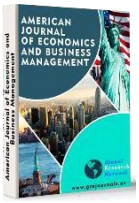

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Article

The Impact of Demand on Structural Changes in Service Sectors

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Abstract: This research aims toto study impact demand In its various types, on Changes Structure that I witnessed it Sectors Service in Many from economies, with the focus on Dimensions Theory For this Impact.Lost Bat clear that demand Increasing on Services, whether He was resulting on to improve Levels income, or change Patterns consumption, or progress technological, constitutes power Pusher Main behind Transformation in structure Economy from Sectors yield to Sectors Service. Discuss Search framework theoretical Associated By analysis Transformations structural, documented to Theories Economic Classic Modern like theory Clark-Fisher and theory growth Paid On request, It shows how Leads Changes in demand to re Customization Resources inside Economy, Which leads to to expansion Accelerating in Services like education, and health, and transportation, And communications. And reviews Search Examples Applied Explain How to interaction economies developing And advanced with this demand, gesticulate Arrange attic from Transformations Institutional and structure.And It's done to that response Sectors Service To order no Depends only on Its quantity but rather on Its flexibility, Quality structure infrastructure, And effectiveness Policies Economic. And in a light Results, He presents Search Recommendations To guide this demand including Enhances efficiency Transformation structural in sector Service And serves Goals growth sustainable and balance Economist.

Keywords: The Impact of Demand on Structural Changes, Service Sectors, GDP

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1. Introduction

Since the second half of the twentieth century, the world has witnessed profound economic transformations, the most significant of which has been the ongoing change in the structure of the economy [1]. Service sectors have become the primary component of the gross domestic product (GDP) and the labor market, particularly in developed countries and many developing countries seeking to diversify their sources of income. This structural shift from production to services is one of the most prominent aspects of contemporary economic development, and it requires a thorough understanding of the factors behind it [2].

Demand, in all its forms, emerges as a key factor in this transformation. Growing societal needs, rising income levels, and demographic and technological changes have reshaped the economy by propelling service activity to the forefront of economic activity [3]. While the impact of demand on production is well-known in economic literature, its impact on structural transformations occurring across service sectors still requires further study, especially in light of accelerating globalization and digital transformation [4].

The research aims to analyze the theoretical impact of demand on structural changes occurring in the service sectors, based on a set of economic theories and explanatory models of structural transformation, in addition to studying practical cases from local and international reality, with the aim of extracting a deeper understanding of the relationship between demand patterns and economic restructuring [5].

Problem Search

I witnessed economies Global in Contracts The last transformation Structurally Notable in Formula Sectors Economic, Represents in Growing role sector Service on account Sectors yield traditional Like industry and agriculture [6]. This Transformation did not It is not randomly, but rather came a result For the group from factors Interlocking, on Her head change in Patterns demand kidney whether He was request Consumer from individuals or Investment from Institutions And countries.

Although Importance adult For this Transformation in to support growth The economist And generation Opportunities the job, unless that relationship between demand And transformation structural in Sectors Service Still not clear As much as possible Al-Kafi in Literature Economic, especially in economies developing, where Overlap Factors Local External affect in directing demand And specify response the offer Service for him [7], [8], [9].

From here springs problem this Search in striving To understand nature relationship between development demand In its various types Different(demand local, demand Global, demand digital, etc.)And between Changes Structure on Sectors Service.as trying The problem exploration what if She was This is amazing Changes Express on transformation economic sustainable And effective, or that it merely response temporary Under pressure The market Don planning strategy long The term [10].

Goals Search

a) To understand relationship between development demand The economist and changes Structure in Sectors Service in Context The economist The year.
b) Interpretation and clarification Mechanisms that It is done from During it impact demand(Investment, Consumer, digital, Local And the global)on structure Services and its activities Home.
c) An offer Theories Economic same Relationship, To understand How to transmission Resources from Sectors yield to Sectors Service.
d) Focus on factors Motivation To expand sector Service response For changes in demand, including in that Technology, urbanization, And change behavior Consumer
e) Capture Challenges that Facing Sectors Service in Absorption demand Increasing And achieve efficiency in performance and distribution Structural.

The impact of demand on structural changes in the service sectors

Introduction

The analysis of structural changes in service sectors has attracted extensive research interest, focusing on the causes of structural change through empirical observations, and modeling a general equilibrium economy with sector-specific variation to study how demand or supply shocks affect the dynamics of structural change and why structural changes differ fundamentally at the sector level. It has been previously shown that a persistent demand shock affecting a particular sector can generate a rise in the employment or output share, while a supply shock affecting a particular sector leads to the opposite. On the other hand, a notable feature in terms of micropatterns of structural change is that unit-level variables within a sector grow faster than aggregates, while relative variables do not exhibit any uniform trend over time [11], [12]. Structural transformations in the services sectors that have attracted extensive research interest share common features: on the aggregate side, in terms of levels, a general decline in services shares; in terms of growth rates, a regionally heterogeneous effect, with some sectors experiencing temporary strong expansion while others experienced a permanent slowdown in growth [13].

Despite many developments, outstanding questions remain. The economic causes of the second wave of structural change are not well understood: Why was structural change in services so much stronger in some regions and weaker in others? With these questions emerging, recent research has re-examined the economic causes of an earlier studied phenomenon by examining public attitudes toward structural change at the country level. Their findings suggest that the effect of service level on structural change has varied over time, motivating a relaxation of the time-instability constraints in the analysis of structural change [14], [15]. A multilevel growth framework has been developed to examine public attitudes toward structural change. In particular, a higher-order model was used on a panel of 132 countries over the period 1990–2020.

Understanding demand in service sectors

Therefore, integrating consumer preferences into a multi-sector growth model is essential to accommodate the realities of service sector expansion. In this large, heterogeneous economy, demand can strongly influence sectoral characteristics, leading to significant changes in service quantities and prices, wages, and profit margins [16], [17]. Because changes in labor intensity can be the result of either demand-side or supply-side shocks, it is essential to examine both causes analytically using a general framework of three sectors (services, manufacturing, and agriculture) in common settings to provide guidelines for theoretical analysis.Wohlfarth, K., Klobasa, M., & Eßer, A.

In the time series, there are clear characteristics of the development of the services sector: it is found that the demand for labor inputs in services, measured by the volume of employment and skill-adjusted wages, is increasing rapidly [18], [19]. Shocks to labor-enhancing technology, skill-biased technical change, and output demand are applied to examine the sources of this obscuration, using a two-period model with homogeneous exponents that focuses on differences in input intensity across sectors, and a generational overlap model with heterogeneous exponents that uses human capital investment choices to examine the wage-price ratio of output. Common demand shocks, based on the observation of large price increases in the services sector only, are extended to include large declines in the profit margin or profit margin, which can explain wage changes using these simple frameworks [20], [21].

