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The Importance of Diversity to the Economic and Social Prosperity of Toronto

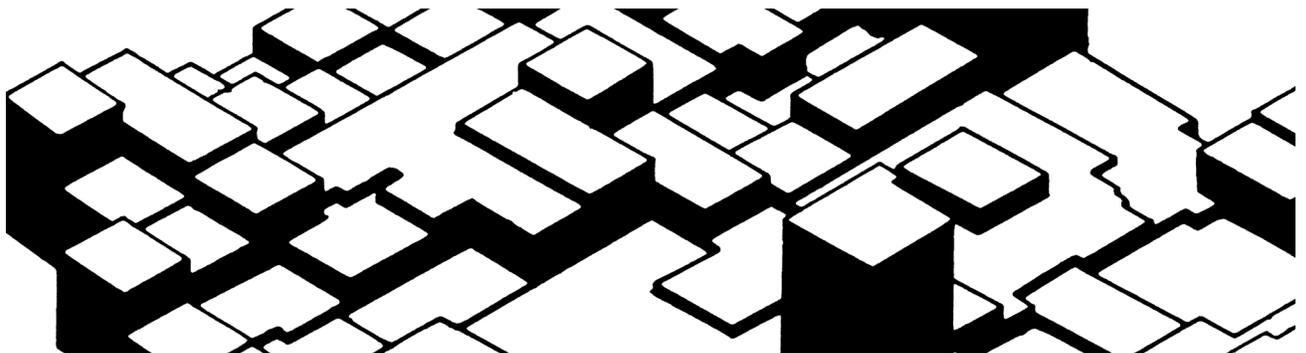
Prepared by:
Karen King, Ph. D
Post-doctoral fellow

Brian Hracz, Ph. D
Post-doctoral fellow

Mark Denstedt, M.A.
Research Associate

Kevin Stolarick, Ph. D
Research Director

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THE IMPORTANCE OF DIVERSITY TO THE ECONOMIC AND SOCIAL PROSPERITY OF TORONTO

INTRODUCTION

Cities both encourage and benefit from diversity in all its myriad forms. They are the places where individuals come together to live, work and play. More broadly, cities contain and support a wide range of interconnected social, economic and political activities. But in the context of the city, what do we mean by diversity? Although the term is often used to connote a population comprised of various ethnicities, religions and races, there are a range of meanings beyond population diversity. Two notable variants include: industrial diversity, measured by the number and size of different industries within cities, and neighbourhood diversity, based on the mix and location of land-use patterns.

Taken together, these forms of diversity are celebrated as symbols and catalysts of economic and social prosperity in city-regions. Industrial diversity, for example, is often linked to the stability and growth potential of economies and has thus become an important goal of economic development strategies. In particular, industrial diversity is said to produce two broad benefits to city-regions. Firstly, diverse places are more stable and better equipped to weather market volatility and macro-economic shifts than their highly specialized and single industry counterparts. Secondly, there is a robust literature (see Glaeser et al. 1992; Stolarick and Florida 2006; Boschma and Immarrino 2009; Hauge and Hraes 2010) which argues that diverse places are more dynamic and likely to produce synergies, innovation and economic prosperity. In terms of neighbourhood diversity, communities that offer a range of uses to citizens are said to foster more cohesive, vibrant, safe and healthy cities. As a result, Jacobs (1969) and others argue that diverse and mixed-use neighbourhoods are the essential cornerstones of dynamic, sustainable and ultimately prosperous cities. In addition to helping sustain the local economy and creating unique and prosperous communities, neighbourhood diversity also promotes social inclusion, which helps to bring people together from different socio-economic and ethnic backgrounds and in turn helps to alleviate community segregation. Finally, there is a growing body of literature which argues that population diversity, in and of itself and as a proxy for tolerance, contributes immensely to the ability of cities to attract, retain and harness the skills and creativity of talented individuals (see, for example, Florida 2002, Ottaviano and Peri 2005; 2006). Cities that promote diversity and tolerance also tend to become places that are open to new ideas and different perspectives, promoting creativity. This in turn builds cities that are attractive to individuals and businesses involved in the creation of new ideas, products and services.

