods</b>	<b>82.32</b>	<b>80.92</b>	<b>79.23</b>	<b>82.01</b>
Transportation	5.30	9.26	4.64	9.14
Travel	1.35	2.55	1.38	2.32
Communication Services	0.84	0.37	0.99	0.42
Construction Services	0.13	0.18	0.06	0.08
Insurance Services	0.25	0.34	0.17	0.39
Financial Services	0.27	0.42	0.36	0.25
Computer and Information Services	0.79	0.31	0.76	0.44
Royalties and License Fees	0.05	0.24	0.02	0.29
Other Business Services	2.12	4.20	2.17	2.86
Personal and cultural and Recreational Services	0.00	0.01	0.02	0.05
Government Services	6.56	1.21	10.20	1.75
<b>Services</b>	<b>17.68</b>	<b>19.08</b>	<b>20.77</b>	<b>17.99</b>

Source: State Bank of Pakistan.

The share of services in export has been increased from 17.68 percent to 20.77 percent in 2008-09 to 2009-10. Whereas the share of services in imports has been declined from 19.08 percent to 17.99 percent, which helps to decreased the trade deficit in 2009-10.

During the last two years, Pakistan enjoyed surplus in export of communication, computer and information services and government services. Major share of export of 10.2 percent was contributed of government service and the share transportation was 4.64 percent in total exports, during 2009-10.

Although transportation service exports declined during 2008-2010. Lower way and freight earnings and reduced local operations of foreign transport companies remained the key factors behind the overall decline in the transportation services exports.

### 5.1. Foreign Direct Investment

The inflow of FDI both in goods and services declined in 2009-10 as compared to 2008-09 due to global and financial crises. The inflow of FDI services is turned down from \$1951.1 million in 2008-9 to \$767 million in 2009-10

(Table 4). This situation of FDI is declined in 2009-10 owing to a combination of internal factors like energy crises and law and order situation along with external factors of global economic crises. These factors shrink the profitability of firms, increase the uncertainty and risk aversion and reduced the availability of finance to firm for further investment. The share of services sector in net inflow of FDI decreased from 53.8 percent to 37 percent in 2009-10. This is due to negative net inflow of foreign direct investment in information technology, IT services and hardware development.

Table 4

*Pakistan Net Inflow of Foreign Direct Investment, 2009-10*

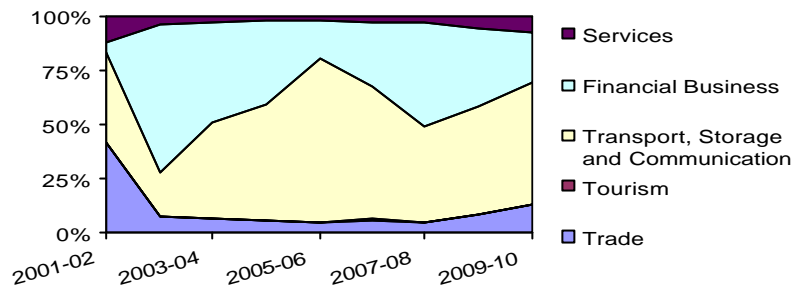
Sectors	2008-09	2009-10
	(\$Million)	
<b>Goods</b>	<b>1678.686</b>	<b>1305.8</b>
Trade	166.6	117.1
Tourism	0.0	0.0
Transport	95.9	132.0
Storage Facilities	0.4	0.0
Communications	879.1	291.0
(a) Telecommunications	814.9	373.7
(b) Information Technology	62.7	-79.1
(i) Software Development	19.1	9.2
(ii) Hardware Development	1.5	2.6
(iii) IT Services	42.1	-90.9
(c) Postal and Courier Services	1.6	-3.5
Financial Business	707.5	163.0
Social Services	1.5	1.9
Personal Services	100.1	62.5
<b>Services</b>	<b>1951.1</b>	<b>767.5</b>
<b>Total</b>	<b>3629.8</b>	<b>2073.3</b>

Source: State Bank of Pakistan.

Whereas the inflow of FDI in transport and social services increased over the previous year. One of the sad aspects is that there has been zero net inflow of FDI in tourism sector for the last two years. The investment in tourism department is reduced due to worse law and order situation in Pakistan for tourist.