To understand the impact of demand on structural changes in economic sectors, it is noted that there is no robust and sufficiently broad framework for demand-side changes, focusing on a multi-sector growth model based on heterogeneous factors, with endogenous distribution of labor across sectors and directed diversification [22], [23]. The impact of demand on sectoral characteristics is analyzed, including the significant growth in demand, wages, and profit margins for services resulting from a demand shock, and the decline in skilled wages or the increase in unskilled wages when consumers shift their preferences from the Cobb-Douglas model to the nested CES model [24].

Definition of the request

In economics, demand refers to the quantity of a good or service that consumers are willing and able to purchase. In other words, demand is the desire to acquire a product and the ability to pay for it. Price, quality, and location significantly influence demand. Economists use the concept of demand to explain behavior in labor and financial markets, as well as consumer behavior. In economics, demand refers to the willingness to purchase goods and services at the current price level. Demand for a product or service can be understood as the relationship between price and the quantity that economic actors (consumers or customers) are willing to purchase, all things being equal [25], [26]. Demand is not limited to what consumers want; it refers to what they are willing and able to pay. Not all wants can be satisfied due to limited purchasing power, leading to selective purchasing. Demand can also refer to the quantity of goods or services demanded at a given price during a given period, which is known as market demand [27]. A unit of demand (a qualitative description of demand) consists of the attributes of a particular good or service (what to buy), the person or group of people who express their desire for that

good or service (whom to buy), the price (how much to pay), time (when), and location (where). Although demand is often viewed as a static concept that refers only to the desire for a product, it is dynamic in that it is subject to change over time. Since demand is the response to the price level, changes in income or tastes may lead to changes in demand, which in turn lead to adjustments in prices, income, and the rates of utilization of factors of supply [28], [29]. Demand also changes through market openings or innovations, changes in technology, or changes in the prices of inputs to production processes. As demand shifts from one good or service to another, or at a higher or lower level, the adjusted prices and demand response lead to the reallocation of labor necessary to enhance productivity. As economies adapt to changing demand, the dynamics of the level of output, not the level alone, lead to changes in the structural shift of industry concentration and labor shares.Deaton, A.

2. Materials and Methods

Types of requests

Demand factors have returned to the forefront in the analysis of structural change. The analysis of demand conditions reminds us that three distinct types of demand can be observed. The distinction between these demands structurally affects growth and the nature of structural transformations. Three sources of demand can be distinguished: (a) new commitments to public resources; (b) changes in the specifications of prevailing demands for goods and services; and (c) changes in the aggregation of new and changed demands for goods and services. Whenever a large new public commitment emerges, this "new" demand is capable of generating significant new production sites. New sources of profit arise from the new public demand, and there are strong incentives to compete to seize them.

The new Kaldorean view of the structure of production and demand provides the basis for analyzing the systemic consequences of these new public expenditures. New types of demand for services arise, and electrical and other engineering expands to meet these new labor specifications. In the rush to meet these revised service demand specifications, leading firms in this field seek to build new production processes—that is, new combinations of inputs for transformed output. From these initial new production modes, new sources of profit and rent emerge, fueling more general patterns of growth in the economy.

In the case of a new public obligation, the scope of the change is initially so large that any modifications in the specifications are unable to accommodate the public obligation within existing demand relationships. Therefore, the new demand must express itself in new production modes and preferential profits. In the case of a change in the specifications of an existing public demand, the new specifications must somehow accommodate the existing scope of production. A change in the specifications implies a structural change in the demand relationships of the system. In this case, it is the overall functioning of the existing production system that is altered. If a large-scale change occurs in any of these determinants of demand, the change will affect the structure of production and the patterns of organization of that structure, Boddy FM .

Factors affecting demand

Changing demographics. Changes in demographic characteristics, such as population growth and aging, have profound implications for economic development. Changing age composition refers to changes in the demographic composition of different age groups in terms of natural growth and migration growth. This can impact various areas, such as economic growth, per capita income, healthcare, education, employment, the environment, demand for services, and national circumstances. Population aging is a global phenomenon, but this progress varies greatly between countries and regions. The size and proportion of older persons vary across regions. Changes in age composition are often accompanied by changes in the economic share of these regions.

Population (employment) ratio. The impact of demographic change on the number of workers in the service sector depends on the change in the employment ratio. This ratio is defined as the ratio of the total number of workers to the working-age population, reflecting the extent of the employment population. Employment in the service sector is significantly affected by the employment ratio and exhibits a significant lag. Growth in the employment ratio can boost employment growth in the service sector, but this ratio suffers from a significant lag of 4 to 5 periods. In other words, the impact of rising employment in the service sector appears 8-12 years after the demographic transition, causing adjustments and structural changes in the service sector. As the number of elderly increases, both the number of employed persons and the growth rate of the elderly services sector show a general upward trend. Since 2000, population aging has witnessed a significant shift in the mobility structure, coinciding with urbanization and improved education levels.Bowen, WG, & Sosa, JA.

The role of demand in economic theory

This article examines the impact of demand on structural changes in the economies of the member states of the Eurasian Economic Union. These structural changes are studied through a demand-side analysis. The shares of demand in the composition of output, sectoral changes in demand, and demand-induced prices are examined in terms of interdependence. Further research could be directed towards abandoning models based on adaptive intelligence, in contrast to rational expectation construction, which in turn implies more stable dynamics of convergence in the structure of output. The consequences of demand changes could also be important for analyzing price dynamics. An important future research avenue also concerns the relationship between accession to the monetary union and the functioning of financial markets. A more comprehensive analysis of the underlying economy, taking into account the composite factors of production, labor, and capital, would enable a closer study of labor market characteristics. Furthermore, investment demand could be largely triggered by lagged investment accounts, and thus a much slower or continuous adjustment process could be achieved compared to that currently captured in models. Finally, explaining the demand side, likely within a structural model, and studying the elasticity of demand for output across sectors is crucial for analyzing price dynamics and the effects of convergence of output components on changes in the composition of demand. Demand has recently received considerable attention in the analysis of structural change, but most of this new literature has focused on demand shifts that explain structural change, or on demand-led growth models without analyzing structural change. A more comprehensive analysis of the demand side is important, taking into account structural features of demand that have not yet been analyzed. Some demand change mechanisms related to structural change take into account changes in output shares in their calculations, while also taking into account feedback in price dynamics. Growth models that take demand components into account are an important component of the demand side of the structural change model. It would be useful to explore these models in this regard.Roos, C. F.

