

**BUILDING
SIX MILLION
GOOD JOBS
IN CANADA**



Cities

The Cities Project at the Martin Prosperity Institute focuses on the role of cities as the key economic and social organizing unit of global capitalism. It explores both the opportunities and challenges facing cities as they take on this heightened new role.

The Martin Prosperity Institute, housed at the University of Toronto's Rotman School of Management, explores the requisite underpinnings of a democratic capitalist economy that generate prosperity that is both robustly growing and broadly experienced.

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Richard Florida

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Introduction

Capitalism is in the midst of a massive transformation from the old industrial-based system to a new knowledge-based economic model. Canada's class structure is changing along with it.

The once dominant Working Class is in decline. Today, blue-collar occupations in manufacturing, construction, and transportation make up roughly 20 percent of the Canadian workforce. Two other classes have been on the rise: the highly paid knowledge workers of the Creative Class, who work in science and technology; business and management; healthcare, law, and education; and arts, culture, design, media and entertainment occupations; and the much lower paid Service Class, whose members toil in precarious low-paying, low-skill, routine occupations like food service, office work, retail shops, and personal service work.

This changing class structure is what has shaped the decline of Canada's once robust middle class of higher-paying, low-skilled jobs and growing inequality. It will be impossible to create enough new blue-collar jobs or to educate enough Canadians into knowledge work. Overcoming the divide between rich and poor and rebuilding Canada's middle class requires upgrading the country's six million plus Service Class jobs into higher-paying, more secure, family supporting work.¹

This report examines Canada's Service Class and outlines a series of strategies to upgrade Service Class jobs. The first section looks at the growth and composition of Canada's Service Class. The second section takes a deeper dive into the main occupational groups that make up the Service Class. The third section examines the geography of the Service Class. The final section looks at how Service Class jobs could be upgraded to help rebuild the Canadian middle class. The Appendix provides greater detail on our data sources, variables, and methodology.

Canada's Changing Class Structure

Exhibit 1 shows the breakdown of the three major classes in Canada. The Service Class and the Creative Class are now almost equal in size. The Creative Class has 6.34 million members, 39.63 percent of the workforce compared to 6.33 million members of the Service Class, 39.57 percent of the workforce. The Working Class has just 3.1 million members, making up just a fifth of the workforce (19.6 percent).

Exhibit 2 shows the growth of the three Classes in the decade spanning 2006–2016. The Service Class added more than half a million (539,979 jobs) between 2006 and 2016, but saw its share of all jobs fall slightly from 40.1 percent to 39.6 percent. The Creative Class added more than a million jobs as its share of the workforce grew from 36.6 percent to 39.6 percent. The Working Class lost 29,620 jobs, as its share of the workforce slipped from 21.9 percent to 19.6 percent of the workforce.

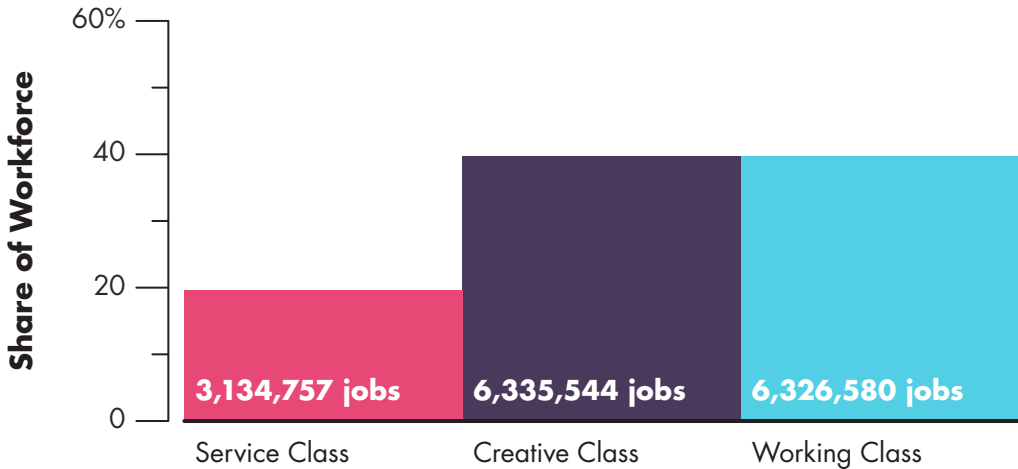


Exhibit 1: Canada's Three Major Classes, 2016

Class	2006 Share of Workforce	2016 Share of Workforce	Job Gain/Loss	Job Growth
Working Class	21.93%	19.61%	-29,620	-0.94%
Creative Class	36.56%	39.63%	1,059,995	20.09%
Service Class	40.10%	39.57%	539,979	9.33%

