

Chapter

12

Services and Settlements



Why is this man carrying raw pig meat on his back? Page 440



Why are these farm fields long and narrow rather than square? Page 449

KEY ISSUE 1

Where Are Services Distributed?

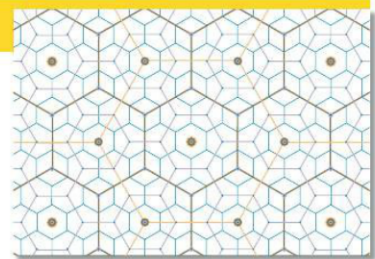


More and More Services p. 431

Most jobs—and most of the growth in jobs—is in services.

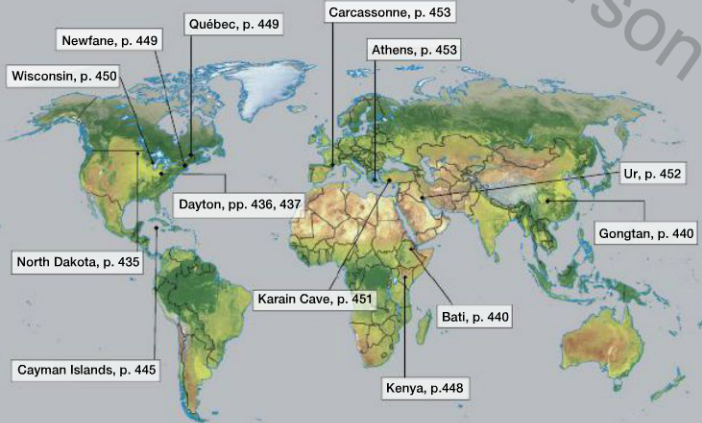
KEY ISSUE 2

Where Are Consumer Services Distributed?



Services for People p. 434

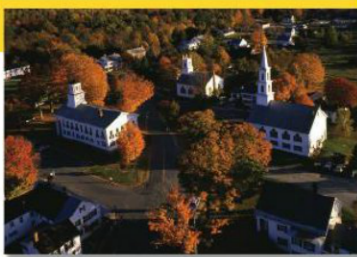
Services for people are located where the people are.



▲ Need to have your computer fixed? Correct a mistake on your credit card bill? Change your plane reservation? The company whose name is on the computer, credit card, or airplane may not actually employ the person who answered your call. Instead, the call-answering job may have been contracted out to another company known as a call center. Call centers are one of the fastest-growing services in the global economy. Many of them are located in India, including this one in Kolkata.

KEY ISSUE 3

Where Are Business Services Distributed?



Services for Businesses p. 442

Most business services are in very large settlements.

KEY ISSUE 4

Why Do Services Cluster in Settlements?



A World of Urban Services p. 448

Settlements can be rural or urban; the urban ones are growing.

Introducing Services and Settlements

In developed countries, most people work in such places as shops, offices, restaurants, universities, and hospitals. These are examples of the tertiary, or service, sector of the economy.

A service is any activity that fulfills a human want or need and returns money to those who provide it. A smaller number of people work on farms or in factories, the primary and secondary sectors.

In sorting out where services are distributed in *space*, geographers see a close link between services and settlements because services are located in settlements. A **settlement** is a permanent collection of buildings where people reside, work, and obtain services. Settlements range in size from tiny rural villages with barely 100 inhabitants to teeming cities with 20 million people. They occupy a very small percentage of Earth's surface, well under 1 percent, but settlements are home to nearly all humans because few people live in isolation.

Explaining why services are clustered in settlements is at one level straightforward for geographers. In geographic terms, only one locational factor is critical for a service—proximity to the market. The optimal location of industry, described in Chapter 11, requires balancing a number of site and situation factors, but the optimal location for a service is simply near its customers.

On the other hand, locating a service calls for far more precise geographic skills than locating a factory. The optimal location for a factory may be an area of several hundred square kilometers—such as Honda's factory, described in the Contemporary Geographic Tools box in Chapter 11—whereas the optimal location for a service may be a very specific *place*, such as a street corner (Figure 12-1).

