



# Prosperity and the Economy

## Productivity and Prosperity Depends on Matching People to Jobs and Jobs to People

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Torontonians have been told over and over again in the past few years that we lag in productivity. What does that mean? It means we have too many people out of work that want to work while employers complain of “talent shortages”. It means we have too many people who are underemployed or are working below the level of their skills and experience. It means that too many people are working more hours and making less money. Why this “mismatch” between the work available, the skills available, the needs of employers, and the expectations of workers?

Toronto is a city with huge advantages including great wealth, vitality, and diversity. But it is also a city with enormous challenges. Unemployment is high and job growth has been minimal since 2000. There is a continued loss of manufacturing jobs and our residents are moving to the suburbs in search of affordable housing and jobs. For the City of Toronto to be prosperous and for that prosperity to reach to its residents, these challenges must be addressed.

Toronto is Canada’s financial capital – we are home to the head offices of five of Canada’s six national banks and 90% of Canada’s foreign banks. Our country’s top accounting and mutual fund firms and largest stock exchange are located here. We have 70,000 businesses operating in Toronto and we produce 1/5 of the nation’s GDP. We are the 3rd most important financial centre in North America after New York and Chicago. Our city is also a growing centre of convergence for the “green” economy, boosted by Toronto’s Green Building Code and the numbers of “green” entrepreneurs who work here. We have a robust and growing “knowledge economy”, and are the 2nd fastest growing employment hub in North America.

Despite all this activity and opportunity, Toronto continues to lag in productivity and innovation. Since 2000, analysts have attributed Toronto’s low productivity to a mismatch between the skills possessed by much of the labour force and the skills that most new jobs require. Toronto Workforce Innovation Group’s research indicates that Toronto continues to suffer from this mismatch, hindering our growth and economic prosperity and leading to greater poverty and social disparity.

Over 1 million Toronto residents work but still live below the poverty line—a new record.<sup>i</sup> Toronto has a large population of newcomers and immigrants who arrive highly educated and very skilled, yet cannot find employment that matches their skills and experience. As a result, the talent and skills brought by newcomers to our City are squandered on low-paying, entry-level jobs. Recent studies show that immigrants take twice as long as only a few years ago (ten years, compared with five) to get on their feet and struggle to work up the economic ladder.<sup>ii</sup> Youth unemployment rates are also at an all time high—in some neighbourhoods they are nearly twice as high as adult unemployment. Literacy rates are also an issue in many workplaces. For instance, at the Alliance of Sector Council's 4th Annual Forum on Productivity, employers across all sectors lamented the lack of “soft skills” such as communication and basic problem-solving skills, literacy and numeracy, as well as project management and leadership abilities. These “soft skills” are critically important for driving innovation and growth and become even more important in a knowledge-based economy.

In Toronto, the Knowledge Worker sector is booming. Knowledge worker jobs, which include management positions, professional occupations, and jobs involving high technical skills, has increased by 151,000 positions between 1996 and 2006, while the other four main occupational categories (middle and entry-level jobs) saw an actual loss of over 27,000 jobs.<sup>iii</sup> Knowledge worker jobs generally require a minimum of a college or university degree and excellent communication skills. Ironically, we have an inordinate number of university and college graduates and many highly educated and skilled newcomers who are not able to find work in the knowledge economy. Meanwhile, employers complain about “talent shortages” and anticipate skill shortages as a large proportion of the workforce prepares for retirement.

The issue is, if we have all the skills and talent available in our workforce and a large portion of these individuals are looking for work, why are we not able to match the jobs to people and people to jobs?

One reason that we lag: Toronto lacks an integrated approach to workforce development that brings the two sides of the economy, supply and demand, together. This is an approach that could lead to greater productivity and the utilization of many of the existing skills and talents already in the labour market. Moreover, according to the City of Toronto's own economic development department, more than half of the workforce that will be working in 2015, will have to adapt to requirements of the changing economy.