Exhibit 2: Change in Canada's Three Major Classes, 2006 to 2016

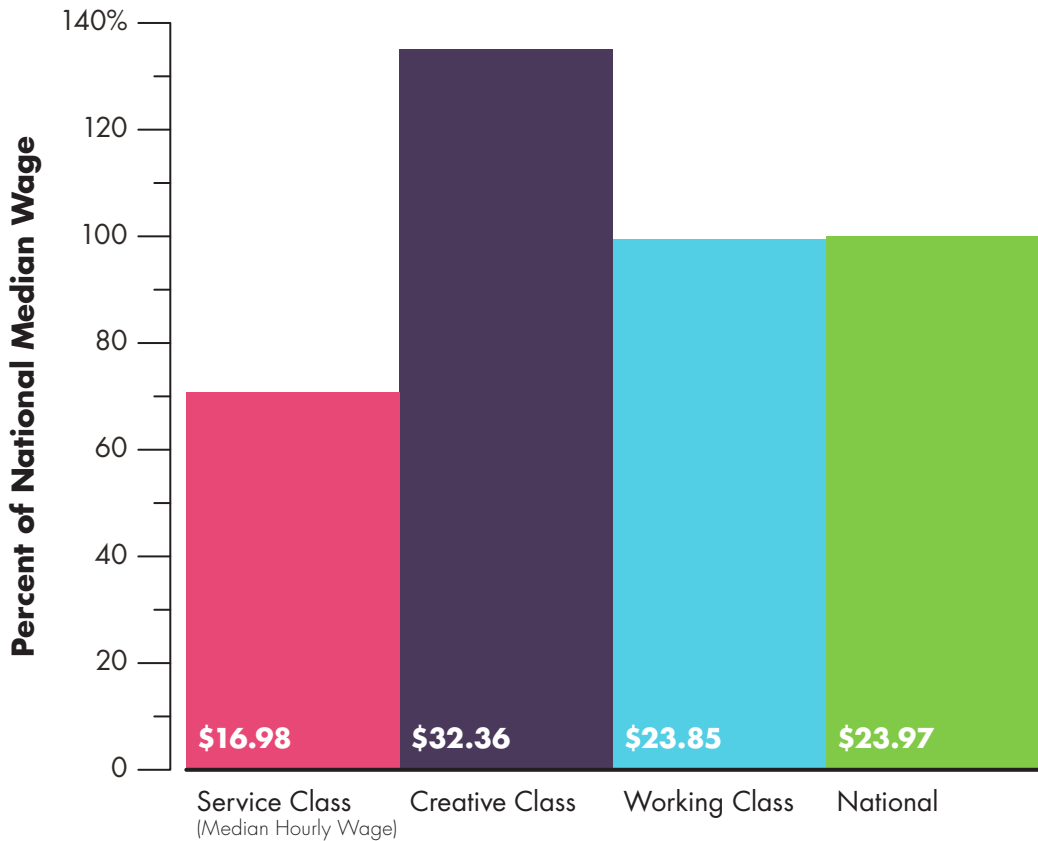


Exhibit 3: Median Hourly Wage of the Classes, 2016

Exhibit 3 shows the wages paid to the members of the three major classes. The Service Class is the lowest paid class by far. Its workers are paid a median hourly wage of \$16.98 which is 70 percent of the national median. Creative Class workers make \$32.36, 135 percent of the national median wage and 90 percent more than Service Class workers. And Working Class members make \$23.85, about the same as the national median wage and 40 percent more than Service Class workers.

The Composition of Canada's Service Class

We now turn to the composition of Canada's Service Class.

Exhibit 4 details the twelve major sub-groups that make up the Service Class. The median wage for these sub-groups range from a low of \$11.50 to a high of \$40.12.

The largest Service Class occupation is Service Support and Other Service. This subgroup accounts for 884,191 Service Class jobs, 14.0 percent of the total. They pay a median wage of \$13.52, just slightly more than half (56.4 percent) of Canada's median wage.