Recognizing the important role that diversity plays, this paper will focus on the three aforementioned dimensions of diversity within the context of Toronto¹: industrial, neighbourhood, and population. Importantly, although their impacts are felt across the city as a whole, each dimension operates at a different scale. As a result, industrial diversity is examined at the macro level embodied by the industries. They make up Toronto's economy and influence the city's capacity to produce, innovate and grow. Neighbourhood diversity is examined at the meso level in the context of land-use and planning and the ways that Toronto's businesses, industries, and people interact with each other. Finally, population diversity is examined at the micro level through an analysis of the individual workers and citizens who constitute Toronto's neighbourhoods and industries.

INDUSTRIAL DIVERSITY?

Fostering industrial diversity is a growing imperative of regional economic development strategies. Indeed, as early as 1969, Jane Jacobs argued that knowledge transfers across industries are the most important source of innovation. More recently, Glaeser et al. (1992: 1151) found that "inter-industry knowledge spillovers are less important for growth than spillovers across industries, particularly in the case of fairly mature cities." Crucially, however, the key to capitalizing on industrial diversity is

¹ Data used in this paper refers to the Toronto census metropolitan area.

encouraging collaborative linkages, knowledge flows and spill-acrosses between distinct yet related and, therefore, complementary industries. For as Boschma and Immarrino (2009: 292) assert, “it is unclear what a pig farmer can learn from a microchip company even though they are neighbours.” To solve this problem, an emerging stream of literature suggests that harnessing ‘related variety’ and ‘optimal cognitive distance’ between industries is the key to innovation and economic prosperity. The recent study by Hauge and Hracis (2010), for example, demonstrates the mechanisms through which linkages and value can be generated by related industries in a single city: namely, music and fashion in Toronto.

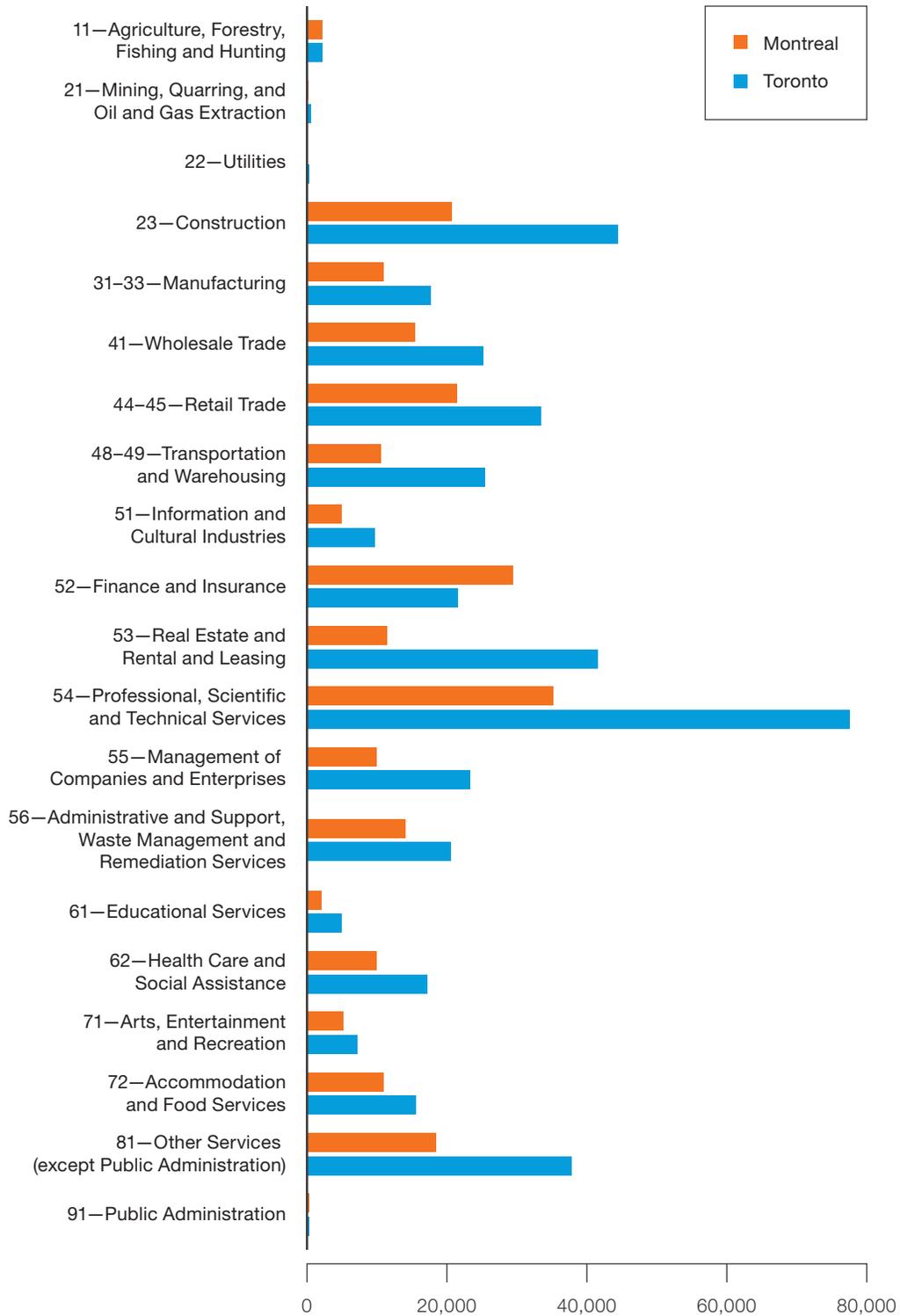
What does this mean for Toronto? Based on the available data, Toronto is well positioned to take advantage of its size and industrial diversity. In comparison to other Canadian metropolitan areas, Toronto was the second-most industrially diverse (after Montreal) between 1992 and 2002, as measured by number of industries and employment structure (Beckstead and Brown 2003). **Exhibit 1** displays the results of Beckstead and Brown (2003) for the year 2002 and ranks the cities in their analysis from most industrially diverse to least diverse. **Exhibit 2** demonstrates that Toronto has a large number of establishments across every urbanized industry.

