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I've lived in Toronto for three years. Every passing day, I'm discovering new dimensions to this great city. I count our decision to move here among the best of my life.

But the more I look at our city and region, the more I recognize the challenges we face, especially in light of how the tectonic economic events of the past 18 months are recasting the role of cities and regions worldwide, which I lay out in my new book, *The Great Reset*. I hold up Toronto as an example of an older Frost Belt city that has effectively made the transition to a new economy based on finance, media, service, technology and design-intensive manufacturing.

But resets are times when the fortunes of cities, regions and nations change dramatically. They are times of chaos and suffering, but also of tremendous innovation.

We hear the phrase "a crisis is a terrible thing to waste" — first articulated by Stanford economist Paul Romer, and later picked up by President Obama's chief of staff, Rahm Emanuel — a lot these days. But how does Toronto reset itself? I worry that as cities from New York to London, San Francisco to Shanghai, strive to remake themselves for a new age, our very success may be making us too complacent.

The crisis and reset we are going through are comparable in magnitude to the Panic and Long Depression of the 1870s and the Great Depression of the 1930s.

The pain of job loss and dislocation in both of those periods was far worse than what we feel now.

But both were the most innovative decades of the past two centuries.

We invented new technologies, new transportation systems, new infrastructure and new ways of living and working.

It's the latter — or what geographers call a new "spatial fix" — that powers true recovery and lasting prosperity. As I show in *The Great Reset*, it was not just New Deal spending or World War II mobilization or even incredible waves of innovation that powered our unprecedented prosperity in the 1950s and 1960s; it was our suburban way of life. As millions of families bought houses and moved to suburbia, they created demand for the cars, refrigerators, washers, dryers, TVs and stereos coming off the booming assembly lines.

In many ways, greater Toronto is a model for the kind of place that will prosper as we recover from the current crisis. But we need to come to grips with our problems and develop a compelling vision of how our city and region will fit into the future. It's time, Toronto, to up our game.

Once again with this reset, innovation will make the difference and cities are the cauldrons for it. We are making considerable strides at encouraging our universities, hospitals and companies to leverage their efforts to spur commercial innovation. But we continue to lag behind our global counterparts on innovation and new firm formation. According to the Toronto Board of Trade's 2010 Scorecard on Prosperity, the city ranks 12th out of 24 cities on patents per 100,000, and 11th out of 12 on venture capital per million of economic output, behind even Halifax.

We may be in the early stages of the recovery, but it looks to be a jobless one. We desperately need to create more good jobs, and Toronto could take world leadership here. Great Resets radically reshape the jobs picture. We moved millions of people from farms to factories in the First Reset. Through enlightened public policy and management-labour co-operation, we made factory jobs good, family-supporting jobs in the Second Reset. When my father took up work in a Newark, N.J., eyeglass factory in 1934 at age 13, he combined his meagre wages



A Starbucks barista. In the U.S. companies like Whole Foods have managed to make service jobs more rewarding. That's one of the key challenges facing our regional economy, argues Richard Florida.

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with that of my grandfather, grandmother and six siblings — it took nine people to make a single family wage. But when he returned from World War II, that very same job paid more, enabling him to buy his own home and put my brother and me through college.

We must upgrade our manufacturing base, adding technology and design. But because of globalization, that work will constitute perhaps 10 per cent of our job picture, well down from the peak of nearly 40 per cent.

Toronto has been good at creating professional, technical and creative jobs that are high-paying. But our job market is now split into relatively well-paid creative and knowledge workers and a growing class of service workers — the people who take care of our ailing parents, care for our children, staff our hotels and retail shops, cut our hair, dry clean our clothes, chauffeur us in taxis, and feed us in restaurants. Toronto currently has 840,000 workers in business, professional and creative jobs, but 1.14 million toil in much lower paying service jobs. While service workers make up 45 per cent of Greater Toronto's workforce, they take home just 29 per cent of all pay.

This worsening class divide is increasingly imprinted on our geography. In a landmark 2007 report, my colleague David Hulchanski and his collaborators at the University of Toronto revealed a region dividing itself into three areas: a wealthy and ethnically homogenous core, a periphery with high concentrations of poverty, and a more economically and ethnically mixed middle that is being encroached upon by the other two.

There is only one way to stem this ever-deepening geography of class: We have to create a massive number of new good jobs. And to do that we have to upgrade the service jobs we already have, which will continue to grow. In the U.S., companies such as Whole Foods, the Container Store and Nordstrom make up 20 of the 100 best places to work, alongside high-tech leaders. These companies see that better and more stimulating working conditions are key to improving quality, customer experience and the bottom line. Toronto-area service companies, from banks to the Four Seasons, have developed extensive training programs that make workers more effective and improve the customer experience. Ongoing training and development also enable workers to advance to better-paying, more responsible positions.

Toronto can show real global leadership here. Last fall, the city and the Martin Prosperity Institute organized the first Strength in Services Summit devoted to improving service work in the city and region.