Occupational Group	Number of Jobs	Share of Service Class	Median Hourly Wages	Percent of National Median Wage
Service Support and Other Service Occupations	884,191	14.0%	\$13.52	56.4%
Service Representatives and Other Customer and Personal Services Occupations	826,034	13.1%	\$15.33	64.0%
Sales Representatives and Salespersons — Wholesale and Retail Trade	791,974	12.5%	\$15.68	65.4%
Office Support Occupations	755,365	11.9%	\$19.77	82.5%
Sales Support Occupations	609,284	9.6%	\$11.50	48.0%
Service Supervisors and Specialized Service Occupations	597,017	9.4%	\$14.81	61.8%
Retail Sales Supervisors and Specialized Sales Occupations	460,268	7.3%	\$20.58	85.9%
Paraprofessional Occupations In Legal, Social, Community and Education Services	384,077	6.1%	\$19.73	82.3%
Assisting Occupations in Support of Health Services	339,232	5.4%	\$19.93	83.1%
Distribution, Tracking and Scheduling Co-Ordination Occupations	329,805	5.2%	\$19.62	81.9%
Care Providers and Educational, Legal and Public Protection Support Occupations	235,022	3.7%	\$20.05	83.6%
Occupations in Front-Line Public Protection Services	114,310	1.8%	\$40.12	167.4%
TOTAL	6,326,580		\$16.98	70.8%

Exhibit 4: Service Class Employment by Occupational Group in Canada, 2016

Next in line are Service Representatives and Other Customer and Personal Services which make up 826,034 jobs, 13.1 percent of the service class. These occupations earn a median wage of \$15.33, almost two thirds (64.0 percent) of Canada's median wage.

The third largest occupational segment is Sales Representatives and Salespersons – Wholesale and Retail Trade, which accounts for 791,974 jobs, 12.5 percent of the total. These jobs pay a median wage of \$15.68, also roughly two-thirds (65.4 percent) of Canada's median wage. Together these three low paid occupational groups account for 39.6 percent of Canada's Service Class jobs.

The fourth largest occupational subgroup is Office Support occupations which make up 755,365 jobs, 11.9 percent of the Service Class. These jobs pay a median wage of \$19.77, more than 8 percent Canada's median wage.

Sales Support Occupations are the fifth largest occupational subgroup with 609,284 jobs and 9.6 percent of the total. These jobs pay the lowest median hourly wage among all subgroups of the Service class of \$11.50, less than half (48 percent) of Canada's median wage.

This is followed by Service Supervisors and Specialized Service Occupations the sixth largest subgroup with 597,017 jobs and 9.4 percent of the Service Class. These jobs pay a median wage of \$14.81, roughly 60 percent (61.8 percent) of Canada's median wage.

The seventh in line are Retail Sales Supervisors and Specialized Sales Occupations with 460,268 jobs and 7.3 percent of the Service Class. These jobs have the second highest median wage within the Service Class at \$20.58, 85.9 percent of Canada's median wage.

Paraprofessional Occupations in Legal, Social, Community, and Education Services are the eighth subgroup with 384,077 jobs and 6.1 percent of the total. These jobs have a median wage of \$19.73, 82.3 percent of Canada's median wage.

Assisting Occupations in Support of Health Services is ninth with 339,232 jobs and 5.4 percent of the total. These occupations have a median wage of \$19.93, 83.1 percent of Canada's median wage.

Following closely is Distribution, Tracking and Scheduling Co-Ordination Occupations in tenth place with 329,805 jobs and 5.2 percent of the total. These occupations have a median wage of \$19.62, 81.6 percent of Canada's median wage.

Care Providers and Educational, Legal and Public Protection Support Occupations have 235,022 jobs and 3.7 percent of the Service Class and are eleventh. These occupations have a median wage of \$20.05, 83.6 percent of Canada's median wage.

Occupations in Front-Line Public Protection Services are the smallest subgroup with 114,310 jobs and 1.8 percent of the total round out the 12 occupational groups. These occupations have the largest median wage by far at \$40.12, 167.4 percent of Canada's median wage, and more than double the median wage of the Service Class as a whole.

Ultimately, the median wages for about six in 10 Service Class workers fall below the average median hourly Service Class wage of \$16.98 — equivalent to 70 percent of the median wage of Canada's workers.

The Geography of Canada's Service Class

We now turn to the geography of the Service Class in Canada. The Appendix provides full data for the number, percent share and median wages of the Service Class by metro.