This mismatch could be addressed by ensuring that training, re-training, and educational programs more closely match the skills that employers need. By developing strategies that take into consideration the needs of both sides of the labour market, the existing skills of the workforce might be more effectively utilized.

Other cities similar to Toronto, such as Chicago and Philadelphia, as well as other places in Canada such as Halifax, are actively pursuing an integrated approach to labour market planning.

The Chicago Board, for example, is business-oriented and its mandate is to match the skills of the population to employers' needs; the Philadelphia group, in addition to its business orientation, has identified literacy as a cross-cutting issue. The City of Halifax has a similar model that is funded by three levels of government. There are other models in London, England, and other European cities. Each of these bodies is tailored to meet the needs of the local economy, but all bring together the supply (workers) and demand (employers) sides of the economy to ensure that policies and programs are directed to the local labour market. Here, this would probably be the Greater Toronto Region which, in most aspects, is already moving in the direction of an integrated economic market.

In the mid 1990's the Ontario government formed the Ontario Local Boards Network to better respond to the diverse needs of local communities and business in the area of workforce development. Toronto Workforce Innovation Group is the local board for the City of Toronto. Our approach to workforce development is to bring together diverse stakeholders from business, labour, community, and education and develop "evidence-based" solutions to complex labour market issues. As a member of the Ontario Local Board Network, our job is to collect data from Statistics Canada, the Census, and other sources of information to identify workforce issues and provide solutions by engaging stakeholders and collaborating with partners. We, like other groups that do similar work in Toronto, tend to work in isolation from the City.

In the past decade the City of Toronto has undertaken some proactive research and initiatives in this area. The Labour Force Readiness Plan (2003) identified Toronto labour force needs, gaps and opportunities. More recently, the Agenda for Prosperity (2008) established the Toronto Mayor's Economic Competitiveness Advisory Committee to focus on creating prosperity through "a strong economy and employment growth", recommending "a culture of partnership between the city, business, and community". To the city's credit, some formidable partnerships have emerged, such as Youth Employment Partnerships and Toronto Employment Social Services. However, these partnerships alone will not lead to greater productivity and prosperity for Torontonians.

The City of Toronto must engage in forging overall strategies for workforce development that bring together the major players from across the region if they are to ensure long-term prosperity. This means initiating overarching labour force planning that supports new business and entrepreneurship, promotes innovation, invests in people, and engages relevant stakeholders in the planning process.

One example of how this is already happening in Toronto is Toronto Workforce Innovation Group's partnership with the Ontario Sustainability Energy Association. This partnership will coordinate key stakeholders from the "green economy" to evaluate skills needed for emerging sectors. Representatives from unions, private employers, regulators, energy distributors, government, and colleges will collaborate as a working group to identify regional challenges, opportunities, and the skills needed to grow Toronto's and Ontario's economy into a more sustainable and renewable green economy.

In a changing economy, this ability to identify local strengths is essential. Involving all stakeholders anticipates and prepares for us for change. Most importantly, such plans can respect the relationship between government responsibility and local priorities and ensure ongoing review to keep abreast of changing needs.

Toronto, or the Greater Toronto Region, could benefit appreciably from taking a similar approach.

A good economic and workforce development strategy will ask the questions: "Does our community have the skill sets that businesses need?" and "Do we have the right infrastructure in place to support the businesses that want to be here?" In order to get fulsome answers to these key questions the City will need to bring together partners with the skills and expertise in labour market planning, including business and labour leaders, academics, all levels of government, and community groups, to ensure that Torontonians have the best thinkers involved in this process. Ensuring a skilled and knowledgeable workforce for today and in the future is the main ingredient to improved productivity and competitiveness, resulting in economic growth and prosperity.

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i Toronto York Region Labour Council, <http://www.amillionreasons.ca/>

ii Trends, Opportunities and Priorities Report, 2009, Toronto Workforce innovation Group

iii An Economy out of Shape: Changing the Hourglass, Toronto Workforce Innovation Group, 2010

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