



Ontario Values Creative Class Occupations Less than our U.S. Peers Do

The fastest growing jobs in Ontario today are creative class jobs, where workers are paid to think for a living. These are the jobs most regions prize; and their importance to prosperity will only increase.

Yet Ontario's creative class workers earn less than they do in 14 comparable or peer U.S. states. What's more, the gap between the U.S. and Ontario creative class wages grows wider at the high end of the wage scale. One might assume that this is because Ontario's overall wages lag behind wages in U.S. peer states. This is true for wages overall, but the picture looks very different when one looks at the average wages of different classes of workers. Ontario's service workers, such as telemarketers or waitresses, are paid about the same as service workers in the U.S. peer states. So are working class jobs, such as steelworkers or construction trades. (For more information on the different classes of workers, please see [Economic Pain Not Spread Equally](#).)

The wage gap between Ontario and its peer states is most evident in the class of workers that is crucial for advanced economies – the creative class, which includes, for example, scientists, financial professionals, artists, and architects. This raises serious questions about the wages Ontario employers pay for different classes of work. Our labour market depends increasingly on intellectual and people skills – the skills creative class workers use. Yet, workers with these skills are paid less in Ontario than in the U.S.

Unfortunately, Ontario's economy is tuned this way: employers utilize creative workers less intensively and so workers have less incentive to upgrade their capabilities which reinforces employers' propensity to under utilize their skills. This equilibrium with a lower creative content in our industries doesn't bode well for Ontario's future prospects.

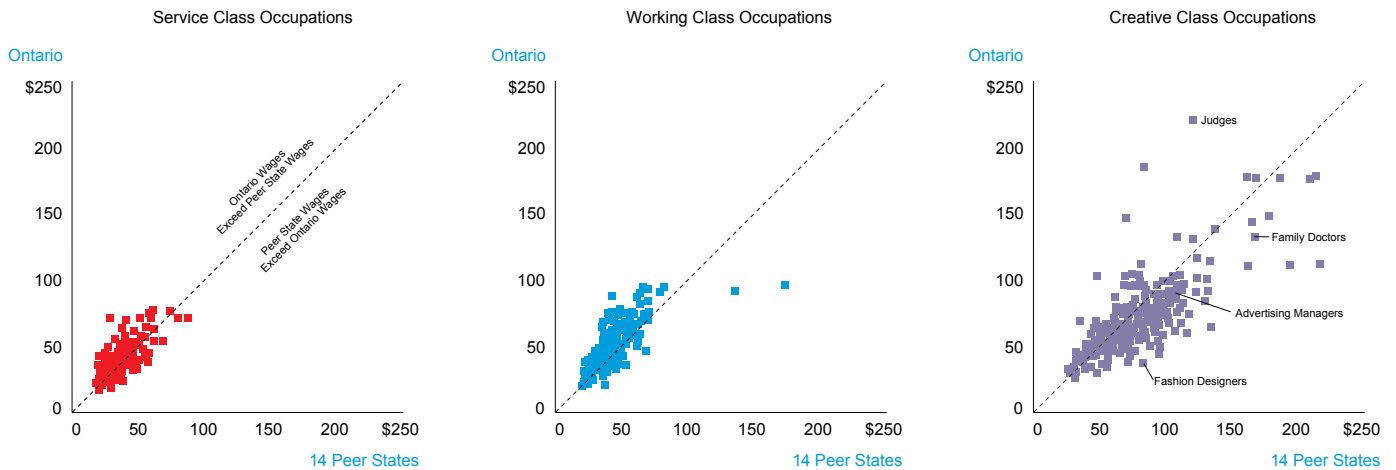
It's becoming clear that a region's prosperity is linked to the presence of creative class workers. A [recent study](#) by Martin Prosperity Institute researchers Richard Florida, Kevin Stolarick and Charlotta Mellander shows that regions with higher proportions of creative workers have higher wages overall. If Ontario employers don't pay enough for highly skilled creative workers, they will be unable to compete in retaining the creative class and their skills.

Creative Class Wages in Ontario lag behind the U.S.

Overall, wages in Ontario lag behind those of our U.S. peers. This pattern is illustrated in the exhibit below. Each point represents an occupation. Jobs that sit above the line are paid more in Ontario than they are in the U.S. peer states (in Canadian dollars). Jobs that sit below the line are paid less in Ontario. Jobs that sit on the line are paid the same.

Exhibit A: Wage gap between Ontario and peer states is most pronounced in creative class

Occupation and wages, 2005, Ontario and 14 peer states (C\$ 000 at Purchasing Power Parity)



Source: The Institute for Competitiveness & Prosperity and The Martin Prosperity Institute analysis based on Statistics Canada 2006 Census and US Bureau of Labor Statistics, 2005 results

The exhibit shows that the pattern for service and working class occupations differs from the pattern for creative class occupations. Service jobs, such as home health aides and bank tellers, are grouped in a tight cluster and wages in Ontario do not differ much from the peer states. On average, working class occupations, like auto mechanics, pay slightly more in Ontario.

Yet, for the creative class it's a different picture. The dots, representing occupations, are scattered more widely. Judges in Ontario, for example, are paid 84 percent more in Ontario than they are in the peer states, while fashion designers in Ontario are paid 54 percent less. The trend is nonetheless clear: creative class workers are usually paid less than their U.S. counterparts. Family doctors are paid 20 percent less in Ontario; ad managers are paid 15 percent less. The gap between Ontario and peer state creative class wages widens at the higher end of the pay scale.

Conclusion

Most people in Ontario – the service and working class – are doing just fine relative to their counterparts in U.S. peer states. However, workers in the creative class are paid less in Ontario than in the peer states. This is bad news for Ontario's economy because creative class workers are so important for innovation and prosperity.

For Ontario to prosper, creative class workers need the skills necessary to command higher wages and employers need more sophisticated business models to warrant paying those wages. Otherwise, potential and existing creative workers will not invest in acquiring and upgrading valued skills and thus not develop to their full potential. This will result in Ontario's economy remaining tuned at a lower level of creativity, innovation, and competitiveness.

The Martin Prosperity Institute (martinprosperity.org) at the [University of Toronto's Rotman School of Management](#) is the world's leading think-tank on the role of sub-national factors – location, place and city-regions – in global economic prosperity. Led by Director Richard Florida, we take an integrated view of prosperity, looking beyond economic measures to include the importance of quality of place and the development of people's creative potential.

This Martin Prosperity Insight is part of the "Ontario in the Creative Age: Toward an Economic Blueprint" series, a project we are conducting for the Ontario Government. The project was first announced in the 2008 Ontario Budget Speech, and its purpose is to understand the changing composition of Ontario's economy and workforce, examine historical changes and projected future trends affecting Ontario, and provide recommendations to the Province for ensuring that Ontario's economy and people remain globally competitive and prosperous. The series will involve a number of Insight releases over the course of the coming months.