Service providers often say that the three critical factors in selecting a suitable site are “location, location, and location.” Although geographically imprecise, the expression is a way for nongeographers to appreciate that a successful service must carefully select its precise location. Industries can locate in remote areas, confident that workers, water, and highways will be brought to the location if necessary. The distribution of services must follow to a large extent the distribution of where people live, within a city, country, or world *region*.

However, if services were located merely where people lived, then China and India would have the most, rather than the United States and other developed countries.



▲ FIGURE 12-1 CLUSTERING OF RETAIL SERVICES

Retail services cluster at places, such as freeway exits, that maximize accessibility for consumers.

Services cluster in developed countries because more people are able to buy services there. Within developed countries, larger cities offer a larger *scale* of services than do small towns because more customers reside there.

Every urban settlement in the United States above a certain size has a branch of a large retail chain, such as a McDonald's restaurant, and the larger cities have several. In England, every city above a certain size has a Tesco supermarket, and the larger cities have several. In a developed country, the demand for many types of services produces regular *connections* among settlements.

- **KEY ISSUE 1** divides services—consumer, business, and public—and discusses changes in employment in these main types of services.
- **KEY ISSUE 2** examines *where* services targeted primarily to consumers are located.
- **KEY ISSUE 3** looks at the distribution of services targeted primarily to businesses. Within developed countries, fast-food restaurants may be located in every settlement, but business services cluster in particular locations.
- **KEY ISSUE 4** explains *why* a disproportionately large share of services cluster in large settlements. As in other economic and cultural features, geographers observe trends toward both globalization and local diversity in the distribution of services. In terms of *globalization*, the provision of services is increasingly uniform from one urban settlement to another, especially within developed countries. At the same time, *local diversity* is alive and well in a settlement's distinct mix of services.

KEY ISSUE 1

Where Are Services Distributed?

- Three Types of Services
- Rising and Falling Service Employment

Services generate more than two-thirds of GDP in most developed countries, compared to less than one-half in most developing countries (Figure 12-2). Logically, the distribution of service workers is opposite that of the percentage of primary workers (refer to Figure 10-6).

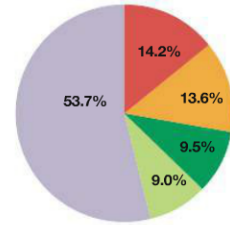
Three Types of Services

The service sector of the economy is subdivided into three types—consumer services, business services, and public services. Each of these sectors is divided into several major subsectors.

CONSUMER SERVICES

The principal purpose of **consumer services** is to provide services to individual consumers who desire them and can afford to pay for them. Nearly one-half of all jobs in the United States are in consumer services. Four main types of consumer services are retail, education, health, and leisure (Figure 12-3):

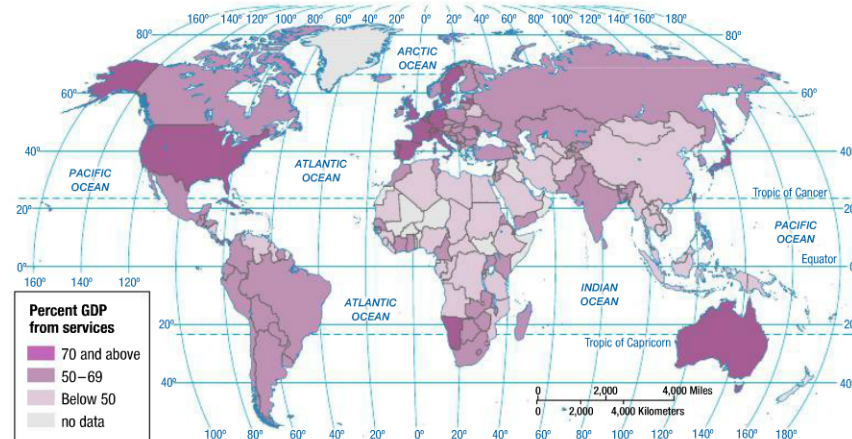
- **Retail and wholesale services** comprise about 14 percent of all U.S. jobs. Department stores, grocers, and motor vehicle sales and service account for nearly one-half of these jobs; another one-fourth are wholesalers that provide merchandise to retailers.



▲ **FIGURE 12-3 U.S. CONSUMER SERVICES** Most consumer service jobs are in retail and restaurants.