Exhibit 5 maps the number of Service Class workers across Canada's metros for 2016. Unsurprisingly, the country's largest cities rise to the

top. Toronto is first with over a million Service Class workers. It is followed by Montreal, with almost three-quarters of a million, and Vancouver, with half a million people working in Service Class positions. Calgary and Edmonton round out the top five with roughly a quarter of a million Service Class members each (Full data for all metros is in the appendix).

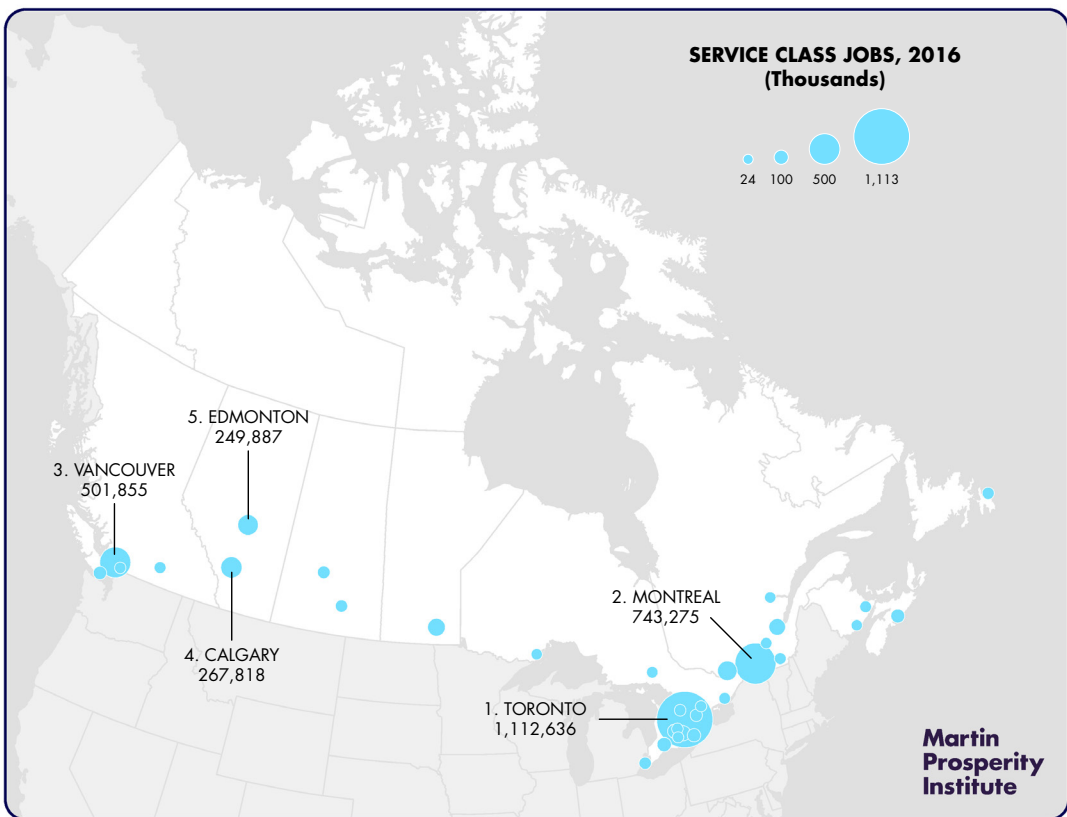


Exhibit 5: The Geography of the Service Class, 2016

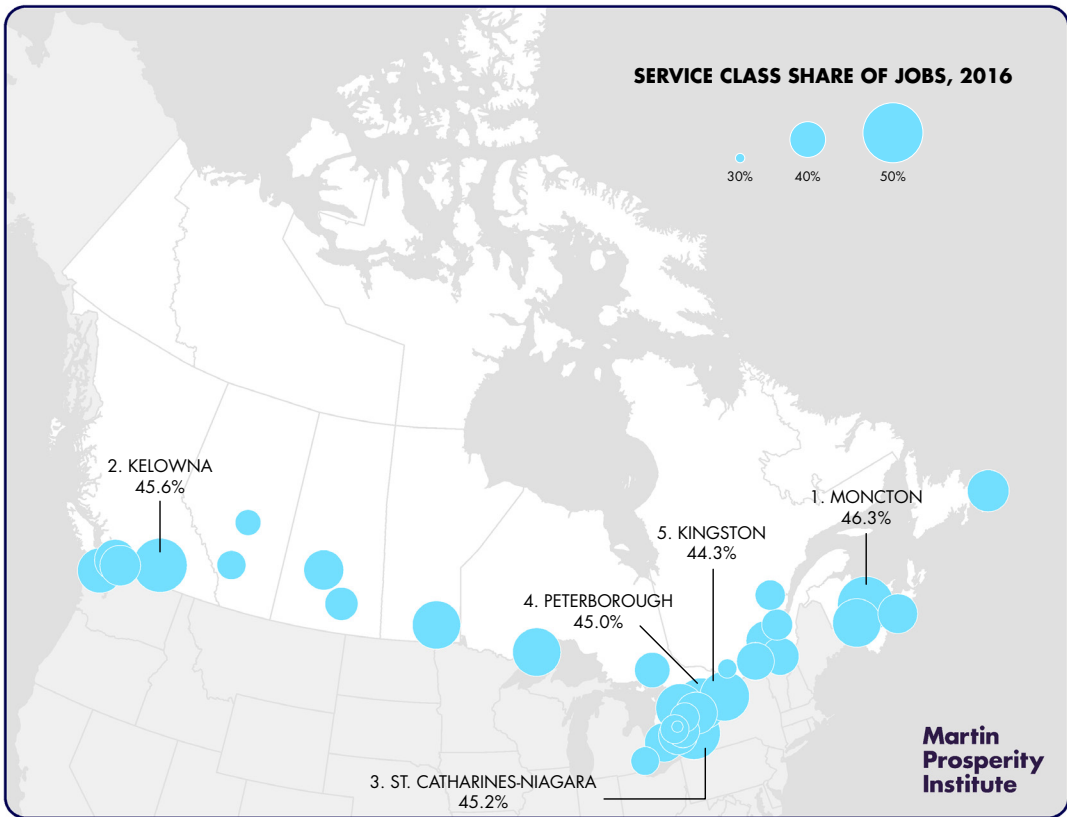


Exhibit 6: Service Class Share of Labour Force, 2016

Exhibit 6 looks at the Service Class share of the labour force in Canadian metros. Smaller metros top the list here. Moncton, has the highest Service Class share at 46.3 percent, followed by Kelowna at 45.6 percent, St. Catharines-Niagara (45.2 percent), Peterborough (45.0 percent), and Kingston (44.3 percent) fifth.

Of larger metros, Winnipeg's share is 43.9 percent, Vancouver has a 41.8 percent share, Montreal's share is 40.6 percent, Calgary and Toronto are both 38.1 percent, Edmonton's is 37.1 percent, Ottawa's has a 35.1 percent share. (Full data for all metros is in the appendix).

