

Towards a World-Class Service Class

As the mayoral election race escalates, competing visions for the City's economic agenda are emerging. Our final Cities Centre Toronto 2010 Election brief, *Towards a World-Class Service Class*, looks at Toronto's opportunity to develop a competitive advantage through its skilled service class.

Toronto's next mayor will inherit a city in a fascinating competitiveness position. Compared to its Canadian peers, Toronto is an economic giant. It hosts the headquarters of all five national banks and is home to Canada's only stock exchange, the country's largest research university, and its busiest airport.

While thriving, the city has yet to definitively secure a position as a global leader. We believe that just as Silicon Valley hosts some of the world's most productive technology workers and Milan is known for its textile industry, Toronto can establish a specialized competitive advantage by recognizing, nurturing, and promoting high-quality service work.

Toronto's labour market

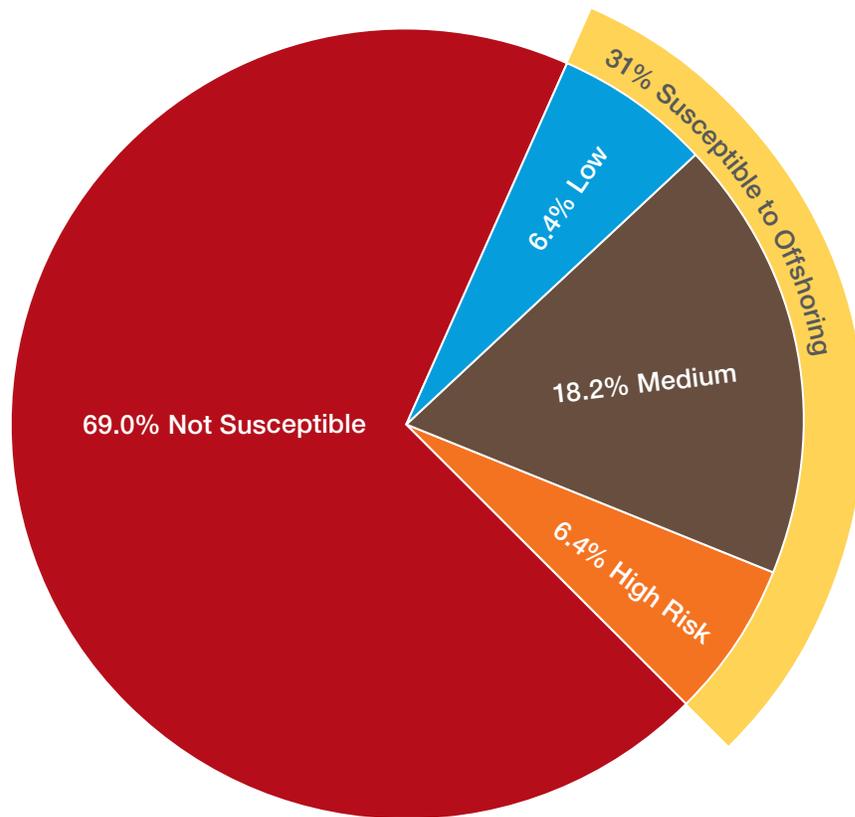
Toronto has a diverse, productive, and modern labour force. While discussions of workforce competitiveness have tended to focus on the attraction and promotion of knowledge or creative workers, we feel that Toronto can begin to secure global advantage through a concerted emphasis on improving service work. Service class work has been left out of discussions of competitiveness because economic development is usually devoted to bringing more new income into the community. No one travels from another metropolitan area to get a Big Mac or a manicure—estheticians and fast-food workers rely on the wealth that is generated and circulated within the local economy. Traditional economic development strategies have been oriented towards attracting manufacturing operations: the very operations that have been disappearing from the city. But according to 2006 census data, a full 45% of the city's labour force is in the service class (~1,145,000 workers), compared to 33% in the creative class and 19% in the working class. It is time to consider the economic possibilities of Toronto's unique service workers.

Is Toronto offshore?

The advent of increasingly sophisticated communications technology has allowed for firms to offshore more services than ever before. According to a 2007 survey of economists performed by the U.S. Bureau of Labor Statistics, a full 31% of service jobs are eligible for offshoring, including many sales, clerking, and customer support occupations.

Could Toronto begin to attract more of the jobs that are highly susceptible to offshoring? Conventional wisdom holds that these jobs will go to cities like Bangalore, India, where the labour prices are lower than in North America. What is often ignored in discussions of offshoring and outsourcing is the degree to which the overall quality of service output varies from place to place. With this potential for variance of quality in mind, Toronto's diverse and educated workforce is strategically positioned to compete based on the quality of the service provision within the city.

Exhibit 1: Offshore-able Service Providing Occupations



SAMPLE OCCUPATIONS	
<ul style="list-style-type: none"> Wholesale and Retail Buyers Computer System Analysts Managers of Nonretail Service Workers Meeting and Convention Planners Loan Counselors Urban and Regional Planners Interpreters and Translators Landscapers Food Scientist and Technologists 	<ul style="list-style-type: none"> Animal Scientists Art Directors Chief Executives Financial Managers Food Scientists Loan Counsellors Sociologists Urban and Regional Planners Traning and Development Managers and Technologists
<ul style="list-style-type: none"> Accountants and Auditors Actuaries Astronomers Budget Analysts Chemical and Electrical Engineers Economists Insurance Sales Agents Lawyers Mathematicians Purchasing Managers 	<ul style="list-style-type: none"> Computer Programmers Credi Analysts Data Entry Keyers Mechanical Drafters Medical Transcriptionists Parts Salesperson Payroll and Timekeeping Cleraks Pharmacy Technicians Proofreaders and Copy Markers Telemarketers Telephone Operators

Source: Bureau of Labor Statistics "Service-providing occupations, offshoring, and the labor market" 2007
 Design & Illustration by: Michelle Hopgood

A “one stop shop” for service excellence

Toronto is frequently praised for being the world’s most diverse city, and it can leverage its cultural assets in generating a service advantage. Overall, almost half (45%) of Torontonians were born outside of Canada, and this figure rises to more than half (51%) when looking at service class workers alone.

Toronto’s immigrant base is much more diverse than American cities, which tend to draw most of their immigrants from Latin American and Caribbean countries. With this tremendous cultural diversity and richness comes an unmatched multilingualism. These aspects of the city workforce create the possibility for it to serve as a global support centre, a ‘one stop shop’ for international service delivery. Instead of setting up multiple service centres in multiple markets, firms could set up global service operations in Toronto that are capable of supporting products and customers the world over.

Toronto’s service advantage also lies in the education and skill of its pool of service workers, who have a higher average educational attainment than any other service class in the country. Almost one quarter of Toronto’s service workers hold a bachelor degree or higher (21.2%), compared to 13% of service workers in Canada at large. Many sales and customer service jobs support complex products and services. A greater understanding of how the product or service in question works will allow a customer support person to deviate from the script when necessary and deal with unforeseen problems. Training in critical thinking and communication, of the type received in university, is also beneficial to salespeople who must be able to justify their products to skeptical clients.

The service workforce as a vehicle for competitiveness

When thinking about the future competitiveness and prosperity of the city, Toronto’s next mayor would do well to include the service class in these considerations. Toronto’s service workers make up the largest share of the labour force, are highly educated, and are culturally and linguistically diverse. Looking ahead, our city is well positioned to capitalize on its existing workforce in order to attract exportable service class jobs from the around the world.

Further reading

For a more detailed discussion see our full discussion paper.

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.