Supply and demand dynamics

Economic dynamics associated with shifts in demand significantly influence structural changes in the service sector. The service sector's share of employment has been steadily increasing, with employment exceeding 100 million in 2005, compared to more than 25 million in 1950. However, the service sector's share of value added varies widely. Along with the increased share of employment, the structural transformation that has resulted in the emergence of the service sector is associated with an increase in average wages. The number of high-paying manufacturing jobs for recent college graduates has increased slightly over the past 25 years, while the total employment of these graduates has declined. This observation suggests that improved labor quality in manufacturing, rather than an increase in the manufacturing sector's structural transformation, corresponds to an increase in average wages in this group. However, the two-way shift in

employment and an increase in average wages are unlikely to occur in a context of simultaneous competition in the labor and goods markets.Gale, D.

Throughout the entire experiment, the economy starts with a share of employment in the services sector that is below the steady-state value. In the initial period of the transformation, productivity in the services sector grows rapidly. Labor flows into the services sector increase the average quality of workers in services. However, in the final phase of the transformation, productivity in the services sector becomes lower than that in manufacturing. In this construct, similar to the previous wave of production structure transformation, the economy can exhibit such an upward shift of the labor supply curve. With this reminder in the background, the case of labor productivity growth playing only an exogenous role in structural change is carefully examined. It has been shown that productivity growth in the services sector is higher than that in manufacturing, coupled with a lower rate of employment growth in services.

Elasticity of demand

As the importance of services in economies continues to grow at an unprecedented rate, service economics is gaining recognition as a subject that raises interesting and important questions. Services variables derived from the input-output matrix are available for 1998 and 1999, and GDP data for 2002 and 2003 are available for a wide range of countries. Both databases can play an important role in expanding knowledge and understanding of the current process of economic change, as well as the transition to a post-industrial, or service-based, economy. With the help of the United Nations Services Model, which disaggregates aggregates into consumption and production sectors, sectoral services data are also available by type of consumption, allowing for sectoral focus. These data show that, despite cross-country variations, all countries are experiencing structural change. For example, in Japan and the United States, the trend is toward deindustrialization, while in Portugal, Greece, and Spain, the trend is away from purely agricultural-based economies. Also, when domestic demand is taken into account, global consumption, with some exceptions, now appears to be focused on services, and this trend is increasing. Three main types of explanatory factors for these changes are discussed.Surányi-Unger, T.

First, demand-side factors, based on time-varying models developed within a neoclassical framework, namely price and income elasticities of demand. Second, supply-side factors, based on models of economic and sectoral structural change emerging from structuralism or the old non-normative tradition. Finally, external factors related, for example, to offshoring phenomena, which are not characteristic of operational economic models. To construct income and price elasticities of final demand in closely related sectors, analyses are conducted on panel data for countries.

Structural changes in the service sectors

The dynamics of economic development in countries have fascinated economists for the past century. All agree that structural change, defined as shifts in production and employment between the three main sectors of the economy, is an integral part of this development process. This research aims to analyze the relationship between demand and structural transformations. Contemporary explanations for structural change largely fall into two categories: changes in demand or relative prices, and differences in technology between sectors. Changes in demand between regions are primarily due to a model of heterogeneous tastes. As per capita income rises, demand shifts from products with low elasticity of demand, such as food and clothing, to products with higher elasticity of demand, such as services or luxury goods. As food prices fall relative to other sectors, this pushes poorer regions that consumed large quantities of it in their early stages of development out of the market, leading to further increases in production and prices. In turn, demand shifts to the more elastic services sector, resulting in growth in one region and decline in others. This close connection between demand and structural change can also be exploited to assess the changes in productivity needed to simulate historical data.

Given the constant relative price of services relative to goods over time, structural change is primarily a demand-driven process, well-approximated by changes in the composition of output, with price variations playing a minor role. Changes in technology across sectors are also seen as important drivers of structural change. These explanations can be grouped into two broad mechanisms. First, structural change is the result of divergent aggregate productivity growth rates between the manufacturing and services sectors. As aggregate productivity growth rates in the former lag behind those of the latter, the share of output devoted to services rises. Because it does not focus on differences along the same growth path, this line of thought fails to explain many aspects of the post-World War II history of structural change across the industrialized world. During this period, the sectoral share of output devoted to manufacturing and services exhibited additional features compared to the previous period. As income levels rise, the share of output devoted to industry initially rises and subsequently declines, while the share devoted to services rises monotonically.Bangura, Y.

Definition of structural changes

The model presented explains the path of structural change in terms of output, prices, employment, wages, and labor reallocation in response to a demand shock in a specific sector. The model incorporates a multi-sector framework with a generalized form of consumer utility functions, which implies a slow recovery in output and prices in response to a temporary demand shock. This model distinguishes between goods and services in a two-type CES production function model, where the elasticity of substitution is greater than one for a particular type of intermediate input. In the following comparative-static analysis, we examine a government consumption shock in a specific services sector. The comparative path of changes in output, prices, employment, wages, the share of intermediate inputs for each sector in total output, and labor reallocation in response to this shock is well formulated based on a multi-sector model with a generalized consumer utility function.Storm, S.

These papers explain changes in output and prices, but they do not explain the associated change in employment or wages, which is what this model does. More recently, a model with similar preferences has been proposed to study the relationship between structural transformation and productivity growth across countries. In their model, labor is reallocated across sectors due to income and substitution effects. A key feature these models share with this paper is that labor is the sole input to production. Changes in the relative importance of economic sectors in terms of output and employment have been documented since the early 1950s. The transformation of economies, known as structural change, has been a topic of great interest as economists sought to understand the causes of the Industrial Revolution: the transition from agricultural-based to industrial-based economies.

Historical context

To examine the impact of demand changes on structural change in the service sectors, a historical context is provided for the development of OECD economies over the past decades. Three main phases can be identified: first, the agricultural sector's share of GDP declined; as a result, labor moved first from agriculture to manufacturing, then to services; and finally, labor moved from manufacturing to services. However, while the previous phase was initiated by supply shocks, this one is said to have been initiated by demand shocks. All these changes in labor shares were accompanied by substantial changes in the relative compensation of employed workers. It has been documented that most of the forced labor that moved from agriculture to manufacturing and from manufacturing to services actually moved to less productive sectors, even though average wages in these sectors rose everywhere until these processes ended. This paradox is explained by a supply shock to labor quality, the effect of which, in terms of GDP per capita growth, dominated the trajectory of these changes throughout the period. However, while average wages converged across sectors, the divergence of average wages persisted for a

long time. There is evidence to reject the hypothesis of competitive labor markets, which is consistent with this long period of variation in average wages.