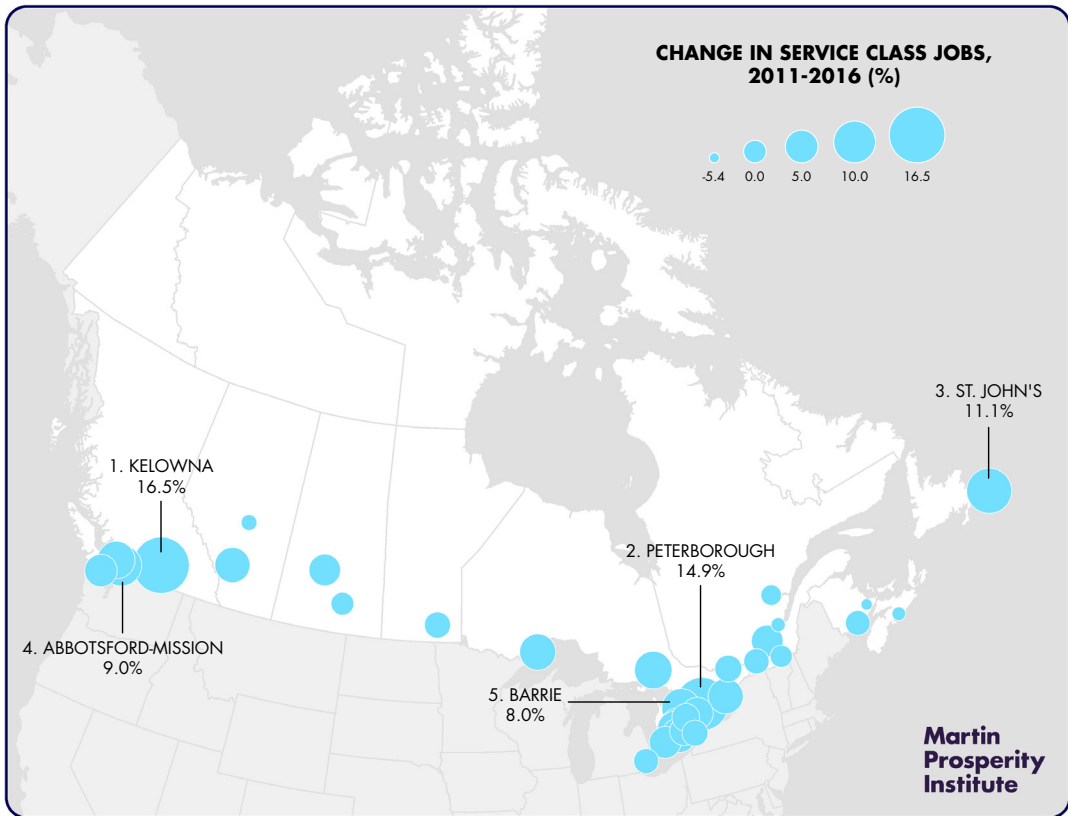


Exhibit 7: Growth of the Service Class between 2011 and 2016

Exhibit 7 shows the growth of the Service Class across Canada's metros. Smaller metros have also experienced the largest growth in Service Class jobs. Kelowna is first with 16.5 percent growth followed by Peterborough (14.9 percent), St. John's (11.1 percent), Abbotsford-Mission (9.0 percent), and Barrie (8.0 percent).

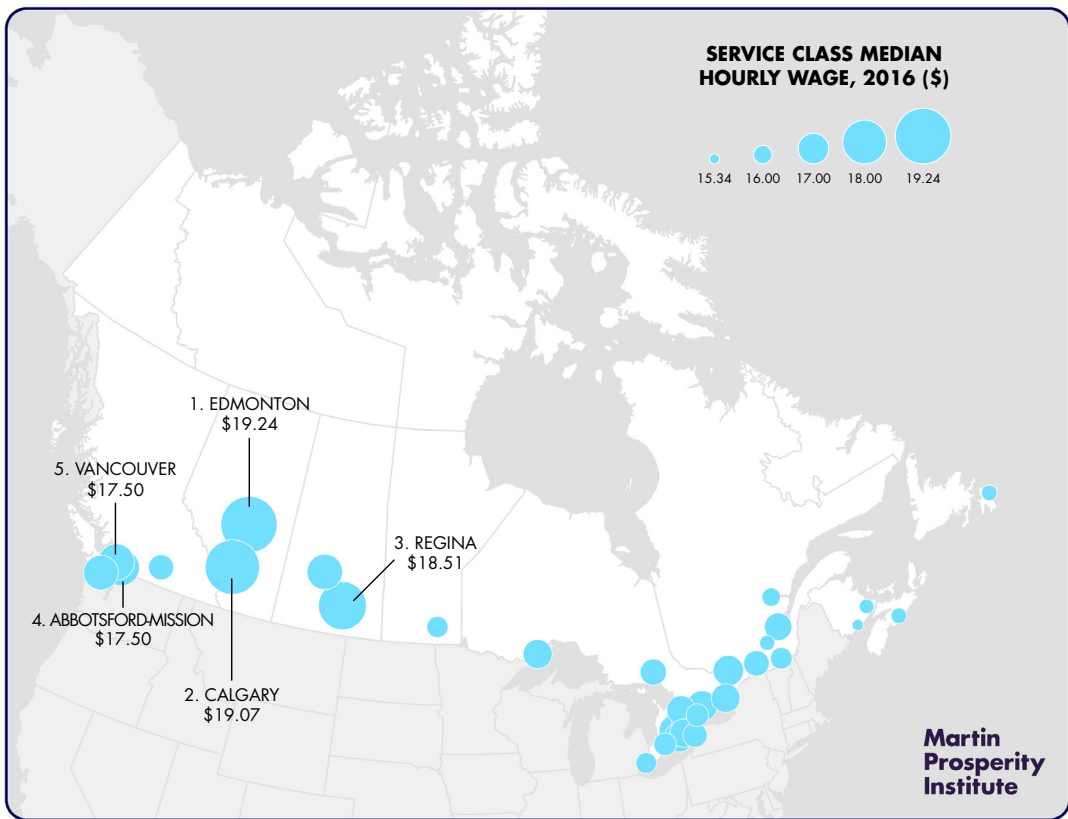


Exhibit 8: Service Class Median Hourly Wage, 2016

Exhibit 8 shows the median wages for Service Class work across Canada’s metros. Edmonton has the highest median hourly wage for Service Workers, \$19.24 followed by Calgary (\$19.07), Regina (\$18.51), Abbotsford-Mission (\$17.50), and Vancouver (\$17.50).

