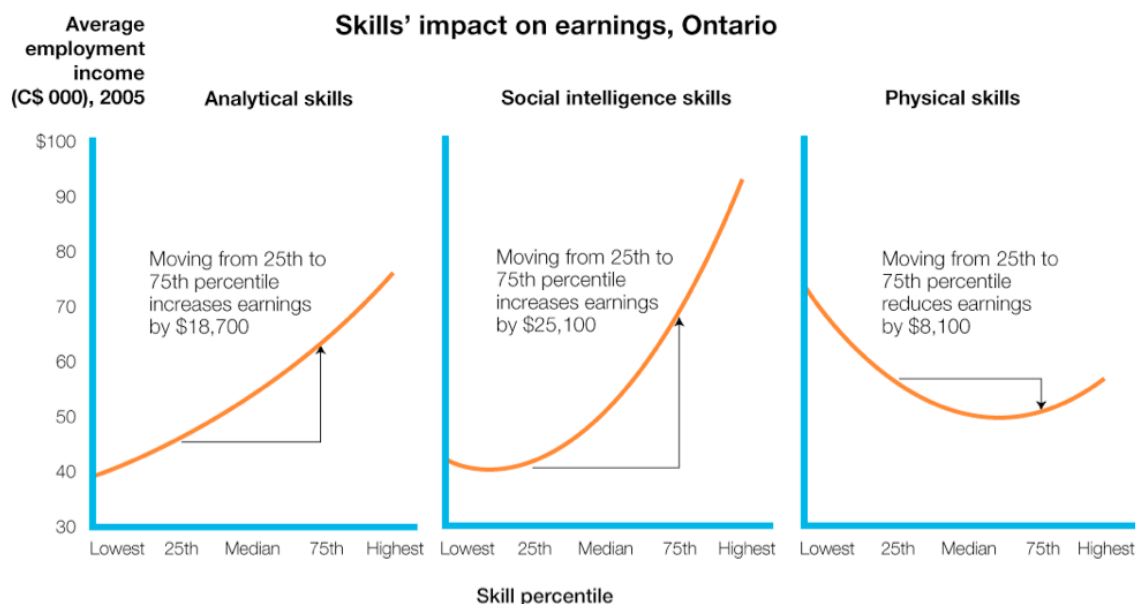


## Recognize Skills to Improve Ontario's Competitive Advantage

In *Ontario in the Creative Age* the Martin Prosperity Institute examined how Ontario can gain a competitive advantage by raising the creative content of all occupations. The analysis began by looking at the skill content of occupations (see Insight “Occupations draw on three types of skills”), and how wages varied with the differing skill content.

Occupational skills can be divided between analytical, social intelligence and physical skills. Analytical skills involve numerical facility, and general cognitive functioning. Social intelligence skills are similar to analytical skills, but include a personal element. The set encompasses occupations requiring strong interpersonal skills—such as understanding, collaborating with, and managing other people. Physical skills include the ability to use body and strength in an occupational capacity. Derrick operators draw intensely on this skill, as do steel workers, fire fighters, and electricians.

When mapping skills against individual wages the results show that the more analytical skills required by an occupation, the higher the wage. Similarly, the greater the level of social intelligence skills required by an occupation, the higher the wage—and the impact of higher social intelligence skills on wages is even greater. However, an occupation requiring higher levels of physical skills is associated with lower wages.



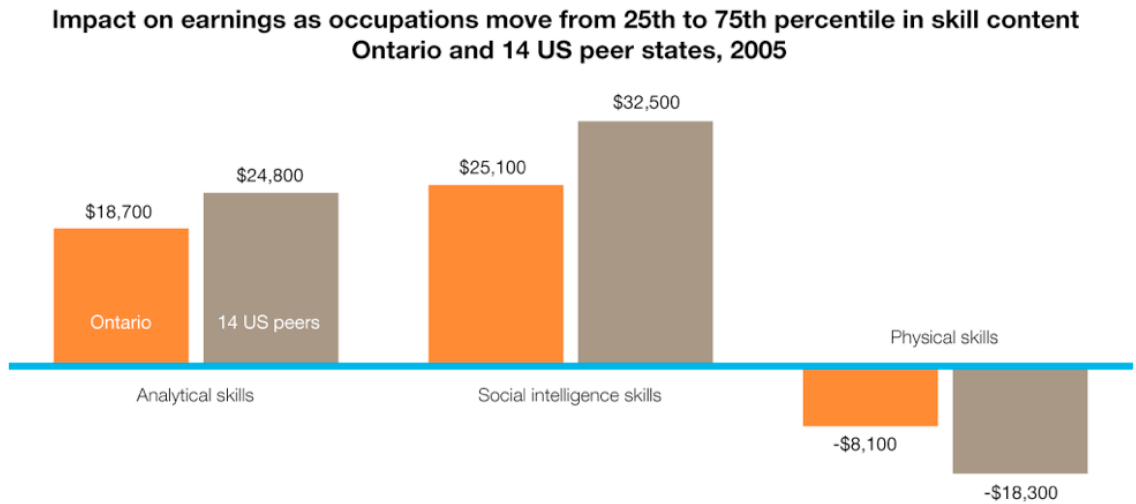
And how are these skills rewarded in the US?

It turns out that the US economy is tuned to reward analytical and social intelligence skills to a greater degree than Ontario. On the other hand, the wage “penalty” for an occupation with higher physical skills is less in Ontario than 14 comparable US states.

Moving from an occupation at the 25<sup>th</sup> percentile of analytical skills, such as a tax preparer, to an occupation at the 75<sup>th</sup> percentile, such as an accountant, is associated with a \$18,700 wage increase in Ontario and a \$24,800 (in Canadian dollars) increase in the US peer states. The same pattern is true of social intelligence skills—moving from the 25<sup>th</sup> percentile in social intelligence skills to the 75<sup>th</sup> is associated with a \$25,100 earnings increase in Ontario and a \$32,500 increase in the US peer states. So what does this mean for Ontario?

A jurisdiction’s ability to remain competitive in the creative age depends on its ability to harness the creative capabilities of its labour force. It is not to say that Ontario has a less skilled labour force, but more that skills or mix of skills are used in such a way that Ontario’s productivity and therefore its wages are lower. The economy in Ontario is tuned to use and reward these important skills at a lower level. It’s unknown whether this is a result of business leaders demanding less of their employees, or Ontarians not investing in the specific relevant skills. Either way, Ontario faces losing to the US talented individuals who can obtain a higher earnings premium by investing in skills and education.

Both federal and provincial governments have indicated greater interest in an innovation agenda. Increasing Ontario’s innovative capabilities can be accomplished through more education, expanded trade, and more competitive intensity.



*The [Martin Prosperity Institute](#) 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.*