Data of FDI trend in sector wise is quite limited in Pakistan. Yet the given data shows that growth rate of net inflow of FDI is 18.3 percent between FY02 to FY10. The service sector has grown faster accounting for 28 percent, whereas the growth rate of good sector (agriculture, mining and manufacturing) is 14.3 percent between FY02 to FY10.

Figure 5 shows the industry contribution of services in FDI from 2001-02 to 2009-10. The share of transport, storage and communication in FDI has been increasing over time. Financial sector is also playing major role to increase the FDI of Pakistan.

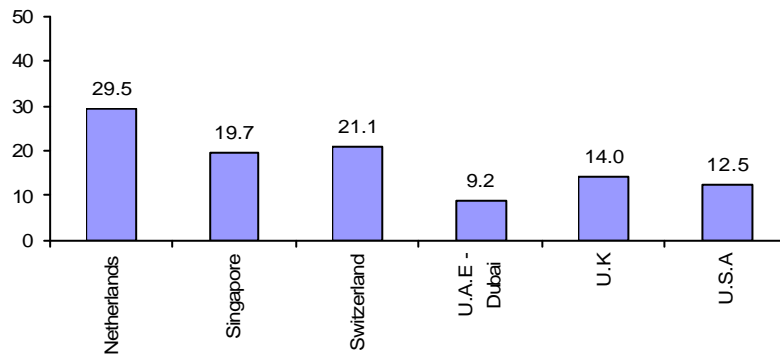


Source: State Bank of Pakistan.

**Fig. 5. Industry Contribution of Services in FDI, 2001-02 to 2009-10**

Whereas the share of tourism sector in FDI is going down due to insecurity and political instability in Pakistan.

Pakistan's FDI in services is concentrated with few major markets. Netherlands is the major Player to contribute FDI and its share is 29.5 percent in FDI of Pakistan Figure 6. Switzerland, Singapore and UK are also dominating countries and their FDI was \$120.3 million, \$112 million and \$107.9 million in 2009-10 respectively in 2009-10. The other main contributor was USA and its share was 12.5 percent in FDI.



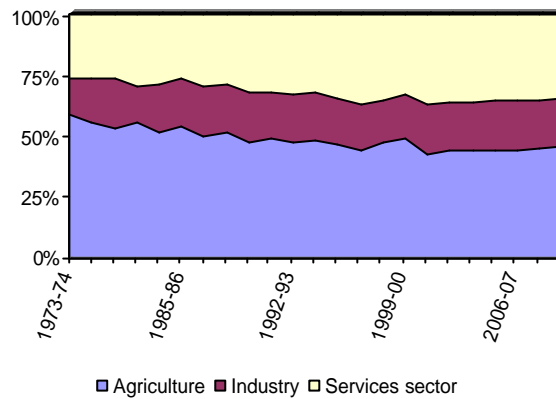
Source: State Bank of Pakistan.

**Fig. 6. TOP 6 Countries Contributing in Pakistan Service FDI, 2009-10**



## 6. EMPLOYMENT IN SERVICES SECTOR

Although Pakistan is an agriculture country, but due to urbanisation the share of employment in agriculture sector is decreasing and people move towards the other sectors of economy for better job. The services sector provide jobs diverse in nature such as unskilled, semi skilled, skilled and high skilled which includes doctors, engineers, advocates, builders, financial consultants and hair dressers etc.



Source: Labour Force Survey.

**Fig. 7. Share of Industry in Total Employment of Pakistan, 1973-74 to 2008-09**

The share of services sector in total employment has been increasing over the time (Figure 7). The share of services sector in total employment increased from 27 percent to 34.5 percent in 1973 to 2009. Most of the jobs in this group are in the area of public administration and defense, compulsory social security, education, health and social work. Transport, storage and communication have also been playing an important role to providing the jobs.

In 2009 2.76 million people were employed in this sector. Financial sector which includes (insurance, real estate and business service) has still small share in employment generation. In 2008-09, it employed around 820,000 people.

