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Main Sectors of the Economy | Primary, Secondary & Tertiary

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Learn all about the primary sector of the economy, secondary economic activity, and the tertiary sector. Also, see examples for each of these sectors of the economy.

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Primary Sector of Economy

The **primary sector** of an economy is also known as the "extraction sector", and is defined by the extraction of raw resources. It is the sector that directly interacts with natural supplies and materials like soil, wood, wild and domesticated animal life, coal, gold, silver, and diamonds. Occupations in the primary sector include farming, oil and gas extraction, fishing, mining, logging, hunting, and forestry. Key characteristics of this sector are low education rates, straightforward and uncomplicated systems of operation, and agricultural influences. The primary sector tends to make up a great majority of the national economy in underdeveloped countries around the world. This is due to the limited education and production facilities available in these countries to help drive economic activity outside of the primary sector.

Despite the more straightforward nature of the primary sector, it is an indispensable component of a healthy and flourishing economy. It provides the natural resources that are needed in order for the secondary and tertiary sectors to function. This points to its foundational and important role in economies. Many first world countries, such as the UK, have as little as three percent of its workforce engaged in primary sector occupations like farming and fishing; comparatively, nearly the entire population of the Democratic Republic of the Congo works in the primary sector, which is more typical for third world countries. Issues faced by countries relying on a primary sector include:

- Monopolization - A state wherein a single entity claims dominance over an entire market. This can lead to price manipulation and a decline in market competition
- International dependence - The country relies tremendously on other countries to buy and refine its extracted resources. This dependence makes the economy very vulnerable to global events
- Price volatility - As the country essentially relies on output from its primary industries, it can easily be affected by common natural circumstances, such as a drought, which may bring about agricultural

production decline

The primary sector plays a fundamental role in underdeveloped countries.

Primary Sector Examples

Examples within the primary sector of an economy center around the extraction and refinery of raw resources. A fisherman buys a boat as an asset to effectively supply a coastal city with fish. His daily routine involves going out to sea and catching fish, which he can then sell to consumers to generate income. Or, a cow farmer buys cows as capital, and lets them graze in his fields. He can sell their milk to generate income and as they produce offspring, he could butcher some to sell their meat for more income. A vegetable farmer purchases a farm, where he'll fill the land with pumpkin fields. After taking good care of the fresh produce, he harvests them and sells them on the market. The income is then used to continue his production. All of these workers are examples of primary sector economic activity.

Secondary Sector of Economy

The **secondary sector** is also known as the manufacturing industry. The secondary sector definition is the production of finished goods, and it is comprised of industries such as manufacturing, construction, and utilities. In this sector, natural materials received from the primary sector are processed, prepared, and treated to ultimately create a product that is of a higher value than the plain raw materials. The secondary sector makes up a larger part of developed economies compared to the dominance of the tertiary sector in underdeveloped countries. Where the tertiary sector makes use of land, forests, and the ocean, the secondary industry predominantly uses factories, machinery, and energy facilities. Additionally, this is the sector that emits the majority of carbon-based gasses due to the usage of factory machines and mechanical production lines.

The manufacturing component of the secondary sector is where this sector finds its value, due to the profitability that is found in the international export of manufactured goods. Countries highly value manufactured goods, and are thus willing to pay steeply in order to have goods imported. This is found to be especially true for underdeveloped countries that do not have the capacity to sustain their own secondary sectors, and thus manufacture their own goods.

Secondary Sector Examples

An investor buys a baking factory. He invests capital so the factory can buy the needed materials such as baking flour, sugar, milk, and cacao. The production line uses these resources to produce cakes, a product that is more valuable than each of its ingredients alone. The factory sells these cakes to food outlets, and uses the income to further fund its operations.

The owner of a construction company receives a contract to build a new mall. For the project, the company buys raw materials like sand, cement, clay, and wood (ie. resources from the primary sector). In accordance with the building plans of the mall, these materials are then combined to form the structures that will eventually make up the final product, which is the mall.

