

FACTORS DETERMINING THE DOMINANT ROLE OF THE SERVICES SECTOR IN MODERN ECONOMIES

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Abstract: In the 19th and the beginning of the 20th century, the process of industrialisation was particularly large-scale and intensive and dominated the industrial sector. In the following years, however, complex processes of adaptation to a new model of development began to take place in the development of the Bulgarian economy. It is based on the global information revolution and the trend towards globalisation, as well as the transition to a market economy. One of the features of this change is the dynamic development of the services sector, which is increasingly beginning to dominate. This paper traces the factors that led to the transformation of most economies, including the Bulgarian and their transformation into post-industrial, as well as the similarities and differences of these changes until the beginning of the twentieth century in our country and in other economies.

Key words: services sector, economic development, structural changes.

JEL: O11, O14, O4.

Introduction

The services sector gets more noticeable development only in achieving a given level of the rest of the production. Its further development is a simultaneous expansion of it and the other sectors of the economy. Until the beginning of the twentieth century, however, it developed more slowly compared to the manufacturing sector. Thus, most countries inherit a small

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share of the services sector in their economies. In recent decades, the role of services in the formation and development of market economies, however, has increased remarkably. The production of various goods and the accelerated pace of development of new technologies have led to the emergence of new types of services. This was due to the growth in a number of countries and increased household incomes.

However, are there specific factors and conditions for the Bulgarian economy that have influenced these processes? What provokes the services sector to prevail in modern economies? We will try to answer these and other questions in this paper. Its **aim** is to trace the processes of transformation in the structure of economies until the end of the twentieth century, the factors that gave rise to them and how they changed from predominantly industrial to post-industrial, as well as to deduce the similarities and differences in the course of these changes in the Bulgarian economy compared to other economies. In this way, the following **tasks** can be solved: to establish the reasons for these differences in the transformation processes in our country compared to the developed economies, and to see some of the consequences of these structural changes for the Bulgarian economy.

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As early as the 1950s, W. Rostow asked a series of questions such as: what will happen to societies when income provides such good food for everyone that it raises the issue of public health because of the very wealth of society; what will happen in societies where clothing is sufficient, in which housing is in such a state that people are not tempted to strain too much to improve it (Rostow, W., 1993, p. 142-143)? Thus, in the middle of the last century the interest in the nature of services and their scope increased and a new trend in the structural dynamics of developed economies emerged, showing a steady increase in the share of employed and produced products in the services sector at the expense of those in agriculture and industry.

Deindustrialisation in different countries began at different times and was proceeding at different rates. Trends show that it is in fact a process of relative structural change, which in no way implies a decline in industrial production, but rather affects the distribution of labour resources (Groot, H., 1998, p. 7). In this regard, Stanner suggests using the term "employment

FACTORS DETERMINING THE DOMINANT ROLE OF ...

deindustrialisation" as a more correct one (Stanner, W., 1998, p. 28). Thus, gradually those employed in the services sector reach from 56 to 80% of those employed in the industries and this fact once again proves its importance and dominant role in the development of economies.

Despite much research on the development of services and their place and role in economies, economists have different views on the factors that have influenced this the most. From all of them the following groups of factors can be summarised as *basic* and *universal* for the development of the sector (Kolev, K., 2000, pp. 102-111):

➤ *Differences in labour productivity growth* (LPG) among sectors, measured as value added per employee. The high degree of mechanisation and automation created by technical progress in agriculture and industry redirects the workforce to labour-intensive activities in the services sector. A study (Seager, S., 1997, p. 579-600) of over 20 economies found that about 40% of structural change is due to this factor. Indicative are the words of P. Drucker that "the main task for the development of countries is not to increase the labour productivity of manual labour - we know how to do it. The main task is to increase the labour productivity of intellectual workers." (Drucker, P., 1999, p. 141);

➤ *The integration and globalisation of production, as well as the deepening of the division of labour*, where much of the services needed to carry out activities in industry and agriculture are provided by separate specialised companies, whose product is reported as a result of the functioning of the tertiary sector (Vlasov, V., 1991, p. 3).