As an exogenous shock, an increase in the average quality of labor in the economy is simulated. The standard setup fails to replicate the empirical evidence for that point in time, whereas an extension would allow for variations in average wages to replicate it, suggesting that the quality of production-oriented labor matters. Finally, some findings regarding the labor share in production are documented over time. A shift in labor from agriculture to services is documented, which we interpret as indicating a reallocation of labor from a commodity for which demand is growing at a slower pace to a commodity for which demand is growing at a faster pace. However, the interpretation would be more accurate if agricultural productivity growth contributed in addition to weak demand prior to this labor reallocation.Ydesen, C.

Linking demand to structural changes

Focusing on dynamic productivity models facilitates the analysis of demand changes and changes in its composition. Much research has been conducted on the causes of structural change. Since industrial expenditures contribute to productivity growth,) It is easy to demonstrate that when relative prices shift in favor of industrial goods, this results in higher growth rates in the relative productivity of those goods. However, in a neoclassical context, once production structures change, holding all other factors constant, there is a tendency for output and prices to converge, neutralizing the growth effects. A complete picture of structural change must include demand-side shifts in a dynamic context to account for the ongoing and complex nature of structural dynamics.But this is not enough. There is also an urgent need for a more comprehensive treatment of the demand side to understand the nature of technological progress and the structural changes it produces. The increasing focus on the production side of demand has been accompanied by a growing literature on the evolution of consumption patterns and their impact on production, prices, and structural transformation. While Pasinetti finds insightful insights in incorporating the heterogeneous composition of commodity demand on a per capita basis, the social side of demand has not been clearly elucidated. Marinelli, E.

Mechanisms of change

Structural changes can be explained by various mechanisms, based on different economic theories and branches of economics; some are highly developed, while others are still in their infancy.

This literature review aims to summarize the mechanisms commonly used to explain structural changes.Cardinale, I., & Scazzieri, R. The focus will be on the mechanisms used to justify persistent structural changes in service sectors as a result of demand shifts. It includes aspects of the mechanisms described, as well as further explanations. The review will first discuss demand-side mechanisms, before moving to the supply-side sources of structural changes. While these two sets of mechanisms include classic references, the vast majority of what has been used to motivate empirical studies are more recent contributions to the literature.

Case studies

This paper examines the demand side of service sector growth, with a particular focus on its impact in Germany and the United States. The aim is to shed light on changes in the composition of output and the structural transformation of the service sector caused by exogenous increases in demand. Simply assuming a large demand shock or an upward shift in the demand curve can lead to ambiguous forecasts. Structural changes in the production functions underlying the service sector will vary depending on the relative magnitude of the direct and indirect effects of an increase in the demand function for agriculture, manufacturing, or services. Research suggests that the agricultural service sector tends to decline rapidly, even when demand factors are behind the shock. This suggests that assuming growth in some service industries is solely demand-driven is an oversimplification.

The case studies presented below are based on a demand shock, either to specific service sectors that affected the economy as a whole, or to increased productivity in specific industries, leading to higher income and consumption. Each model presents a different general equilibrium structure, as well as distinct mechanisms of structural transformation that reflect the case studied. Perhaps the best examples of large demand shocks are the expansion of demand for household services in Germany and the sharp increase in demand for computer services in the United States.Conway, M., Blair, A.K., & Gibbons, C. These models provide valuable insights into the impact of bottom-up demand shocks on service sector growth, but they pay less attention to the broader emerging economy, partly because of the transformative nature of the shocks in service sectors. It would be interesting to integrate these models into a broader economy to study the emergence of offensive demand shocks that trigger broader chain reactions and deeper change in the structure of employment across sectors.

Sector-specific impacts

This section explores the impact of demand on structural changes in the services and manufacturing sectors in Canada and the United States over the period 1996–2006. It establishes a framework to explain why demand has a greater impact on hours worked in the services sectors in Canada than in the United States, and why structural changes in Canada have been greater than in the United States. It then examines how demand has affected structural changes in the aggregate financial and insurance sectors, focusing on changes in core financial and insurance services.Franke, R., & Kalmbach, P.

The wide margins of labor productivity growth (in terms of firms and employment) are important in studying both the two-stage approach to productivity growth and the impact of demand-side factors on labor productivity, particularly in the service sectors. Labor reallocation within narrowly defined sectors is studied in the construction, retail, and food services sectors. The detailed examination of the sectors uses the framework and methodologies developed in the previous sections. The impact of demand shifts on structural changes and reallocation rates of working hours is explored by estimating supply and demand specifications. The detailed examination raises some questions relevant to the service sectors and demonstrates the further application of the estimation methods. The conclusion summarizes the results and discusses future research in related areas.

Analyzing the impact of demand on working hours and aggregate labor productivity provides a basis for exploring other important topics related to labor dynamics. It examines in detail the core finance and insurance sectors, which include securities, commodity contracts, and other financial investments and related activities. In addition to structural changes, it first explores the effects of demand shifts on structural changes in the aggregate financial and insurance sectors, followed by a focus on detailed changes in the core finance and insurance sectors.

Healthcare Services

Pulse oximeters, which measure blood oxygen concentration and heart rate, have become a trending topic since the COVID pandemic. With increasing demand, manufacturers anticipate a growing market for them. The internet and healthcare have created job opportunities, driving demand for medical pulse oximeters in cardiovascular and respiratory medicine. Additionally, the increasing regulation of out-of-hospital medical services and the government's emergency public health measures have increased demand for pulse oximeters. COVID outbreaks are outpacing government prevention and control capabilities, resulting in a growing demand for accurate pulse oximeters for home care.

These fundamental changes in demand have led to accelerated growth in outpatient and home healthcare services, and these structural shifts in demand have, in turn, led to structural changes in the service sector. For supply-side industries, service supply is less elastic than manufacturing supply. After COVID-19 emerged unchecked in the short term,

health services have partially shifted from the virology sector to the immunology sector, with the emergence of a new vaccine and oral pharmaceutical sector seemingly inevitable. For low-end production service industries, including accommodation and catering services and scenic spots, the impact of COVID-19 will weaken after vaccination, and a market rebound can be expected. For growth-intensive service industries, such as educational training and medical aesthetic services, the impact of COVID-19, including the population influx ban and the policy of isolating major cities, may persist for a longer period. Population migration to youth education cities, health cities, and livable cities can be expected, along with widespread home isolation and recognition-style services. Analyzing service supply and demand from a cross-sectional perspective and the structural changes within sectors is of great importance in promoting the maturity of the service sector.Dranove, D., Garthwaite, C., & Ody, C.