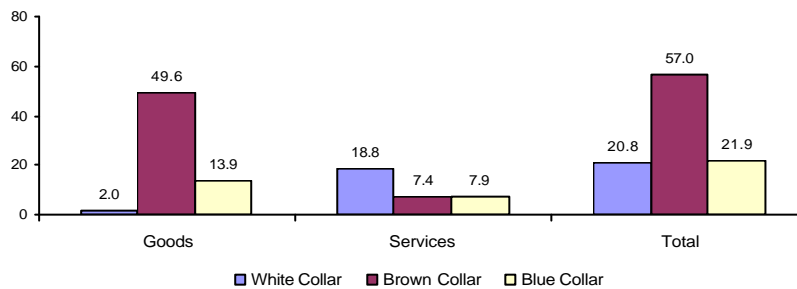
### 6.1. Level of Skill Shifts to Services Sector

Skill of any employee depends on job requirement either in the form of physical or analytical. There are different measures to determine the skill level, mostly education, qualification and occupation status has been used [see for example, Colecchia and Papaconstantinou (1996)]. Through in education number of schooling years and degree obtained has been used for analysing the

quality. In Pakistan data on education qualification by industrial group wise unfortunately is not available. However, occupation gives us more information about skill level of job, for that purpose occupation status has been categorised into three groups [*Time Use Survey (2007)*].

- **White Collar** is composed of Legislators, Senior Officials and Managers, Professionals, Technicians and Associate Professionals and Clerks.
- **Brown Collar** is comprised of Service Workers and Shop and Market Sales Workers Skilled Agricultural, Fishery Workers, Craft and Related Trades Workers.
- **Blue Collar** is consisted of Plant and Machine Operators and Assemblers and Elementary (unskilled) Occupation.

White collar is considered high skill labor, in Pakistan around 18.8 percent white collar employees work in service sector, whereas in good sector it is only 2 percent in 2008-09 (Figure 8).



Source: Labour Force Survey.

**Fig. 8. Distribution of Employee by Occupation Group and Industry, 2008-09**

Wholesale and Retail Trade employees the largest share of white collar workers which is almost 9.8 percent. Majority of this sector is associated with Legislators, Senior Officials and Managers. Second largest sector is education, 3.6 percent employees are white collar which belong to Technical and Associated Professionals.

While 49.6 percent of brown collar workers are employed in good sector and only 7.4 percent workers are related with services sector. Most of the brown collar is associated with Whole Sale and Retail Trade and majority of these employees are Service Worker, Market Sales Workers and Trade Workers.

Unskilled workers fall in the category of Blue collar, as service sector employee only 7.9 percent blue collar, whereas 13.9 percent are related with good sector. The sector wise occupation share indicates that service sector workers are on average or at least more skilled as goods sector workers.

## 6.2. Wage Rate Measures Job Quality

The various job characteristics are used to measure the job quality such as working condition, job satisfaction and wage rate. The more highly paid employees need better working condition and some how they have choice in their working schedule. So we can say that the wage rate and its evolution are used as a proxy for job quality [OECD Economy Outlook (2001)]. Empirical studies show that the level of income earned by employees depends on their skill, education, work experience and their work requirement.

Data on monthly average income shows that service sector jobs are more highly paid than others sectors (Table 5). There is too difference in wage rate between goods and services sector. In goods sector agriculture is low paid sector (2.82 percent of total economy); whereas the highest paid jobs are electricity, gas and water supply (8.04 percent above of average economy income).

Table 5

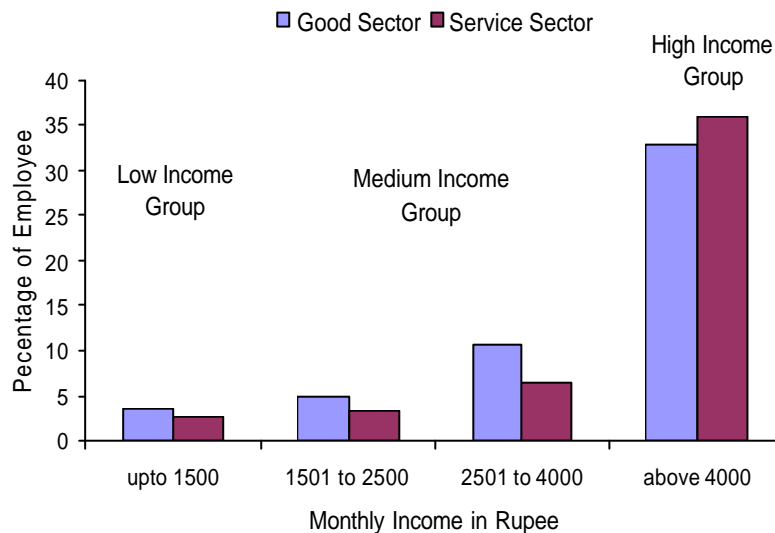
### *Comparison of Average Monthly Income by Major Industry, 2008-09*