The availability of free resources and their relocation is not enough to form the current proportions in the economies, there is a need for counter-solvent demand to meet the increased supply from the tertiary sector. Therefore, demand factors play an additional role in the development of the services sector.

➤ The process of deindustrialisation is influenced by Engel's law, which shows the different and non-linear elasticity of the demand for goods produced in different sectors to the change in income. Its value is the lowest for agricultural products and the highest for services. Under the action of this law, the growth of real incomes is increasingly directed to the consumption of services.;

➤ Increasing the role of intangible factors of production (knowledge, qualification, information) and development of equipment and technologies, both in production and in people's lives, further contributes to the development of the service sector;

➤ Changes in the structure of consumption and increasing the necessities to meet higher-ranking needs, as well as a change in values (Bell, D., 1976, p. 144).

Fuchs cites similar factors explaining the growing share of the services sector in the economy:

✓ The elasticity of demand for services to income is higher than one, so as real income per capita increases, consumption of services and, as a consequence, employment in services sector grow at a faster rate than income grows²;

✓ As incomes increase, it becomes more profitable to buy services rather than to be provided by the household, as leisure time begins to be valued more;

✓ The services sector is characterised by slower growth in labour productivity than in industry and agriculture.

Fuchs's assessments confirm that the distribution of employment among sectors is closely linked to the level of real GDP per capita. As real income grows, the share of agriculture decreases, the share of services increases, and the share of industry grows to a certain level of income, and then begins to decline. Fuchs (Fuchs, V., 1968) shows that if the decrease in the share of agriculture is explained by the differences in the elasticity of demand to income, then the growing share of the services sector is related to the differences in the growth rate of labour productivity in individual sectors.

Some later estimates in the mid-1980s show that the share of services does not depend so much on income and their elasticity to it is approximately equal to one. They conclude that the demand for services is weakly elastic to the price and the very low growth rates of labour productivity are the main factor for the growth of the share of employees in the services sector, and all other exogenous factors play a secondary role (Inman, R., 1985, p. 1-24).

² Initially, this hypothesis was stated by S. Kuznets.

FACTORS DETERMINING THE DOMINANT ROLE OF ...

The establishment of these regularities more than once gives rise to a series of empirical studies devoted to employment growth in the services sector in developed western economies. Many of them are based on Baumol's growth model. In this model, the economy is considered to consist of two sectors, with labour productivity in the first sector (production of goods) higher than in the second one (production of services).

Based on a similar model, estimates have been made from data for OECD countries in the late 1990s, which give exactly the opposite results, namely that the income effect is the most important factor and changes related to costs have little or almost no significance (OECD, 2000, p. 79-126). The change in the elasticity of demand for services is partly explained by the heterogeneity of the services sector. The elasticity of demand to income varies in individual activities in the services sector: with the growth of the population's income, the use of hotel and restaurant services, the use of air transport and tourist travel increase, but the intensity of public transport use is unlikely to increase. That is why the composition of consumer services is important. In an international study for the period 1970-1975 (Summers, R., 1985, p. 27-48) it was found that the demand for personal, communal and health services has an elasticity to income significantly exceeding one, and at the same time the elasticity of demand of other services such as: education, transport, communications and services related to general government show close to one or below one coefficient of elasticity. Globally, these results explain the expansion of the high-tech sector, which has also led to significant changes in the structure of services. In addition, in the coming years, the gap between labour productivity in services and production of goods will narrow.

We can conclude that the development of the services sector is a natural and continuous process, as a result of the achieved level of economic development, which is catalysed on the one hand by the increased wealth of nations and changing needs, and on the other - by differences in the growth of labour productivity due to the introduction of technological progress. It is estimated that the biggest role is played by information and communication technologies, which contribute about 60% to the increase in labour productivity in the services sector in the United States. This is not the case

with the services in education, healthcare, etc., which are definitely lagging behind.