Supply and demand are market determinants, and established models have described the effects on prices and production in the market/system. Currently, demand shifts are attracting increasing attention in several areas, such as the COVID-induced demand shock to industrial production and the expected post-COVID shift in service industries. Given that structural changes in demand are risky, complex, and difficult to predict, this raises questions about how to quantitatively characterize demand changes and their effects in service sectors. The necessary conditions for both demand and supply sides for systems to remain in a steady state are revealed, where only a slowdown in supply growth can lead to higher prices. However, in a supply stagnation situation, an accelerated decline in service demand growth can pose sustainability issues for non-public service sectors. The above results are derived for one side of service supply and demand, and a network dynamic systems model is then developed to study changes in global service systems.

Educational Services

Among the various sectoral analyses of the service sectors, the structure of the tertiary sector shows the most significant changes. It describes how economic activity in the tertiary sector has been reclassified into two main categories: those providing education services and those providing other social services. The wealthiest countries tended to produce a higher proportion of employment and output in the education services sector. Trade in educational services takes two forms: international trade in educational services and international cooperation in education. These trade forms can be classified into three main categories: mutual educational cooperation, foreign educational institutions, and teachers or students going abroad.Sergeeva, Flyagina, Taranenko, Krasnova, & Vilkova,

In free-trade models, domestic prices are fixed, and by allowing for factor mobility in education, a country is viewed as an open economy that can import educational services as long as it is resource-efficient and uses intermediate goods. More recent endogenous growth models assume fixed factor prices and are only subject to capital market imperfections, such as the , which adopts the general framework of first-generation growth models. Given the fundamental change in the transmission mechanisms through which higher education has affected growth performance, these models will have little relevance to structural change in services. The model represents the latest work of economists, such as , who question the applicability of neoclassical concepts of models and policies in developing countries.

Schematic representations of educational services transactions involving two countries will be presented. The effect of trade on the relative demand for highly skilled labor will be explored. Ricardian models of trade will be summarized, and the reasons for their exclusion of trade in educational services will be discussed. Importantly, the results of comparative statistics will be applied to educational services transactions. For policy analysis, it will be considered how to optimally modify the model's form to include all sectors and countries simultaneously.

Hospitality and Tourism

The hospitality and tourism sectors are key components of the service economy. Two vital indicators for these sectors are: the number of foreign hotel guests and foreign currency receipts from accommodation, food, and beverage services, and tourism receipts in foreign currency. Analyzing both indicators provides a timeline of the severity of the disruption, the recovery after the disruption, and the levels of recovery compared to the period before the disruption. It has been observed that the most important factor causing sharp fluctuations in growth rates is the demand factor, which includes seasonality and cyclicality. Recent events, such as the pandemic crisis, have modeled and stimulated remarkably rapid fundamental changes in industries around the world. After devastating many industries, the pandemic crisis has revived them more strongly and sustainably than ever before. Structural changes in the service sectors resulting from demand shocks in the hospitality and tourism sectors are first examined. The growth rates and volatility of tourism and hospitality receipts are first estimated and compared. Chang, S. examines current developments in the hospitality and tourism sectors based on a global development scenario. For both tourism and hospitality revenues, an analysis of historical growth rates identifies periods of severe shocks, taking into account their global spread, and constructs a global shock using the global shock model. Service economy revenues in the hospitality and tourism sectors have been significantly affected by rising prices and the ongoing global crisis, with demand shocks exceeding pre-crisis levels. It is shown that due to the labor intensity of these industries, structural changes in demand have arisen as a result of the structural law shocks. Based on previous research, the estimated growth rates of tourism and hospitality and service economy revenues in logistics functions are used to map their development dynamics over the period 1998–2027.

Financial Services

The share of financial services in GDP and total services in advanced economies, and the strong demand response to their output, has been a historical focus. The financial sector was first included in the list of services studied in the 1990s for its strong demand shift. The endogenous responses, represented by price adjustments to changing output levels in advanced economies, were then monitored and modeled. Public expenditure forecasts, trained with a new computational econometric method, were used in a nonlinear model to recover the missing demand responses. This saved significant time in arriving at optimal specifications for required output and costs, compared to previous estimates based on successive approximations.

Because demand is generated in many markets with dual price dynamics, gradual upward adjustments have been able to restore input price responses. Their slowness is largely due to the binding of prices to historical values, as if the monetary role of market balances in widely owned assets did not play a significant role, as previously mentioned. Diagnostic measures have made it somewhat difficult to fully appreciate the options for estimations; all the different visual representations contribute to a balanced growth pattern that mimics continuous time series with missing systems. A study of the sex services sector in European countries has shown that demand in poorly managed economies is more persistent, and that the typically expected under-adjustment in the face of sluggish price responses does not occur.

Overall, this threatened to diminish the importance of national, and ultimately global, or capitalist societal dynamics. The common destiny was manifested in the broad cyclical convergence of structural transformations. Moreover, some argued that this would not have happened without academic developments in the social sciences, particularly the emergence and fragmentation of nation-states at the macroeconomic level and conflict. The accumulation of pressures in the balance of payments, trade, and culture were likely to threaten democratic peace mechanisms based solely on commercial interests, which never fully accommodated military tensions driven by biases or power balances. To illustrate these ideas, a simple comparison between a developing economy experiencing a slow demand shift and an advanced economy experiencing a continuous and persistent

demand shift was intended to highlight the impact of state structures and strategy on growth patterns.Cetorelli, N.

Technological progress and demand

As consumption demand changes across sectors, highly divergent growth patterns emerge in employment and average wages. Service sector growth is characterized by increases in employment and average wages. Over the same period, manufacturing sector growth shows wage stagnation and a decline in average wages, but it can also be characterized by increases in employment. The model highlights these realities, in stages independent of each other. A technology that significantly improves a service improves the utility of all existing services purchased using it. Demand for these services therefore rises, increasing consumption, budget share, income elasticity of demand, and output across all sectors.

As a side effect, in a competitive services sector, the prices of all competing services and goods begin to fall. Consequently, the quantity of those goods consumed and the share of the budget allocated to them must increase. Service sectors experienced significant expansion prior to the price decline, raising numerous public policy issues related to government consumer protection and tax policy. Thus, demand for goods increases before prices fall, and after initial consumption declines, these goods undergo a difficult-to-define service expansion phase.Gould, Moav, & Weinberg

Shifts in demand have a transverse effect, affecting either wages or employment, but not both, and will lead to either a decline in use or a rise in prices. Prices are fixed, so transverse growth is achieved through adjustments in employment or average wages, depending on the sector. Shifts in demand clearly affect quantities, allowing for supply response patterns other than price elasticity. Conversely, shifts in demand either displace users or reallocate to a different sector altogether. Prices in each of these sectors change independently, as supply in the services sector readily transforms into output in other services. In either case, the basic point holds.