There are two key things we can do now. First, service companies could adopt the same basic techniques of quality management, statistical process control and managerial leanness that have helped empower workers and led to significant productivity gains in manufacturing. Second, we could assist the thousands of small service firms created every year — the mom and pop corner stores, dry cleaning shops, day care centres, restaurants and hair salons — with everything from better business planning, budgeting and sales.

As someone who has seen the dysfunction of urban schools in the U.S., I can say that Toronto's public school system has a staggering advantage. And Toronto is blessed with world-class colleges and universities, many located right in the heart of the city.

But resets do not simply call for upgrading educational programs and systems. They are the times when we invent entirely new modes of education. The First Reset gave rise to mass public education, preparing formerly illiterate and largely immigrant children for modern factory work. The Second Reset saw the rise of the provincially funded university system, the massive expansion of professional programs, plus national support for university research.

We need a bigger reset today. We need to realize that education is about developing human talent and unleashing creativity, not squelching it. We need to get away from equating schools with buildings kids clock into. We need to tailor education to individuals' needs, and make learning something that ties into kids' passions and develops their creativity. Toronto can take the lead in breaking with the notion that education needs to take place in schools, when it could make use of the entire city.

In my book, I point out that many of the great entrepreneurs of our age were college dropouts. Some, like Bill Gates or Michael Dell, did their inventing in dorm rooms. The University of Waterloo is outfitting dorms where students can develop inventions and start businesses a part of their curriculum. Why not extend that opportunity to create something of your own — from new tech start-ups to social enterprise — to our primary and secondary schools?

The age of the car is slowly moving behind us. Traffic here is a nightmare, and it is getting worse. A recent Board of Trade report ranked Toronto worst of 19 cities worldwide in commuting time. At the Martin Prosperity Institute, we estimate the GTA could gain an additional \$3.65 billion in productivity and value added with each five-minute reduction in commutes. We are moving forward with Metrolinx, but funding for Transit City was cut. A world-class city requires world-class transit. There need to be even better connections within the city itself, between our subways, streetcars and buses, and seamless routes to the airport. We also need more incentives to get more people out of their cars and into transit, and that means seriously considering congestion pricing.

Toronto and its extended region need to grow. Our mega-region, which spans Montreal to Waterloo and across the border to Buffalo and Rochester, is home to 22 million people and generates \$530 billion in economic output. But we are dwarfed by the truly gargantuan mega-regions surrounding New York and Chicago, which each produce roughly \$2 trillion in economic output annually. Bigger cities and bigger mega-regions have faster metabolisms and bigger markets, and they are more innovative. Greater Toronto has to increase its size

and scale fast. But adding more people — even 2 million people by 2031, as the Greater Toronto Marketing Alliance anticipates — will not be enough. We have to borrow size by expanding our borders..

But we have to grow differently. Over the past several decades we have grown bigger but not better, by throwing up cheap condo buildings downtown and creating the worst kinds of suburban sprawl with car-dependent, un-walkable and some would say almost unlivable over-sized housing and related developments, while destroying some of the very best farmland on the planet. We need to grow smarter and greener as we grow bigger. That means increasing density and remaking our suburbs around transit and as mixed use, walkable and livable communities.

We'll need new infrastructure that can connect the far-flung pieces of our mega-region and make it more of an economically integrated whole. That means investing now in high-speed rail, which would cut travel time from Toronto to Montreal to just over two hours. It would make Waterloo, with its world-class high-tech cluster, a veritable suburb with an easy commute of under a half-hour. High-speed rail could even help reposition ailing Windsor as part of the Greater Toronto economy by cutting travel time to just 90 minutes.

Could it be that our stable housing market might blind us to the bigger housing reset going on. My father had one job and one house for life. The old industrial economy was much more stable. But today, the success of individuals, cities and regions requires greater mobility. Homeownership can leave too many people unable to seize economic opportunities. My team at the Martin Prosperity Institute has come to the counterintuitive finding that cities and regions with higher levels of homeownership don't fare as well. Places with more of a balance — home ownership of 55 or 60 per cent, compared with almost 70 per cent across Canada and 68 per cent in Toronto — are more innovative, affluent and resilient.

Not a day goes by that I don't hear about another young family forced to make a choice between staying in an over-crowded one- or two-bedroom apartment or moving to the suburbs for more affordable single-family housing. We need to rethink our zoning and building codes to make sure there is an abundant stock of three- and four-bedroom rentals in the city.

Our city and region also need to become more livable, to become more satisfying for residents and more attractive to global talent. From the lack of green space, trees and bike lanes to people's dissatisfaction with poor air quality, cheap condos and the cluttered, disconnected waterfront — I get an earful from Torontonians everywhere I go.

These are the challenges that faces all of us who live and care about this great region. I hope that by understanding it in the historical context of today's Great Reset, we can and will rise to the occasion.

*Richard Florida is author of *The Great Reset* (Random House of Canada) and director of the Martin Prosperity Institute at the University of Toronto's Rotman School of Management.*