As a result, it is believed that with the subsequent development of the services sector, problems may arise, as labour productivity in services sector can not grow at the pace typical of the industry. In services, this limited productivity is due to the fact that most of them have an almost absolute irreplacability between labour and capital, and therefore their growth at some point can lead to zero economic growth, even in developed economies (Baumol, W., 1967, p. 419).

In another study, Baumol and Bowen concluded that some service activities³ operate under a constant financial burden - their costs always exceed their operating income (Baumol, W., Bowen, W., 1968, p. 161-180). This is due to the fact that in these activities the production costs grow faster than the price of the final product.⁴ The basis of this hypothesis is the lag of labour productivity in these activities from the overall productivity growth in the economy. The lag of labour productivity is explained by the fact that the main factors that increase it – new technologies, increased investment, skills of the workforce, the effect of economies of scale in production – do not have a significant impact in this field. Thus, the lag of labour productivity in some of these activities is their main characteristic due to the peculiarities of their technological process. The only way out of this situation is to compensate for the growth of costs by raising the price of the final product, but the possibilities for this are limited given the state regulation of prices. Therefore, these activities inevitably suffer from the "cost disease". This dictates the need for state intervention in these activities to compensate for the price restrictions imposed by the state itself. Among the main arguments for the need for state intervention to support these activities are the following: most of them belong to the category of public goods, which if not subsidised by the state will not be produced in sufficient quantities; create positive externalities; they need to be accessible to everyone, not just those who can

³ The original version of their theory is for the performing arts, but this feature also applies to other activities in the service sector, such as education, health, social activities, science and research, government.

⁴ Subsequently, this pattern was called the Baumol effect or cost disease (Baumol's Cost Disease).

FACTORS DETERMINING THE DOMINANT ROLE OF ...

afford them; they must be supported and subsidised by the state because they are not profitable. Subsequently, this hypothesis of Baumol was criticised by J. Kendrick, as he believes that there are significant defects in the statistics and the measurement of productivity is not convincing, and also ignores the role of tangible fixed assets, which are also reflected in the measurement of total factor productivity (Kendrick, J., 1973, p. 630).

In the early 1990s, an explanation for Baumol's cost disease was given by Griliches, who said that a cure for the "cost disease of services" had long been found, but the statistics did not reflect it, and it is possible that the services have never suffered from this disease, but simply that the statistics did not have accurate measures (Griliches, Z., 1992, p. 1-22).

For all these reasons, in recent decades, interest in studying economic dynamics in the activities of the services sector has grown significantly. Much attention is paid to structural and technological changes in economic systems, to the causes and factors of fluctuations, to the driving forces and directions of the evolution of economic systems. Measuring the role of the services sector is difficult because their impact on other activities is not direct, but is related and carried out through cross-sectoral links, ie. they have spillover effects, which are manifested through positive impulses to other activities, the result of which is manifested with a certain delay (Rangelova, R., 2013, p. 149).

With the development of economies, the composition and content of labour, the sectoral structure of employees, the functions of the labour force, the ratio of objective and subjective factors of production, the combination of resources change radically. There are significant changes in the structure of needs, in the technical basis not only of production but also of everyday life.

The considered tendencies and processes are convincing proof for the gradual transition of most branches and spheres of the economy to a generally higher, and in many cases qualitatively new level of development. These are the main starting points that led to the contemporary development of economies.

The basis of the structural changes in the different sectors is the dynamics of labour productivity in them, which gives the main impetus for what is happening.

Table 1.
Average growth of labour productivity for the period 1960-1995 (in%)

	Agriculture	Industry	Services
Germany	6.11	3.02	2.49
Japan	3.20	3.73	2.65
USA	2.89	2.46	0.80

Source: Groot, H., *The Determination and Development of Sectoral Structure*, Free University of Amsterdam, 1998, p. 8

In the services sector this growth is lower than in other sectors and this trend is observed in the coming years for a large part of the economies (see *Table 2*).