Sectors	Average Monthly Income in Rs	% of National Income
Agriculture, Hunting and Forestry	4349.23	2.82
Fishing	6853.74	4.45
Mining and Quarrying	7661.07	4.97
Manufacturing	6768.63	4.39
Electricity, Gas and Water Supply	12383.25	8.04
Construction	6510.68	4.22
<b>Sub-Total</b>	<b>44526.6</b>	<b>28.89</b>
Wholesale and Retail Trade, Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	5619.49	3.65
Hotels and Restaurants	6209.35	4.03
Transport, Storage and Communication	8068.94	5.24
Financial Intermediation	20279.95	13.16
Real Estate Renting and Business Activities	11752.16	7.63
Public Administration and Defense, Compulsory Social Security	11207.64	7.27
Education	10424.15	6.76
Health and Social Work	9889.06	6.42
Other Community Social and Personal Services Activity	6254.62	4.06
Activities of Private Household as Employers and Undifferentiated Production	3680.78	2.39
Extraterritorial Organisations and Bodies	16200.48	10.51
<b>Services Sector</b>	<b>109586.62</b>	<b>71.11</b>
<b>Total Economy</b>	<b>154113.22</b>	<b>100.00</b>

Source: Labor Force Survey.

The wage rate of service sector depends on the type of job they gain. The highest paid service jobs are financial intermediation, extraterritorial organisations and bodies, real estate renting and business activities. Other high paid service jobs are found in extraterritorial organisation and bodies, real estate renting and business activities and public administration and defense, education, health and social work (10.5 percent, 7.62 percent and 7.27 percent respectively). The low paid service jobs are activities of private household as employers, wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods, hotels and restaurants and other community social and personal services activity are below the national income.

Figure 9 shows that in service sector relatively more proportion of employees enjoying high income as compared to goods sector. More than 35 percent employees earning above Rs 4000 in service sector, whereas in goods sector 32 percent employees come from high income group. The greater proportion of these employees is engaged in education and public administration and defense.



Source: Labor Force Survey.

**Fig. 9. Percentage of Employee in Good and Service Sector by Income Group, 2008-09**

In 2008-09, good sector employees fall more than 15 percent in medium income group, whereas in services sector 10 percent employees earn from Rs1501 to Rs4000. While in low income group 3 percent employees belong to

good sector and 2 percent employees are engaged in services sector. So there is no so much in service sector and good sector employees that earn less than Rs1500. The above figure shows that service sector jobs are considered in high income group than good sector.

## **7. CONCLUSION AND RECOMMENDATIONS**

The higher growth of service sector gives a new dimension of stability to Pakistan's growth process. The analysis shows that other commodity-producing sector growth rate in employment is stagnant or declining, while the services sector provides more opportunities in employment generation. This helps to reduce the poverty alleviation and improve the quality of life. Through increasing trade and investment, services sector leads to economic growth and competition.

The study suggested the measure and strategy for removing bottleneck in the growth of the services sector and to provide a package of policy reform so that the services sector emerges as a key sector for growth, employment, and poverty reduction.

In the context to the services sector, information technology (IT) will best be used for cluster based development. There is a dire need to pay attention towards improving advance technical skill and education to the workers to cope with global requirements and more absorption of labor in sophisticated industries, financial, trade, transport and communication services.

There is also a pressing need to find new avenues of services sector. In order to improve research and development (R&D), technology up gradation and human resource development (HRD) particularly management improvement and reformed policy environment will have to be formulated. There is also a need of dynamic leadership at national level which should be purified of corruption, nepotism, maladministration. Quality education with equal and uniform system can also serve in better improvement of services sector, which ultimately can play a vital role in uplifting the ailing economy and bringing the nation on a right tract.