Diversity across Canadian cities (2002)

Exhibit 1

City	Rank
Montreal	1
Toronto	2
Winnipeg	3
Vancouver	4
Kitchener	5
Hamilton	6
Quebec City	7
Edmonton	8
London	9
Halifax	10
Calgary	11
St. Catharines-Niagara	12
Victoria	13
Ottawa-Hull	14
Windsor	15
Oshawa	16

Source: Adapted from Beckstead and Brown (2003)



Source: Canadian Business Patterns (2009) June 2009 Establishment Counts by CA/CMA, Sectors & Employment Size Ranges, File name: cmanaic2_est.ivt

In 2006, the top five industries in Toronto as a share of regional employment were: manufacturing; retail trade; professional, scientific and technical services; health care and social assistance; and finance and insurance. In comparison to the Canadian industrial employment structures in 2006, Toronto is more specialized in several industries including: information and cultural industries; finance and insurance; real estate and rental and leasing; and professional, scientific and technical services.

The city's robust creative industries sector, which includes business related to music, film, media, fashion, design and television, is primed to exploit the potential of spill-acrosses. Indeed, Hauge and Hracz (2010) highlight the potential of Toronto's music and fashion communities to collaborate, innovate and produce an entire range of new and valuable cultural goods and services. The danger of complacency looms large, however, as simply being well positioned and housing a rich mix of potential collaborators does not ensure success. Indeed, the *Imagine a Creative Toronto* report (2006) highlights the need to actively identify and cultivate intra-industrial linkages within the creative sector rather than simply expect sheer proximity to run its course. Proposed initiatives include establishing convergence centers to bring Toronto's diverse range of creative entrepreneurs together to catalyze collaboration.

NEIGHBOURHOOD DIVERSITY

Jane Jacobs (1961) was the first to highlight the role diversity plays in creating successful cities. In particular, she pointed to the importance of diversity in bringing life to a community at all hours of the day. In other words, neighbourhoods that become desolate places in the evenings or during the day are not only inefficient but have detrimental impacts on community cohesiveness and prosperity. The idea is that neighbourhoods which are diverse and provide a range of uses within close proximity—including housing, apartments, businesses, shops and public institutions—become places that promote walking, community interaction, civic engagement and economic activity. The benefits of creating this kind of environment within a neighbourhood include: decreased environmental footprint, increased sense of community and belonging, and support of local shops and employment opportunities (Hracz and Massam 2008). A wide range of uses within a neighbourhood also mean that while its residents may leave during the day to work elsewhere, neighbourhood amenities attract people in their place to the shops, businesses and activities on offer. Alternatively, in the evenings, when residents return home, the community offers amenities including restaurants, parks, movie theaters and other related evening activities. In this way, diversity promotes activity within the community all day long by providing a purpose for people to be there.