Table 2.
Growth of labour productivity in the services sector in individual countries, in %

Country	1995-2000	2000-2005
Austria	0.5	0.6
Germany	0.4	0.6
France	1.2	0.6
Luxembourg	0.4	0.8
Canada	2.1	0.8
Denmark	1.6	0.9
Finland	1.5	1.0
Belgium	0.5	1.4
The Netherlands	1.9	1.6
Sweden	1.5	1.7
Australia	2.7	1.9
United Kingdom	3.5	2.5
Norway	2.8	2.7
Japan	1.4	2.8
Czech Republic	1.6	3.4
Hungary	0.4	3.5
Ireland	2.3	3.9

Source: OECD STAN Database for Structural Analysis, forthcoming 2008 edition | OECD Annual National Accounts Database, version of November 2007.

Changes in the economic structure of economies affect the importance and contribution of individual factors on which the pace of

FACTORS DETERMINING THE DOMINANT ROLE OF ...

production and other aggregate indicators of economic growth depend. This is because they have specific characteristics in different sectors and their contribution depends to a large extent on this economic structure.

The faster increase in demand for services compared to demand for goods is a consequence of Engel's empirically proven dependence that income elasticity in terms of services consumed is greater than that of goods. This difference in the coefficient of elasticity keeps the prices of services at a higher level than the prices of goods. This once again demonstrates why the services sector dominates in developed countries. This is due to the high level of income of the population, which is also a factor for the changes in the economic structure, as it changes consumption and leads to a tendency to reduce the share of food, clothing and footwear and to allocate more funds for services. The consequence of the differences in the dynamics of prices of goods and services is the creation of greater added value and the maintenance of greater employment in the field of services. This is a long-term trend proven for a number of countries. *In most of these countries, the development of the tertiary sector is slow and gradual (ie evolutionary), which allows scientists to predict its development* (Bell, Clark, Drucker, Furastie, etc.).

In the development of services there is an increasing integration with other sectors of the economy. In the previous periods of industrial development, the services were on the periphery of a part of the national economies and had great autonomy. This is explained by their structure and their relatively small contribution to the development of the industry. Subsequently, they are increasingly embedded in production, involved in the immediate production process and interact directly with other sectors. The basis for such unity is the interaction of the labour force with the invested funds, which determines the course of the processes both in agriculture and industry, and in most of the services sector, in which a number of activities are by nature a continuation or addition of production operations in other sectors.

Another dependence in modern economies is that of complementary demand, in which the growth of some industries serves to increase income and thus generate demand for a product from other industries. Increased investment in some sub-sectors increases the incentives for other sectors to

follow because there is already greater demand for their products. This has been supported by the emergence and development of new types of credit institutions that help to expand certain industries, such as construction and the production of durable goods.

Another direction of the integration of services with the rest of the economy is their impact on inter-sectoral and intra-sectoral relations. This influence is often mediated by the structure of consumption. With the use of services, the boundaries between industries are to some extent blurred. Unified inter-branch production systems emerge, in which the material product and the services are inextricably linked. Structural changes in production make it a major consumer of services, and changes in the composition of services make the tertiary sector a major consumer of material products.

From the characteristics and trends in the development of services it can be concluded that they continue to bring new moments in the conditions for economic growth, as they are one of the factors for modeling another type of growth, which, however, cannot have any basis other than industrial production. With their large relative share in the economies, services affect the rate of GDP, investment, employment and the formation of proportions in the economy.

The labour productivity growth and the elasticity of demand for services form prerequisites for maintaining their high prices. The prices of the services are formed under the strong influence of the redistributive processes. The fact that many of the services do not accept material expression, and their useful effect is consumed at the time of production, explains why their prices generally have one-sided elasticity, ie. react to the factors that push them to increase, but do not react or react with a delay to the factors that, other things being equal, reduce prices.

The aim of the transformations in relation with the development of the services sector is to increase competitiveness and increase adaptation to rapid changes in the global economy. The main trends that have the greatest impact on changes in economic systems are: the processes of globalisation and fierce competition, including the widespread use of the market economy; accelerated innovation and shortening the life cycle of goods and services;

FACTORS DETERMINING THE DOMINANT ROLE OF ...

ICT development, facilitated access to the information network; increasing the importance of intangible resources for production⁵.

