

Diversity can be a bigger advantage for Canada^a

As research by Richard Florida and the Martin Prosperity Institute has shown, economic development is driven by 3Ts – Tolerance, Talent, and Technology. All three are critical to generating sustained economic growth and prosperity.

For example, a place like Pittsburgh or Rochester in the United States can have substantial Technology, but will fail to grow if Talent leaves, and it lacks the openness and Tolerance to attract new people. By contrast, a place like Miami may be a magnet for openness and Tolerance, but it too will lag without Technology and Talent. The places that grow and prosper, like Silicon Valley or Seattle, are those that perform well on all 3Ts.

Canada's long legacy of Tolerance and diversity makes it a good and inclusive place to live. But it also adds an important "non-market" advantage that can be an even more significant advantage if other countries are becoming less tolerant of "outsiders."

Research by Florida and the Martin Prosperity Institute as well as that by others^b shows how cities, provinces and states, and nations can all gain an important economic boost from being open and tolerant. Openness to outsiders, newcomers, immigrants, minorities, and gays and lesbians signals a community that welcomes all types of people and has low barriers to entry for Talent, enabling that place to attract the best and brightest from around the world. This is a core advantage of high-tech centres like Silicon Valley where, according to recent studies, between a third and a half of all high-tech startup companies have a new immigrant on their founding team. Openness to diver-

sity demonstrates broader receptivity to new ideas, intellectual freedom, risk tolerance, and an entrepreneurial spirit.

There are several measures of diversity on Tolerance, and our research indicates that Canada out performs on nearly all of them. As an example, Canada out performs the United States – just as Ontario out performs its peer jurisdictions – on the Mosaic Index, which measures the percentage of the population who are immigrants. The population in Canada has 20 percent immigrants compared to 12 percent in the United States. Ontario at 28 percent and British Columbia at 27 percent match the highest US state, California. Canada's openness to gays and lesbians is strongly associated with higher percentages of well-educated workers and the presence of creativity-oriented occupations.

Our research also found that openness to immigrants and visible minorities is strongly related to higher regional incomes in Canada and the United States. Open immigration policy can pay significant dividends in economic development, and we need to capture more of this potential in Canada.

Yet our diversity advantage is not translating to innovation and prosperity. This is certainly the case when we contrast Canada with the United States and Ontario with its US peer states. US states and cities achieve more leverage from diversity and openness in their economic performance. So, while we are more tolerant than our US counterparts and this Tolerance does generate economic advantage, we gain less from that than we could – because we have not developed the other Ts to their full potential.

^a This sidebar is adapted from Roger Martin and Richard Florida, *Ontario in the Creative Age*, Martin Prosperity Institute, February 2009.

^b Ronald Inglehart, *Modernization and Postmodernization: Cultural, Economic, and Political Change in 43 Societies*. Princeton: Princeton University Press, 1997; S. Page and L. Hong, "Groups of diverse problem solvers can outperform groups of high-ability problem solvers," *Proceedings of the National Academy of the Sciences*, 16385-16389, 2004; M. Noland, "Tolerance Can Lead to Prosperity," *Financial Times*, August 18, 2009.

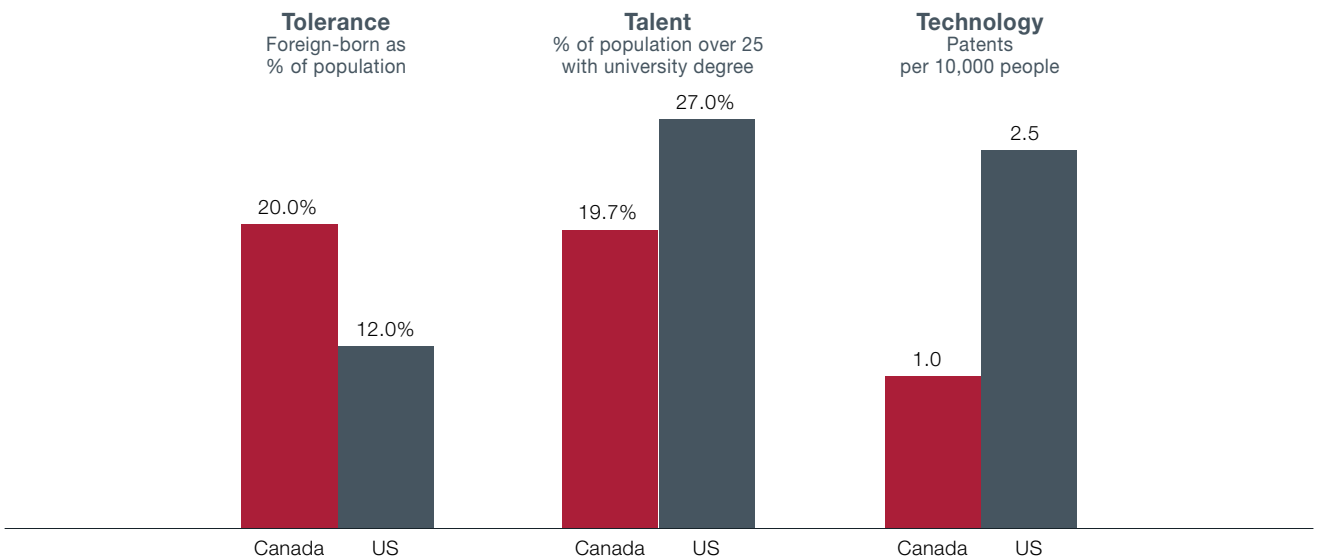
The second T of economic development is Talent. Prosperity is closely associated with concentrations of highly educated people (*Exhibit C*). With 30 percent of our workforce employed in creativity-oriented occupations, Canada nearly matches the level in the United States, 31 percent; still, our work force overall is less well educated. As we saw in our research on Canada’s productivity lag, our less educated population is a challenge to achieving our economic potential.

The third T, Technology, is critical to economic growth. Technology is a public and private good that increases wealth, attracts Talent to regions, and leads to economic growth. Innovation, often associated with Technology, can come in the form of product or process improvement, and the benefits of these improvements accrue widely across individuals, firms, and regions. As a share of total employment, Canada’s high-tech industry employment at 6.1 percent is close to the 6.9 percent

proportion in the United States, and Ontario’s is among the highest in North America. However, Canada has a low level of innovation as measured by patents. Our firms also perform less R&D.

Our lower performance on Talent and Technology contributes to our lower “yield” from our diversity and Tolerance advantage. Our challenge is to build greater advantage from our Tolerance. And this opportunity is even more pronounced with signs of less openness to immigrants in the United States.

Exhibit C Canada leads the United States on Tolerance but lags on Talent and Technology



Source: Martin Prosperity Institute analysis based on data from Statistics Canada; US Census Bureau, American Community Survey; Patent analysis: Dieter Kogler, Department of Geography, University of Toronto; USPTO (1975-07).