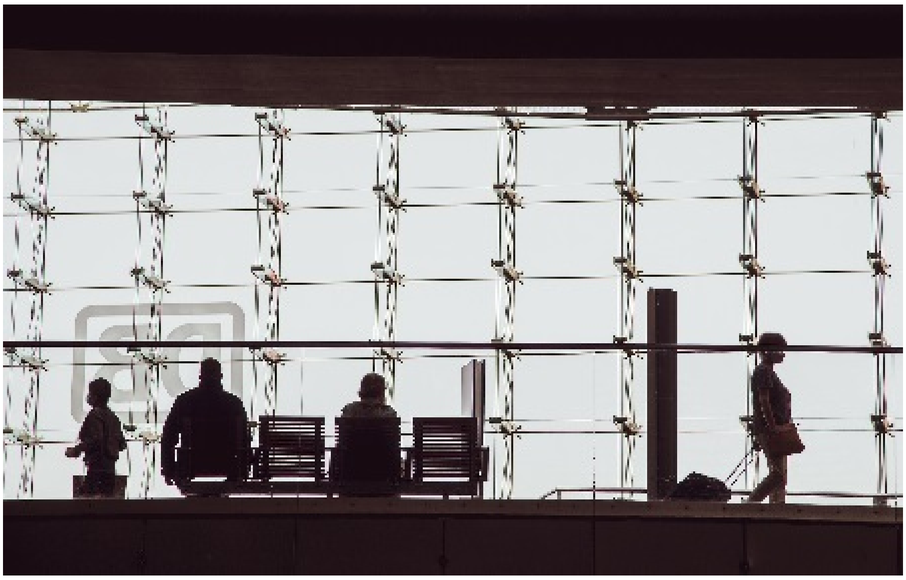
Tertiary Sector of Economy

The **tertiary sector** of an economy is also known as the service industry. This sector is generally considered to be the most sophisticated sector, due to the multitude of resources it requires from the first two sectors in order to function. The tertiary sector is comprised of advanced businesses and services upon which many first world countries are built. These businesses and services include financial institutes, mass media, pharmacy, and the hospitality industry. The tertiary sector definition is the sector whose function is to provide consumers with services. This sector makes up the majority of developed countries' economies; for example, the UK has 78 percent of its workforce employed in the tertiary sector. These services, although essential for the advancement of the economy, are not actually required for survival of a population on a primitive level, like for the primary sector. As a result, the service industry is prone to being overvalued and over-leveraged. Evidence of this is found throughout modern history as most, if not all, recent economic collapses were attributed to the tertiary sector. For example, widespread economic collapses like the Great Depression, Black Monday, as well as the financial crisis of 2008, were all a result of the mismanagement of tertiary economic activity.

The tertiary sector is the only sector that accommodates both profit-generating enterprises, as well as non-profit organizations, like animal rescue centers and orphanages. The nature of the work within this sector is usually far less physical than that of the primary and secondary industries. Historically this contributed to more men being employed in physical primary and secondary industries, and women in the tertiary sector.

Tertiary Sector Examples

A bank provides a service; specifically, a financial service. Individuals deposit their money at a bank, as a safer form of storage compared to hiding it under a mattress. When they need the money, they can withdraw it from the bank and use it as they wish. However, throughout history, banking became all the more complex in the additional services they can provide. Services expanded from mere money storage to elaborate concepts like investments, loans, and fixed deposits. These complex services brought rise to the modern age of investment banking. Investment banks are tremendously wealthy establishments that are key players in the modern global economy.



Banks form a vital part of modern economies.

Lesson Summary

The **primary sector** is the most basic industry when compared to the secondary and tertiary sectors. It simply consists of the extraction of natural resources and materials from nature. The **secondary sector** is more refined than the primary sector in that it combines materials (usually from the primary sector) to produce goods of higher value. The primary and secondary sectors require more physical work than the final sector, which is the tertiary sector, or the service industry. The **tertiary sector** is the most sophisticated of the three and is founded in advanced services provided to consumers such as banking, education, and hospitality.