Thus, in the 90s of the twentieth century, first in the United States and then in other countries, the so-called "New economy" is formed. It illustrates the transition between several decades of low GDP growth and a significant increase in economic dynamics and labour productivity, with low inflation and unemployment. These changes are associated with the structural transformations in the 80-90s of the twentieth century and mean a transition from one stage of development to another, accompanied by changes in the structural characteristics of economies⁶. The industrial type of economic development, which has dominated for more than a century, has gradually given way to the services sector in developed market economies. Thus, the point of view of the inevitability of the transition to a new more progressive model of development is formed in the literature, which is based on the more economical spending of resources and the satisfaction of basic intangible needs of the people. As a result, economies have undergone significant changes in production and sectoral structure in recent decades.

In economically developed countries, the process of deindustrialisation is associated with both the growth of the tertiary sector and the achieved high labour productivity in industrial and developing in recent years trends of delocalisation – mainly of industrial production outside the country, in Eastern European and/or Asian and other less developed countries (Vladimirova, K. et al., 2008, p. 12). Here, deindustrialisation does not mean that the industry loses its position, as in Bulgaria, but simply that a large part of the manufactured industrial products is created with the help of innovations and foreign, usually cheaper resources, outside the country, but are taken into account in its gross product, which does not lead to a significant decline in the industrial production of these countries.

The tendency to increase the share of employees and the product produced in the field of services is observed in the Bulgarian economy after

⁵ Development of human capital, economic and managerial relations.

⁶ Here we clarify that it is not about abrupt changes from industrial to information economy, but about its gradual (evolutionary) transformation into a new type of economy with new structural characteristics.

1990, but here the factors that led to this do not overlap with those in developed economies. In addition, this transition of the economy is not certain to lead to a higher level of development of the Bulgarian economy, because as we have already mentioned, the industrial sector in Bulgaria is losing its position. All these changes are directly related to a number of problems both with the efficiency of the functioning of our economic system and with the result of the undertaken reforms.

The factors that led to an increase in the relative share of the services sector in the Bulgarian economy, other than the universal ones, valid for all economies, are the following: decline in the productivity of industrial production; limited resource base; the conjuncture on the international markets; lagging behind the production process in technological, product and organisational nature; institutional reasons, lack of state priorities; the loss of many established markets of Bulgarian industrial production. In the early 1990s, the lag in the development of the services sector in Bulgaria is explained by the following features accompanying its development: the specifics of the growth strategy followed during this period (accelerated development of heavy industry, low level of urbanisation, high level employment, a small share of private consumption in GDP), as well as ideological factors – especially the theory of unproductive labour. All of them together have a limiting role for the development of this sector in the Bulgarian conditions during the initial years of the transition to a market economy.

According to V. Grigorova, an internal factor influencing the sectoral-structural changes in Bulgaria is the intensive physical decline of production in almost all industries and especially in those of heavy industry. The unevenness of this decline led to changes in the relative shares of output. To this it should be added the market-driven increase in the share of industries in the services sector such as business services, communications, real estate operations, finance, tourism, etc. (Grigorova, V., 2003, p. 9).

Specific and most important reasons for slowing down the industrial development in Bulgaria are the reduction of the productivity of the used production factors and the exhaustion in the main lines of the possibilities for extensive development of the national economy.

FACTORS DETERMINING THE DOMINANT ROLE OF ...

Restructuring, renewal of production, incentives for high-productivity work and the transition to sustainable economic growth require that the released resources be redirected to other activities and preferably be productive and contribute to national development, but this takes time to highlight these activities.

As a result of the industrial policy pursued at that time, there is an increasingly limited resource base, which is becoming increasingly narrow; the construction of huge capacities, inconsistent with the domestic needs, the conjuncture on the international markets and the raw material and energy base of the country and the monopoly of many industrial enterprises; structural and technological heterogeneity of industrial production; lagging behind in the technological, product, organisational and personnel renewal of industrial production, as well as significant pollution with industrial waste. All this leads to the loss of many previously established markets of Bulgarian industry.