- **Education services** comprise about 15 percent of all U.S. jobs. Figure 12-3 shows only 9.5 percent in education services, because it does not include public school teachers, who are shown separately in Figure 12-5.

▼ **FIGURE 12-2 PERCENTAGE OF GDP FROM SERVICES** Services account for more than two-thirds of GDP in developed countries, compared to less than one-half in developing countries.



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- **Health and social services** comprise about 14 percent of all U.S. jobs. One-third are in hospitals, one-half in other health care services, such as doctors' offices and nursing homes, and one-sixth in social assistance.
- **Leisure and hospitality services** comprise about 9 percent of all U.S. jobs. Three-fourths of these jobs are in restaurants, bars, and lodging; the other one-fourth are the arts and entertainment.

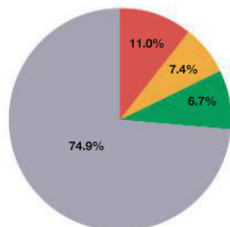
BUSINESS SERVICES

Learning Outcome 12.1.1

Describe the three types of services and changing numbers of types of jobs.

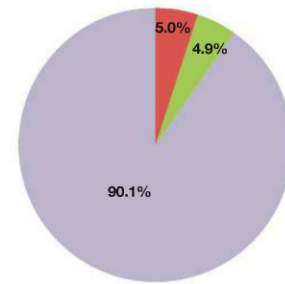
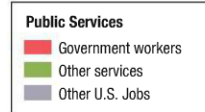
The principal purpose of **business services** is to facilitate the activities of other businesses. One-fourth of all jobs in the United States are in business services. Professional services, financial services, and transportation services are the three main types of business services (Figure 12-4):

- *Professional services* comprise about 11 percent of all U.S. jobs. Technical services, including law, management, accounting, architecture, engineering, design, and consulting, comprise 60 percent of professional services jobs. Support services, such as clerical, secretarial, and custodial work, account for the other 40 percent.
- *Financial services* comprise about 7 percent of all U.S. jobs. This sector is often called “FIRE,” an acronym for finance, insurance, and real estate. One-half of the financial services jobs are in banks and other financial institutions, one-third in insurance companies, and the remainder in real estate.
- *Transportation and information services* comprise about 7 percent of all U.S. jobs. Transportation, primarily trucking and warehousing, account for 60 percent of these jobs. The other 40 percent are in information services such as publishing and broadcasting, as well as utilities such as water and electricity.



▲ **FIGURE 12-4 U.S. BUSINESS SERVICES** Most business service jobs are in professional services.

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▲ **FIGURE 12-5 U.S. PUBLIC SERVICES** Most public service jobs are in local government.

PUBLIC SERVICES

The purpose of **public services** is to provide security and protection for citizens and businesses. About 10 percent of all U.S. jobs are in the public sector (Figure 12-5). Excluding educators, one-sixth of public-sector employees work for the federal government, one-fourth for one of the 50 state governments, and three-fifths for one of the tens of thousands of local governments (Figure 12-5). The census classifies another 5 percent of jobs as “other services” because they don’t fall logically under the categories of consumer, business, and public services.

Pause and Reflect 12.2.1

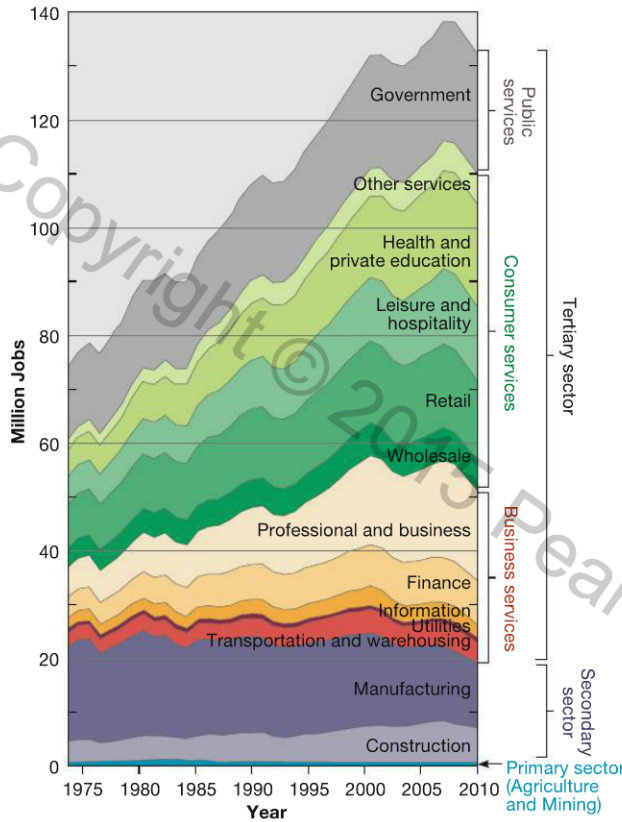
In which sectors of the economy do you or members of your family work? If in the service sector, in which types of services are these jobs?