3. Results and Discussion

Digital Transformation

Digital transformation, which links technological advancement to the operational evolution of the company, is initially rolled out at the reference code or infrastructure level, before progressing through the additional complementary technological layers of the processing layer, regulatory hedging, and industrial layer.

These layers should improve the cost efficiency of companies, rapidly increasing cash flow to strengthen the health of the digital economic design. Furthermore, alongside the current digital disruption, new players are entering the traditional market, raising the cost of core customers attracted by market wisdom. In parallel, software and hardware players within the value chain are expanding their logistics and production sufficiently to control market producers, thus leading to the initial expansion of their initials. Existing players are cooperating in their initial resource allocation groups, demonstrating the negative impact of previously acquired value. They face an abundance of rejections, which are replicated in new generations of the ramp across space and nodes. However, there is also a process of sector-wide decay as sectors grow unused resources in the weights of network links or are formed with changing regulatory measures, typically over large areas.Nosova, Norkina, Makar, & Fadeicheva.

Digital transformation is a crucial aspect of the digital economy, reshaping the way we think about, share, and use knowledge and information. New networks of networked relationships have proliferated, and frequent interactions between businesses, both business-to-business and business-to-consumer, are often mediated by platform companies. Waves of technology can be traced back at least to the beginning of the industrial era. However, while new forms of communication have emerged in the past, they were not always recognized as transformative until much later. Eventually, when the

dust settles and perceptions align with reality, the consequences of change can often be seen more clearly. To date, trends reflecting automation and digitization are evident in new technologies such as artificial intelligence and related applications such as robotic process automation (RPA), machine learning (ML), natural language processing, blockchain, and targeted advertising.

Impact of automation

Automation has transformed traditional manufacturing and has become a structural issue in increasingly automated service sectors. Robot purchases have increased significantly in recent years, and continuous improvements in robot capabilities have made them a labor substitute in service sectors. Robots can now perform a variety of tasks, including coffee preparation, food delivery, security, office cleaning, lawn mowing, and assisting the elderly. Despite these remarkable achievements, little is known about how the rapid spread of robots in service sectors will affect demand, the pattern of structural change, and labor markets.

Automation causes structural changes, resulting in significant displacement effects across sectors and occupations. The extent of automation is determined by exogenous demand shocks to previously neglected but increasingly automated sectors, which have unique structural features that initially inhibit it. Demand shocks to the services sector balance markets by stimulating the reallocation of labor and other factors of production from the manufacturing sector, leading to aggregate productivity gains. A large downward demand shock to the manufacturing sector caused by automation leads to rapid and massive job losses, higher unemployment rates, and lower employment participation rates. Eventually, losses in the manufacturing sector are offset by gains in the services sector, as job seekers from outside the labor force move back into jobs.Vermeulen, Kesselhut, Pyka, & Saviotti.

Current approaches link automation to improved labor market outcomes by analyzing firm productivity and growth, but they leave structural change unexplained and ignore the more recent emergence of automation in the service sectors. These improvements can be accompanied by significant job losses and declining participation rates due to structural change. Demand shocks are shown to affect not only the time series of individual labor market outcomes but also labor market dynamics and their interaction across different fields and skills. Furthermore, it assesses, in a policy-relevant manner, how the timing and speed of impending automation are expected to affect labor market outcomes using a natural causal experiment based on recently available and correlated labor market data and robot purchases.

Consumer behavior and demand trends

All service sectors assess demand as a critical factor in investment and development planning. Similarly, different consumer segments are increasingly identifiable, so careful market research is essential. General segments, such as age, gender, or income class, are still valid, but they can yield results with a significant margin of error. Recently, consumer behavior analysis has been increasingly applied and, in many cases, has been improved more effectively. This analysis provides a much better opportunity for accurate market segmentation, as studies can reveal consumer characteristics, perceptions, and attitudes that determine their propensity to use particular services. This section will address trends in consumer behavior and demand, particularly their changing preferences and demographics.

The direct shift in final consumption expenditures from goods to services in Central and Eastern European countries points to a potential increase in demand for services. The prospects for regions or countries with previously low levels of service to catch up to the higher levels in more developed countries may also stimulate future investment. However, attention should not be directed solely to countries with such unmet needs. Developments in regions or countries that could be considered mature markets in a given industry also warrant closer examination, as detailing consumer behavior and demand trends there may

provide valuable insights for investments elsewhere. It is a well-known fact that consumer preferences vary greatly across countries, regions, or groups, which can be attributed to diverse cultural roots stemming from ethnicity, history, and religion.

The social systems of states are built on diverse fundamental principles of governance, law, and economics, and on the relationship between society and state, such as the extent or scope of each's assistance to the other. Their degree of maturity and adaptability also vary greatly. As a result, social structure, equilibrium, and hierarchy, as well as other social processes, may exhibit radically different characteristics. This is reflected in all social systems, most notably in demographic processes that significantly influence the formation and functioning of markets, particularly consumer behavior.Taylor, & Houthakker

Demographic characteristics of the target market, such as size, proportion, and socioeconomic characteristics, must be considered to understand consumer behavior and assess its size. While there is a strong incentive to conduct detailed analysis, the availability of databases can hinder any attempt to achieve this goal. As with household expenditure on aggregate consumption, which benefits from and transparently tracks aggregate consumption and demand analysis, primary or secondary databases exist to analyze aggregate consumer behavior from this perspective. However, these databases identify only a few key demographic categories to study, lack transparency into the composition of consumer behavior within these categories, and do not consider aspects of consumption other than income.

Changing consumer preferences

The service economy has experienced rapid growth in both the developed and developing worlds. In 1950, the services sector's share of employment was just over 25%, and this share had risen to over 50% by 2005. This structural transformation has not been uniform across countries in terms of timing or degree of change. In many less developed economies, services account for a very small share of employment, in contrast to advanced economies such as the United States and Japan, where the services sector employs approximately 75% of the population.In fact, these changes in the production structure go beyond economic development itself. At any given moment in time, there is a distribution of employment in the service sector across countries, such that this distribution shifts to the right over time.

The failure of employment shares within the manufacturing sector to exhibit similar behavior has led to speculation that these demands must have come from outside the sector. This shift in employment is accompanied by a change in the nature of the economy. The rapid rise in employment shares in the services sector corresponds to a sharp decline in the income elasticity of demand for manufactured goods. Structural changes are not simply demand-driven, but they occur at an increasing rate over time. The economy's nascent manufacturing industry, insulated from international trade competition, is converging on the size of the domestic market. With the emergence of Phillips-curve trade-offs in the labor market, structural change in the United States is rapidly peaking. This shift in the US economy reinforces the notion that demand for services must be demand-driven.Mărcuţă, Mărcuţă, & Mârza.