The intensive investment process in the industry during the developed industrial production in Bulgaria is carried out completely consciously and purposefully by the state, in order to change the proportions in favour of the industries producing goods for production purposes. These characteristics of industrial development show that during these years the Bulgarian industry is developing mainly through the predominant use of extensive growth factors. Hence the situation in the development of industry is characterised by: low efficiency, economic isolation from the external environment and the development of other sectors of the economy. Thus, the development of industry as a priority activity in the Bulgarian economy until the transition to a market economy comes to its logical conclusion. The transition to a new model of development is inevitable, as well as orienting the movement of production resources to other sectors and activities through which to implement the socio-economic, structural, resource, integration and environmental policy of the state.

Compared to Bulgaria, other countries in transition have restructured their economies in the early 1990s and, unlike the Bulgarian economy, private business has quickly compensated the decline in production and exports, and they have achieved much faster economic growth. In the Bulgarian economy, this transition was much slower, in addition, the state

remained a monopolist or at least a major player in a number of activities and industries and did not allow the development of private business at such a high speed.

As a result, despite the fact that in the initial years of the transition to a market economy the main macroeconomic indicators of the country show trends, often similar to those in Central and Eastern Europe, there are a number of significant differences in the subsequent period in the final economic results of Bulgaria compared to them. The low results of the Bulgarian economy are mainly related to the delay of the structural reforms and the specific external conditions - trade restrictions, significant payments on the external debt, inconsistent with the current export opportunities of the country, etc. The outlined unfavorable tendencies in the macroeconomic conditions, as well as the process of growth of the services sphere as a result, cause a number of negative changes in the branch structure and the place of the industry in the economy of Bulgaria. This state of Bulgarian industry is the result of a combination of both inherited characteristics⁷ and emerging problems due to the general economic conditions inherent in the market transition.

Therefore, the transition to a market economy in Bulgaria does not reflect well on the industry, which in its beginning occupied a key place in its development. It reduces its relative share in the gross value added and the employed persons already in the first years of the transition. This is the trend in the coming years. The reasons for this are that until then there has been active state intervention and setting clear priorities in the development of the Bulgarian economy, as well as provision with resources and markets. As a result, things change and industry is no longer among the priorities of the economy.

Unlike other industrialised countries, the motives for this turn of events in Eastern European economies, including Bulgaria, are primarily the state's refusal to prioritise the development of some sectors and leaving them on a market basis, as well as the loss of markets. As a result, in Bulgaria the decline in industrial production is relatively fast and reaches large-scale dimensions and consequences.

⁷ Unilateral specialisation and disproportions accumulated in the separate productions and branches during the years of the centralised management.

FACTORS DETERMINING THE DOMINANT ROLE OF ...

The specific causes, conditions and factors of external and internal nature that led to this development of the Bulgarian economy are:

- ✓ the limited local raw material base with simultaneous development of a number of resource-intensive and energy-intensive productions;
- ✓ the subsequent collapse of the former Eastern European market led to more than 4-5 times a decrease in total trade;
- ✓ recession in a number of sectors of the Western European economy, especially in 1991-1993, representing major markets for some Bulgarian products, as well as the negative impact of embargo sanctions against the former Yugoslavia and the Arab countries, traditional markets for Bulgarian industry;
- ✓ restrictive quotas and other non-tariff restrictions applied to the export of Bulgarian products to the countries of the European Union and other potential markets;
- ✓ limited purchasing power and drastic stagnation in investment and consumer demand due to restrictive fiscal and monetary policy;
- ✓ the modest inflow of foreign direct investment during this period;
- ✓ full import liberalisation at the beginning of the reform period and subsequent trade discrimination by Russia;
- ✓ limited progress in structural reform, including the late adoption or non-implementation of existing privatisation laws and the lack of conceptual clarity on industrial production restructuring;
- ✓ deteriorating financial condition of industrial enterprises, which leads to an increase in credit and budget indebtedness to staff and suppliers;
- ✓ the actions taken for demonopolisation and decentralisation of organisational industrial structures, which in many cases led to the severance of effective intersectoral, organisational, technological ties, to the loss of distribution network and entire markets, while maintaining state ownership and maintaining monopoly;
- ✓ undermining the raw material bases of entire industries (food industry, leather industry, etc.) through unsuccessful legal decisions for forced liquidation of production structures in agriculture, leading to large-scale destruction of assets or their unequal transfer to the private sector.