Rising and Falling Service Employment

The service sector of the economy has seen nearly all the growth in employment worldwide. It is also the sector that has been impacted the most by the severe recession that began in 2008.

CHANGES IN NUMBER OF EMPLOYEES

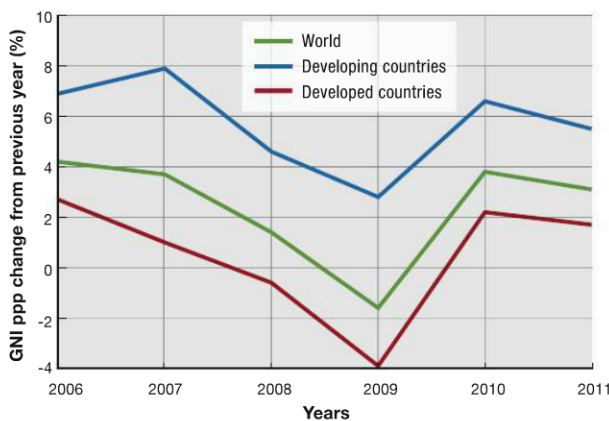
Figure 12-6 shows changes in employment in the United States between 1972 and 2010. All the growth in employment in the United States has been in services, whereas



▲ FIGURE 12-6 CHANGES IN U.S. EMPLOYMENT Jobs have increased in the service sector.

employment in primary- and secondary-sector activities has declined.

Within business services, jobs expanded most rapidly in professional services (such as engineering, management, and law), data processing, advertising, and temporary



▲ FIGURE 12-7 GNI CHANGE GNI per capita declined during the severe recession that began in 2008.

employment agencies. Jobs grew more slowly in finance and transportation services because of improved efficiency—fewer workers are needed to run trains and answer phones, for example.

On the consumer services side, the most rapid increase has been in the provision of health care, including hospital staff, clinics, nursing homes, and home health-care programs. Other large increases have been recorded in education, entertainment, and recreation. The share of jobs in retailing has not increased; more stores are opening all the time, but they don't need as many employees as in the past.

SERVICES IN THE RECESSION

The service sector of the economy has been the engine of growth in the economy of developed countries, even as industry and agriculture have declined. But it was the service sector that triggered the severe economic recession that began in 2008. Principal contributors to the recession were some of the practices involved in financial services and real estate services, including:

- A rapid rise in real estate prices, encouraging speculators to acquire properties for the purpose of reselling them quickly at even higher prices.
- Poor judgment in lending by financial institutions, especially by offering “subprime” mortgages to individuals whose poor credit history made the loans highly risky.
- Invention of new financial services practices, such as derivatives, in which investors bought and sold risky assets, with the expectation that the value of the assets would continually rise.
- Decisions by government agencies to reduce or eliminate regulation of the practices of financial institutions.
- Unwillingness of financial institutions to make loans once the recession started.

The early twenty-first century recession was also distinctive because it rapidly affected every other region of the world. At the same time, the impact of the global recession varied by region and locality.

The early twenty-first century recession resulted in an absolute decline in world GNI for the first time since the 1930s (Figure 12-7). GNI grew by an annual average of 3.7 percent between 1960 and the start of the recession in 2008. Only twice in that time did GNI grow at a rate of less than 1 percent per year.

CHECK-IN: KEY ISSUE 1

Where Are Services Distributed?

- ✓ Three types of services are consumer, business, and public.
- ✓ The fastest-growing consumer service is health care, and the fastest-growing business service is professional.