Changes in labor compensation are less understood in the context of structural transformation. The rise in average wages of workers in the service and manufacturing sectors is a well-studied issue in relation to labor market disparities and the development process. The usual diagnosis of development suggests the demise of a dual economy, with a developed and emerging industry converging toward a comparative advantage. However, improvements in labor quality in the manufacturing sector due to convergence with foreign technology imply that the growth rate of average manufacturing wages continues to exceed that of the services sector, and that sectoral self-selection will negatively impact growth.

Impact of demographics

As of 2021, China's GDP ranked second in the world, while the share of all types of public services in GDP was only 18.45%. According to forecasts, if the share of public services in GDP were 20%, 25%, 30%, and 35%, 10.26 million, 20.36 million, 30.46 million, and 43.56 million service sector employees would be needed by 2035, respectively. As one of the world's most populous countries, the large number of jobs in the service sector entails a significant demographic dividend. China's total population in 2022 was approximately 1.41 billion, of which approximately 1 billion were of working age, accounting for approximately 70%. However, with the continued decline in the fertility rate and the rise in life expectancy, this favorable demographic structure will be disrupted at an inopportune time, and China will soon enter a low-fertility and rapidly aging society. Since 2021, all countries around the world have essentially entered an aging society, and the impact of the crisis is clearly felt in public services. Since around 2016, the proportion of people aged 65 and older in China's total population has been on an upward trend. As this proportion grows, a significant amount of public services are required by the elderly. Therefore, from 2015 to 2030, the number of elderly people in China will grow by 129 million. If no measures are taken, the growth rate of demand for public services to meet these needs will almost certainly outpace the capacity or willingness of the services to meet them. As aging becomes an increasingly serious issue, it is crucial to study how public services can be more comprehensively and knowledgeably improved to meet the public service needs of the elderly.Mester, L.J.

Political implications

The determinants of productivity differentials are not only a crucial topic, but also one that has been insufficiently explored in the literature on national structural change. As the abundant evidence gathered in this paper confirms, it has become increasingly important to question how productivity measures vary across sectors and why these productivity levels differ between countries. Demand for services has risen in all countries, and their relative prices relative to other goods have fallen. This is generally interpreted as a sign of development and economic progress and is associated with rising wages in the non-tradable goods market. Existing studies explain how and why some countries are classified as service economies while others are not. However, most of these studies are descriptive and commentary. Klein, & Luu.

The price and output composition of the luxury sectors has been well documented. However, while it is generally accepted that demand has fueled structural change in economies, a theoretical framework has yet to be proposed that links price changes, endogenous demand, and structural change. This framework, in which demand is allocated across sectors based on input-output coefficients, production technology, and the elasticity of substitution of intermediate inputs, contrasts starkly with neoclassical growth models that uniformly promote positive productivity shocks by viewing the models as closed, autarkic, single-sector systems, where aggregate capital and labor are employed by only a single production technology..

This long-held wisdom has been fervently upheld by the practice of time series macroeconomics, which uses aggregated (rather than disaggregated) time series data sets for variables or factors that are typically combinations of heterogeneous underlying components. Consequently, commodity markets and production technology are assumed to be closed and static as an abstraction in most macroeconomic models, because systematically adding linkages between markets results in a dispersed set of dimensions that are difficult to constrain and control.

Regulatory frameworks

In recent years, a growing number of researchers have studied the impact of demand on structural transformations in economies. In these works, demand provides a more general framework for the demand system with price changes. Among the many areas of future research, additional demand effects that deserve attention include changes in non-price policy variables. Government policies that alter input and output prices according to

the country's context are quite common, and thus, their role in determining structural transformation can be important. Moreover, after a long process of globalization, many economies experience significant changes in non-price factors such as institutional environments and political systems, which are likely to stimulate structural transformation. Similarly, the transition of economies to market economies in the past few decades has led to radical structural transformation, often in the context of changes in demand factors. Baake, Kamecke, & Wey. Structural transformations of the economy across different sectors are far-reaching phenomena. In particular, and to a greater or lesser extent, in every economy, the share of agriculture in output declines, while the share of the service sectors rises over the course of economic development. These broadly consistent transformations across economies contrast sharply with differences in the economies' initial conditions, the progress of transformation, and their final structures, and explaining these phenomena through economic theory is a major task in economics. Furthermore, from a policy perspective, understanding the sources of structural transformation is crucial because governments often have agendas that attempt to stimulate or direct it. For example, industrialization policies enacted in the early stages of development have paid considerable attention to the service sector in recently developed economies. These government roles in structural transformation may lead to positive outcomes, while negative effects, including market failures and social inefficiencies, may also arise.

Government interventions

The geographic redistribution of labor is often viewed as an undesirable consequence of urbanization and globalization. It is associated with the decline of manufacturing regions and the concentration of economic activity in major metropolitan areas. In Europe, national and local governments have mostly responded with policy interventions, including tactics and policies aimed at attracting or protecting jobs in declining regions and helping workers transition from shrinking firms and sectors. These interventions ultimately address issues of equity. Many workers depend on their jobs and firms for their livelihoods, and these jobs and firms have often been the result of long discussions and investments by both employers and the state. In other words, government interventions address the distributional effects of service sector expansion and deindustrialization, which can inform both policy interventions and the economic adjustment that follows.

There are three ways in which government interventions can shape the transformations in the local labor market that the arrival of services stimulates: directly addressing demands through policies and regulations; weakening competition for services through policies that impede their diffusion; and mitigating the negative consequences of service sector job losses on the local economy through policies such as retraining programs or improving job search facilities.This analysis makes a clear policy distinction between interventions that address demand (usually known as “active labor market policies”) and those that address firms and industries (usually known as “passive labor market policies”). It focuses on interventions within the former category, which have received much less attention than the latter but are no less important in the contemporary local labor market for services. Indeed, demand-side adjustments are typically much slower than supply-side adjustments. A shift in the job composition of a location often creates pressures on demand itself. This can occur, among other things, through a restructuring of the local goods market or increased demands on local governments. However, these pressures can also be resisted, and politics and political controversies can shape how individual counties cope with demand pressures. In particular, it is worth noting that the contested nature of public actions, structures, and local government roles can make adjustment mechanisms inherently political. Therefore, it is important to study shifts in functional composition from the perspective of local governments, and the political maneuvers that emerge in the wake of the change.