The importance of diversity in building a sustainable and prosperous community has influenced urban planning practice in many cities. The conditions for diversity, as outlined by Jane Jacobs (1961), have been turned into planning practice through the incorporation of mixed-use development strategies. Mixed-use development has influenced a number of planning areas, including transportation, land-use, economic, and sustainability. The City of Toronto has incorporated the ideas of mixed-use development into its official plan and a number of its secondary plans and community studies. By shaping the city through mixed-use development strategies, the Official Plan (City of Toronto, 2009) states that one of its policies for dealing with growth is to “increase the supply of housing in mixed-use environments to create greater opportunities for people to live and work locally” (25), particularly in the downtown area. The Official Plan also emphasizes that mixed-use development will vary in activity and intensity, and take into account each neighbourhood's unique circumstances, along with its relationship with the downtown and the rest of the city. The Plan points out that such strategies will help improve the quality of life in the city, improve accessibility and support public transit.

A number of studies, both ongoing and completed, by the City of Toronto's planning department have begun to examine and recommend ways in which particular communities in the city can incorporate mixed-use development. Some examples of completed studies that incorporate mixed-use development include:

- Bloor Street West: Mimico Creek—Prince Edward Drive;
- Bloor Street West: Lansdowne Avenue—Dundas Street West;
- King-Liberty Village
- Finch Avenue at Weston Road: Signet Road—Milvan Avenue

For example, the Bloor/Lansdowne Avenue study specifies that much of the industrial land that exists will be redesignated as mixed-use in accordance with the Official Plan, pointing out that such changes will create “new homes and jobs...and...a vibrant community supported by existing transit infrastructure and local retail uses” (City of Toronto, 2003). The Finch/Weston Road Avenue study suggests the inclusion of mixed-use development in the area to encourage a “village-like” pattern of development, creating pedestrian- and transit-friendly streets with a mix of residential/commercial buildings.

While planning for diversity through mixed-use development strategies can help to improve the vitality of a community and a city, it is not without its own challenges and obstacles. Mixed-use development can be disruptive to a community in the initial stages of implementation. Opposition to such strategies may arise if the community sees such changes as disruptive to the existing environment. For example, the King and Spadina secondary plan review (2005) identifies the negative impact of nightclubs in the area on residents. While mixed-use is widely beneficial, it can have a number of negative impacts as well, depending on how it is implemented.

Mixed-use development strategies that increase diversity are an important issue as these strategies shape the city.

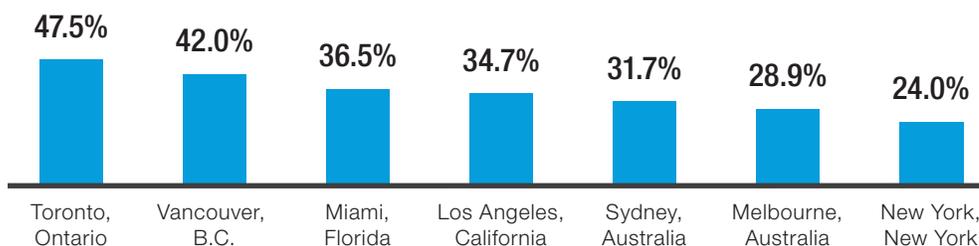
POPULATION DIVERSITY

With a population of over 5 million in 2006, representing 16 percent of Canada’s total population, Toronto is Canada’s largest metropolitan area, with Montreal (3.6 million people) and Vancouver (2.1 million people) following as a distant second and third (King 2009). In addition to being Canada’s largest city, Toronto has one of the country’s most diverse populations, with a large proportion of immigrants, of visible minorities, and a vast number of different ethnicities. While diversity is important for many reasons, it exerts a strong impact on economic development and growth. Population diversity in a metropolitan area increases the ability to attract talented and creative people and foster innovation and regional growth (Florida 2002; Jacobs 1961:1969). Diversity may also lead to productivity improvements due to the presence of different and complementary skills in the production process (Ottaviano and Peri 2005; 2006). Tolerance measures may also be predictors of gross metropolitan product growth (Rauch and Negrey 2006). “Global cities” which generate much of the world’s economic growth are all characterized by diverse populations (Sassen 2001). Toronto’s diverse population has enabled it to attract talented and creative individuals across the country and the world.

In 2006, the three immigrant gateway cities of Toronto, Vancouver and Montreal were home to 62.9 percent of Canada’s immigrant population, with immigrants comprising 45.4 percent of Toronto’s population in comparison to the national average 19.6 percent (King 2009). Toronto draws a large share of recent immigrants – immigrants who arrived between 2001 and 2006— with over 40 percent of all recent immigrants in Canada (ibid). In 2008, Toronto received 86,929 of the 247,243 immigrants that arrived in Canada (CIC 2009). **Exhibit 3** demonstrates the size of the immigrant population compared to other immigrant-receiving cities around the world. We can see from **Exhibit 3** that metropolitan Toronto has the highest proportion of immigrants of any large city in the developed world.