Video Transcript

Economic Change

Our nation's economy, like most modern world economies, has developed from one built on the extraction of raw materials for consumption and sale to one that is now more dependent on revenue from services. This economic shift is important to understand from a sociological standpoint because it impacts the proportion of the population engaged in various activities that support the economy.

In this lesson, we will explore economic change by discussing the three types of sectors of an economy: primary, secondary and tertiary. These sectors can be viewed as a continuum, starting with the primary sector, which is the part of the economy generated by extracting raw materials directly from the earth for consumption or sale; moving next into the secondary sector, which is the part of the economy that transforms the raw materials into goods for sale or consumption; and finally the tertiary sector, which is the part of the economy that involves the sale or trade of services instead of goods.

Primary Sector

The **primary sector** involves the extraction of raw materials from the earth. This extraction results in raw materials and basic foods, such as coal, wood, iron and corn. The types of workers in this sector include farmers, coal miners and hunters.

In the U.S. and similarly in most other modern world countries, there is a decline in the proportion of the population that works in the primary sector. Currently, only 3% of our nation's labor force is engaged in primary sector activity. This is a big change from the mid-19th century in which two-thirds of the labor force was engaged in this sector.

Secondary Sector

The **secondary sector** involves the transformation of raw materials into goods. This transformation results in wood being made into furniture, steel being made into cars or textiles being made into clothes, as examples. The types of workers in this sector include a seamstress, factory worker or craftsman.

The development of this sector can be attributed to demand for more goods and food, which leads to industrialization. Only so much can be done in the primary sector before there is a natural limit on how much can be extracted. When an economy moves into the second sector, new farm techniques are used, and industrialization changed how goods can be transformed, distributed and sold. Currently, 20% of the U.S. labor force is involved in the secondary sector.

Tertiary Sector

The **tertiary sector** involves the supplying of services to consumers and businesses. This sector provides services to the general population and businesses, including retail, sales, transportation and restaurants. The types of workers in this sector include restaurant bartenders, accountants and pilots. The service industry makes up 80% of the labor force today.

Future Sectors

Some economists argue that there are two additional sectors that make up the modern world economy. These sectors are the quaternary and the quinary sectors.

The **quaternary sector** is said to be the part of the economy that consists of intellectual activities, such as scientific research, education and information technology. Workers in this sector include scholars, researchers and librarians.

The **quinary sector** is argued to be made up of the highest-level decision making in that society or economy. Examples of workers in this sector would include top CEOs of companies, presidents of universities and media executives.

As our modern economy grows and develops, it is said that these sectors will drive the economy more so than primary and secondary sectors. Developing countries, however, still heavily rely on the first two sectors for economic support and development.

Lesson Summary

The economy of a modern world can be discussed in terms of three sectors: primary, secondary and tertiary. The **primary sector** is the part of the economy generated by extracting raw materials directly from the earth for consumption or sale. The **secondary sector** is the part of the economy that transforms the raw materials into goods for sale or consumption. The **tertiary sector** is the part of the economy that involves the sale or trade of services instead of goods.

Some economists argue that there are two additional sectors that make up the modern world economy. These sectors are the quaternary and quinary sectors that involve intellectual activities and high-level decision making as part of the economy.

Learning Outcomes

Upon completing this lesson, you should be able to:

- Describe the three sectors that make up the economy of a modern world
- Identify how much of the population is involved in each sector and any changing trends in these sectors
- Explain the proposed quaternary and quinary sectors and their potential impact on the economy

Frequently Asked Questions

What are examples of secondary activities?

The construction of buildings, the manufacture of cars, and the production of utilities such as electricity are all examples of secondary economic activity. The secondary sector includes any activity involving the physical creation of something with a higher value.

What are the 3 main sectors of the economy?

The primary sector, secondary sector, and tertiary sector make up an economy as the most basic sectors. Each are characterized by its own set of values.

What are secondary economic activities?

Secondary economic activities include construction, manufacturing, and utilities. Secondary sector industries make use of raw materials to produce something of a higher value.