Thus, in the transition period, supply-side factors led to an increase in the scale and relative share of employment in the services sector, but at

the same time, demand-side factors acted in the opposite direction, although this effect was not so large as to overcome the supply effect. The interaction of these two effects allows to explain *the paradox* observed in the Bulgarian economy of *increasing the relative share of services with decreasing GDP*.

Conclusion

The development of services was an indicator of the first steps in the market restructuring of the Bulgarian economy, but they need to be integrated with material production and form a complex economic system, as this area develops on the basis of the development of goods production and reverse production of goods depends on the development of the services sector.

The reasons for the increase in the relative share of the services sector in Bulgaria in the early 1990s can be divided into two groups - *internal and external*, as the first group is largely dependable of the influence of large-scale external factors. One of the main internal factors is that Bulgaria has lost a large part of its foreign markets for agricultural and industrial products and ultimately the released resources are directed to the services sector. An additional factor for the development of the sector is the liberalisation of the banking sector, the development of telecommunications and other activities in the services sector, which during these years have become attractive to a large number of local and foreign investors.

All this together leads to an increase in the share of services in the structure of the Bulgarian economy, where there is a redistribution of investments, resources and income from other sectors in favour of services, as service prices increase faster than those of industrial products.

The illustration of the differences in the development of the Bulgarian economy in comparison with most economies in terms of industrial production, as well as the difference in the factors that gave rise to the development of services in the Bulgarian and other economies in the early twentieth century, bring out the main starting points that led to its modern development. Therefore, in the current conditions, a number of studies examine the trends and directions that these factors have given rise to and

FACTORS DETERMINING THE DOMINANT ROLE OF ...

further structural changes in the economy as a whole, as well as the factors on which the effectiveness of economic development in the coming years depends.

Therefore, speaking of the growing importance of service activities in economic life, this does not mean abandonment, but a kind of metamorphosis of the industrial economy, which through the development of services has become a new type of economy with new structural and qualitative characteristics (Shishmanova, P., 2005, p. 156). However, not all resources and the emphasis in the development of the Bulgarian economy should be placed on the services sector, because without the recovery of industrial production in the country, largely destroyed as a result of the above factors and reasons, can not be guaranteed its competitiveness only through service activities.

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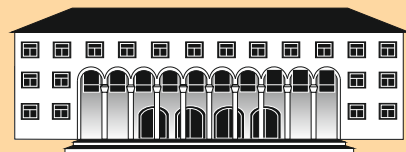
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CONTENTS

MANAGEMENT practice

THE STATE OF E-GOVERNMENT AND DIGITAL ADMINISTRATIVE SERVICES IN THE REPUBLIC OF BULGARIA

Assoc. Prof. Katya Emilova Kirilova, PhD

Assoc. Prof. Aleksandar Tsvetanov Naydenov, PhD 5

TOOLS OF ECONOMIC ANALYSIS WHEN RESEARCHING THE TOURISM MARKET

Head Assist. Prof. Krasimir Georgiev Kulchev, PhD 21

SCHOOL PRINCIPALS – EDUCATIONAL LEADERS AND PROFESSIONAL MANAGERS

Aleksandar Filipov 38

INSURANCE and SOCIAL SECURITY

DEMOGRAPHIC DETERMINANTS AND CHALLENGES TO SOCIAL PROTECTION FOR MATERNITY IN BULGARIA

Assist. Prof. Yordan Stefanov Yordanov, PhD 52

MANAGEMENT theory

FACTORS DETERMINING THE DOMINANT ROLE OF THE SERVICES SECTOR IN MODERN ECONOMIES

Head Assist. Prof. Silvia Gospodinova, PhD 77