Future trends in the service sectors

A review of the relevant literature highlights some potential future trends in the service sector. Services will witness an increasing importance in terms of value added, as

well as employment, in European manufacturing industries over the coming decades. However, services already represent a relatively high share of value added and employment, due to the manufacturing sector's increasing reliance on services in its operations. This is due to the importance of services in the provision and use of services, not only in the manufacturing sector, as mentioned earlier, but also in goods in general. Furthermore, the manufacturing sector acts as a consumer of services, and therefore demand for services will be limited to those that are an important factor of production for manufactured goods.Castro, Montoro-Sanchez, & Ortiz-De-Urbina-Criado,

Industries that produce products for consumers will increasingly provide services for the manufactured goods they supply. That is, in addition to paying for the goods supplied, consumers will also be required to pay for services. This means that products will be less competitive without services and, consequently, their supply will decrease. This will represent an important trend leading to a further blurring of sectoral boundaries, whereby we can no longer speak of traditional industries, but rather of a continuum of goods and services. There is sufficient empirical evidence to support the claims regarding upward shifts in the demand curve for the reasons mentioned above. Furthermore, improved matching of labor in terms of productivity, net of wages, will lead to changes in demand patterns across sectors.

Demand Forecasts

Expected demand for service sector jobs over the next decade

This chapter discusses the expected changes in employment levels in the service sector in selected countries over the next ten years and their expected impact on the employment structure in this sector. It also discusses the forecasts for demand for secondary service sector jobs and their characteristics. The past two decades have witnessed radical and remarkably uniform changes in the industrial structure of many countries. Few sectors have experienced growth in the share of employment in the primary or industrial sector, while many countries have experienced a significant increase in the share of employment in the service sector.

The figures presented represent estimates of the future industrial structure of the service sectors for 353 countries, prepared for the period 2003–2013, based on labor demand models derived from context-adjusted economic, demographic, and labor force variables. These forecasts address the expected change in the structure of service sector employment for each country relative to each other and in absolute terms. The forecasts indicate similar structural changes in service sector employment in most countries studied. The industrial structure of the service sectors as a whole is expected to be remarkably uniform in all but a few countries. The shares of workers in personal, business, financial, and social services are expected to grow in most countries. In all countries, the share of employment in personal services is expected to grow the most. This is because (1) direct personal services require face-to-face work, (2) they are less substitutable for labor than other types of services, (3) they require high levels of human interaction, and (4) demand for them is growing faster than GDP and GDP per capita.Richardson, & Tan

These projections suggest that increased growth opportunities in personal and business services jobs will contribute to overall service sector growth. However, job growth in these services is likely to be concentrated mainly in low-wage secondary service jobs, which are more vulnerable to economic downturns than high-wage professional and managerial jobs. Similar trends are likely to occur in other countries. These trends are likely to contribute to the growing job polarization and widening employment inequality within the service and social sectors, which has been observed over the past two decades in industrialized countries.

Possible structural changes

In the current century, broad forecasts of the services sector are essential for effective planning and policymaking. This need is twofold. First, understanding the variables and their relationships that characterize growth paths and patterns is essential for determining

the future of the services economy. Second, the distinctive purpose and/or structure of services is determined by the global economic transformation toward a knowledge-based economy. This new economy is characterized by advances in communications and computer technologies, increased information, and adaptive and specialized production across global patterns. In this context, echoes of current demand growth changes and their structure/variances are sought. This objective is achieved through country codes. To prevent misunderstandings, this study focuses on a time period that marks the beginning of the transition from the industrial era to the services era. This period is viewed as having witnessed the dawn of a new era with the advent of the Internet. For this reason, a 25-year time horizon (1980 to 2005) is used.

To study the significance and conceptual framework, time-variance methods were applied to an economic system consisting of ten service sectors. The research code is the United States, denoting a large-scale industrial economy. Nine industrial economies were selected for replication testing: the EURO-9 economies, which include two small countries, two medium-sized countries, and five larger countries, including Germany, the second-largest test subject after the United States. Both the research and replication testing were conducted using the same methods. The results indicate that unresolved problems in larger countries with more deeply embedded economic structures are confirmed in smaller countries regarding the paths and patterns of service sector growth under price variation, detailed demand structure, and competitive conditions. The analysis of the results guides a conceptual framework that facilitates possible research.Van Neuss,

The service sectors were found to have experienced different initial fluctuations in estimates for ten service sectors: address, influence, retail, and other services. The most frequently used services emerged, automatically accounting for 77.74% of employment. With the exception of the latter, seven services received sufficient queries to forecast future growth, with estimates through 2050, legally provided growth patterns, questions about them, and structural advice provided. A summary of the results provides a basis for better indicators.

4. Conclusion

The role of context in the emergence and sustainability of local service economies is rarely discussed, which is surprising for three reasons. First, recent studies by economists and geographers have linked the development of place-specific economic structures to the activities of local actors and their agencies. It is suggested that places emerge and adapt to their environments through a form of "contextual emergence." Second, there has recently been a broad public debate about financial services, examining their contribution to a country's future prosperity and the need for a services hub. Third, it is increasingly recognized that external shocks have reached maturity, and the opportunities for rehabilitating local services in the aftermath of shocks have generated some discussion.

In reviewing the debate on local services, more questions were raised than answered. This called for academic research on whether sudden banking services would disappear after shocks, and if not, what mechanisms sustained their emergence. This question develops previous discussions on the causes of economic change by directly addressing the role of place and context. More specific research questions are: What kind of context is increasingly shaped by various economic factors in the past, and how does it become the arena for service economies after shocks? Portraits of the various actors and activities are drawn through secondary data sources such as government documents, trade journals, and newspaper reports. This study contributes to an understanding of how these actors and activities transform a particular place into a more viable service economy and elaborates on Weber's theory of institutions by addressing the "vitality of places." It also provides food for thought on the urban and regional development of service economies..

a. The pivotal role of demand in shaping the sectoral structure of services has been shown to be one of the most significant factors driving the restructuring of service sectors.

Increased demand leads to the expansion of some activities and the emergence of others, while some traditional services decline or disappear.

b. Transformation from traditional services to modern services
It has been observed that the increasing demand for technology, information and communications has led to the growth of sectors such as digital services.

c. The impact of income and changing consumption patterns, as rising income levels and changing lifestyles among consumers have led to increased demand for value-added services such as education and entertainment.

d. The impact of globalization and economic integration
Changing global demand has contributed to reorienting the service structure to keep pace with international markets, which has led to enhanced competition and stimulated innovation in service provision, especially in developing countries seeking to integrate with the global economy.

e. Demand as a pressure tool to improve efficiency
The growing and diverse demand from consumers has put pressure on service providers to improve quality, reduce costs, and adopt modern technological models.

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