**APPENDIX-A****Market-based Classification Systems—Browning-Singelmann's  
and Elfring's Suggestions**

Sub-sectors	Browning and Singelmann's Sub-groups	Elfring's Sub-groups
Producer Services	<ul style="list-style-type: none"> <li>• Banking, Credit and other Financial Services</li> <li>• Insurance</li> <li>• Real Estate</li> <li>• Engineering and Architectural Services</li> <li>• Accounting and Book-keeping</li> <li>• Miscellaneous Business Services</li> <li>• Legal Services</li> </ul>	<ul style="list-style-type: none"> <li>• Business and Professional Services</li> <li>• Financial Services</li> <li>• Insurance Services</li> <li>• Real Estate Services</li> </ul>
Distributive Services	<ul style="list-style-type: none"> <li>• Transportation and Storage</li> <li>• Communication</li> <li>• Wholesale Trade</li> <li>• Retail Trade (Except Eating and Drinking Places)</li> </ul>	<ul style="list-style-type: none"> <li>• Retail Trade</li> <li>• Wholesale Trade</li> <li>• Transport Services</li> <li>• Communications</li> </ul>
Personal Services	<ul style="list-style-type: none"> <li>• Domestic Services</li> <li>• Hotels and Lodging Places</li> <li>• Eating and Drinking Places</li> <li>• Repair Services</li> <li>• Laundry and Dry Cleaning</li> <li>• Barber and Beauty Shops</li> <li>• Entertainment and Recreational Services</li> <li>• Miscellaneous Personal Services</li> </ul>	<ul style="list-style-type: none"> <li>• Hotels, Bars and Restaurants</li> <li>• Recreation, Amusements and Cultural Services</li> <li>• Domestic Services</li> <li>• Other Personal Services</li> </ul>
Social Services	<ul style="list-style-type: none"> <li>• Medical and Health Services</li> <li>• Hospitals</li> <li>• Education</li> <li>• Welfare and Religious Services</li> <li>• Non-profit Organisations</li> <li>• Postal Services</li> <li>• Government</li> <li>• Miscallenous Professional and Social Services</li> </ul>	<ul style="list-style-type: none"> <li>• Government Proper (Civil or Military)</li> <li>• Health Services</li> <li>• Education Services</li> <li>• Miscellaneous Social Services</li> </ul>

Sources: Browning and Singelmann (1978) and Elfring (1988).

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A. Sectoral Contribution to GDP Growth B. Labor Productivity in the Services versus Industry Sector C. Determinants of Service Sector Productivity. V. concluding observations. References. The 12 economies are the PRC; Hong Kong, China; India; Indonesia; the Republic of Korea; Malaysia; Pakistan; the Philippines; Singapore; Taipei, China; Thailand, and Viet Nam. The data are collected from the World Bank's World Development Indicators (WDI). In advanced economies, the sectoral composition of employment tends to be as follows: The share of the service sector in employment is greater than the share of the manufacturing sector in employment, which, in turn, is greater than the share of the agriculture sector in employment. PDF | The services sector has provided steady support to Pakistan's economic growth. Its share in GDP now stands at more than 50 percent. The paper | Find, read and cite all the research you need on ResearchGate. In case of Pakistan, the shares of services are increasing in all sectors of the economy over the period. In fact, the growth rate of services sector is higher than the growth rate of agriculture and industrial sector. Services sector accounts. In 2019, agriculture contributed around 22.04 percent to the GDP of Pakistan, 18.34 percent came from the industry, and over half of the economy's contribution to GDP came from the services sector. When shall we three contribute again? There are three main sectors of economy: The primary sector encompassed agriculture, fishing and mining. The secondary sector is the manufacturing sector, also known as the industry sector; and last but not least, the tertiary sector, alias the services sector, which includes services and intangible goods, like tourism, financial services, or telecommunications. The economy of Pakistan is the 23rd largest in the world in terms of purchasing power parity (PPP), and 42nd largest in terms of nominal gross domestic product. Pakistan has a population of over 220 million (the world's 5th-largest), giving it a nominal GDP per capita of \$1,357 in 2019, which ranks 154th in the world and giving it a PPP GDP per capita of 5,839 in 2019, which ranks 132nd in the world for 2019. However, Pakistan's undocumented economy is estimated to be 36% of its overall economy, which