Immigrant population in major immigrant-receiving cities, 2006

Exhibit 3



Source: Chui, Tran and Maheux. 2007. Immigration in Canada: A Portrait of the Immigrant Population, 2006 Census.

Immigrant concentrations are not only due to the recently arrived, but also due, to some extent, to post-immigration relocation migration patterns that reinforce these provincial and urban concentrations. Hou and Bourne (2006) found that internal migration increases the concentration of immigrants in Toronto, with immigrants less likely to out-migrate from and more likely to in-migrate to Toronto than the Canadian-born. In addition, not only are immigrants choosing to live in Toronto, their children – the second generation – are choosing to stay in Toronto. Toronto is the most popular residential choice of first- and second-generation immigrants, as these two generations comprise 76.3 percent of Toronto’s total population (King 2009). There is, however, evidence of residential segregation of Toronto’s various ethnic groups (see Lo and Wang 1997, Owusu 1999).

Toronto is a multicultural city with individuals from a wide range of ethnic backgrounds. Of the 223 ethnic origins identified in the Canadian census, Toronto is home to individuals across 216 ethnicities.² While home to a wide range of ethnicities, in comparison to the national average Toronto is home to a larger share of eastern and southern Europeans, Caribbeans, Africans, and Asians. In addition, Toronto has a large visible minority³ population. Approximately 41 percent of its population is a visible minority, a proportion much higher than the Canadian average of 15.3 percent. South Asians and Chinese comprise the largest visible minority groups in Toronto – 54 percent of all visible minorities, or 22 percent of total population. In addition to these two groups, blacks, Filipinos and Latin Americans are the largest minority groups in Toronto (comprising in total 83 percent of Toronto’s visible minority population).

THE BIG PICTURE

In today’s world, Toronto must not only compete with other cities in Canada but also with the rest of the world. With globalization and greater mobility of resources, Toronto faces competition for business, capital and people from a wide range of cities around the world. International flows of people and resources have led to the emergence of global cities, which are the focal points for economic activity (Sassen 2001). Global cities are characterized in part by their ability to attract a diverse population, as well as employment in industries including “insurance, banking, financial services, real estate, legal services, accounting and professional associations” (Sassen 2001, 90). To be globally competitive, Toronto should continue to foster its diversity to strengthen its position on the world stage.

On several different measures, Toronto is ranked as a ‘global’ city. For instance, Toronto was ranked 10 out of 60 cities in the Global Cities Index 2008, which was constructed along five dimensions: business activity, human capital, information exchange, cultural experience and political engagement (Foreign Policy / A. T. Kearney 2008). Toronto ranked highly in the human capital and cultural experience dimensions – however, it was less competitive in the other three. The Global Power City Index 2009 was constructed from six dimensions: economy, research and development, cultural interaction, livability, ecology and natural environment and accessibility, and it Toronto ranked 15th out of 35 cities (The Mori Memorial Foundation 2009). Vancouver, the only other Canadian city in the index, ranked 23rd. World Cities Survey 2010, constructed from economic activity, political power, knowledge and influence and quality of life, ranked Toronto 10th out of 40 (Citi and Knight Frank 2010).

These rankings clearly suggest that Toronto is a city emerging on the global stage. To move up the global ladder, however, Toronto must continue to develop and harness its primary competitive advantage: diversity. Indeed, as we have seen, Toronto’s industrial diversity enables it to generate value and innovation. Moreover, the city’s mixed-use land strategies have brought vibrancy and vitality to its neighbourhoods. Finally, Toronto’s continued ability to attract a diverse population has increased the cultural richness of the city and enabled it to better interact with a globalized world. Although Toronto is competitive across several different measures, its standout asset relative to global competitors is its diversity, an asset with the potential to be leveraged further.

² Comparison of individuals with a single ethnic response only.

³ From Statistics Canada’s definition of visible minority is taken from the Employment Equity Act which defines visible minorities as “persons, other than Aboriginal peoples, who are non-Caucasian in race or non-white in colour”. <http://www12.statcan.ca/census-recensement/2006/ref/dict/pop127-eng.cfm>

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