Richard Florida & Greg Spencer: The future of the knowledge economy is local

The best growth strategy for Ontario is to deepen the innovation and knowledge component of all industries, not just newer ones

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By Richard Florida and Greg Spencer

Canada's future lies in the innovation-powered knowledge economy. Indeed, the nation's leaders are well aware of the need for new ideas and approaches to meet the nation's looming innovation, productivity and prosperity challenges.

The Trudeau government has made a clear commitment to shifting Canada from its resource-dependent past to a more knowledge-driven future by setting an innovation agenda dedicated to increased infrastructure funding. Ontario has even created a blue-ribbon commission, headed by former TD Bank CEO Ed Clark, to spark the development of its knowledge economy. Across all levels of government, there is a virtually unprecedented degree of alignment at a crucial time for economic policy-making.

And yet any strategy must recognize there is no one-size-fits-all approach. In fact, the knowledge economy is not a single national economy, but rather a collection of local ones. The clusters of talent, companies, universities, and other knowledge-based institutions are increasingly local challenges. To be effective, federal and provincial policies must bolster, build from, and strengthen these concentrated local assets.

This is the main take-away from a detailed Martin Prosperity Institute analysis of the knowledge economy in Ontario. The study, which we undertook with our colleague Shade Shutters of Arizona State University, evaluates the performance of more than 300 industries and 500 occupations based on their ability to drive exports and generate higher incomes across Ontario's 15 largest urban regions. The study provides strong evidence that the future of Ontario's innovation economy is local and geographically specific, tied to clusters of talent and industries that are distinct to particular regions of the province.

Toronto and Kitchener-Waterloo form the two edges of a powerful knowledge economy "supercluster" that extends to Guelph, Hamilton, and Oshawa. With more than 36 per cent of its workforce employed in knowledge, professional, and creative occupations, this supercluster is now the main driver of Ontario's knowledge economy. Not only is it home to a diverse range of

high-value-added services, but it also boasts an impressive mix of advanced manufacturing, world-class universities, and knowledge institutions.

Behind Toronto, Hamilton, Kitchener-Waterloo, and Guelph take second, third, and fourth place in terms of their knowledge economy strengths and potential for future success. The key challenges for these places are as much social as they are economic: investing in transit and local infrastructure, providing affordable housing, and dealing with growing inequality. Ironically enough, each of these challenges stems from the cluster's very success.

With 44 per cent of its workforce in knowledge, professional, and creative occupations, Ottawa is also ripe for the knowledge economy. But other parts of the province face deeper challenges. Southwestern Ontario suffers from an older industrial economy that is closely tied to the struggling Rustbelt economy in the United States. Just 28 per cent of Southwestern Ontario's workforce is employed in knowledge and creative occupations, while most of its economy depends on the unsteady automotive sector. In this sector, jobs are subject to both competition from lower-cost areas of the world and the threat of further automation, as well as the possibility of longer-run disruption from new technology, such as driverless cars and electric vehicles. If Southwestern Ontario seeks to lead technological change rather than fall victim to it, the region must invest in people, infrastructure, and its education system to upgrade and deepen its historic strengths.

In other parts of Ontario, cities such as Sudbury and Thunder Bay are built on natural resource industries, which are exposed to swings in global commodity prices. Buffering these cities from external forces depends on diversifying their economic base while drawing on their existing stock of knowledge. Ultimately, these and other resource-based communities must sell their knowledge of mining, forestry, and energy along with commodities themselves.

While many commentators and policy-makers favour a shift in Ontario's economy away from older industries toward newer, more knowledge-based ones, the more effective strategy is to deepen the innovation and knowledge component of all industries, from engineering and technology to agriculture, service, and manufacturing.

Ultimately, the assets that power the knowledge economy are geographically concentrated. Because of this, there is no one strategy for bolstering innovation and creating a sustainable knowledge economy. This carries even more weight for large jurisdictions like Ontario or Canada as a whole. Indeed, the key to our economy's long-run prosperity lies in building on local industries, talent, and knowledge-based institutions, while strengthening and deepening the connections between them.

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