Service Class workers make \$17.00 an hour in Ottawa, \$16.88 in Toronto, \$16.58 in Montreal, and \$16.21 in Winnipeg. At the low end of the scale, Service Class workers make less than \$16.00 an hour as a median wage in Saint John (\$15.35), Moncton (\$15.63), Trois-Rivieres (\$15.68), St. John’s (\$15.72), Halifax (\$15.72), and Saguenay (\$15.96). (Again, full data for all metros is in the Appendix)

Upgrading Service Class Jobs

It is imperative we upgrade Service jobs if we wish to overcome Canada's divide and rebuild its middle class. But, today, the conversation among policy-makers, and pundits typically revolves around two other, incomplete strategies for creating better jobs and rebuilding the middle class.

The first puts improving the skills and earning power of more workers through education front and center. But, by definition, there are not enough highly-skilled knowledge jobs to go around. At the current rate of growth, it would take roughly 25 years for there to be as many Creative Class jobs as there are Service Class jobs.²

The second strategy is to try to bring back manufacturing jobs. But, only about a fifth of Canadians do blue-collar work. Even if we were able to bring large numbers of manufacturing jobs back, it would still be nowhere near enough to employ many of today's Service Class workers. The only way to create a large number of family-supporting jobs that will rebuild the middle class is by upgrading the millions of precarious, low-skill, and low-wage Service Class jobs we already have. It's easy to forget that blue-collar manufacturing jobs were also once considered low-paid, low-skilled work. Policy and institutional innovations combined with post-World War II economic growth boosted those wages, giving rise to an aspirational middle class.

Upgrading Service jobs isn't just a boon for workers. Paying them more and involving them centrally in efforts to innovate, spurring productivity, and enhancing quality at the point of production can lead to higher productivity and

profit for the companies they work for as well. Janitors, for example, are typically treated as low paid, unskilled workers. But, they also have detailed knowledge of their workplaces and can identify things like open windows and wasted power in a bid to reduce waste and promote energy efficiency.

This approach has proven viable in more traditional routine Service Class jobs as well. Work by MIT researcher and MPI fellow [Zeynep Ton](#) details the payoffs that come from upgrading Service jobs, involving Service workers more centrally in their work, and paying them more.³ Her research finds that the most competitive Service companies offer low prices and turn a profit because they pay workers more, and involve them in productivity enhancement and better customer service. This "good jobs strategy" combines operational excellence with an investment in workers themselves. Her research traces the success of this approach across several "model retailers" including the supermarket [Whole Foods](#) and the members-only warehouse club [Costco](#). Each of these companies pay workers more, offer long-term job security, and opportunities for internal promotion and career advancement as part of a broad strategy for getting more out their workforce. The result of this good jobs strategy is lower employee turnover, superior customer service, improved productivity, and a pronounced competitive edge.

In the hospitality industry, Toronto-based [Four Seasons Hotels and Resorts](#) offers higher wages, extensive training, and internal career advancement, which has helped keep turnover down in an industry rampant with it.⁴ The

company is famous for its lack of a stand-alone customer service department. Instead, every staff member, from maid to manager, is tasked with looking after customer management and upholding the highest quality of guest service. This approach is a big part of why Four Seasons has come to define the luxury hotel segment. Ultimately, there is a powerful business case to be made that offering employees better wages, more autonomy, greater involvement in their work, and more and better skills training improves a company's bottom line.

It is time for a broad effort to upgrade Service Class jobs involving business, labor, universities, and the economic development community broadly. Our cities, businesses, and most of all our workers have much to gain. Indeed, Service Class jobs may well be the last frontier for the upgrading of work. Service Class work in the main remains low-paying, low-productivity, routine work with low-knowledge and skill content that is relatively untransformed. It is imperative that we upgrade this work into higher-skill, more involved, more innovative work in order to overcome our economic divide and rebuild our middle class. The time for a broad collective effort to improve and upgrade the Service Class work in which millions of Canadians toil is now.

Appendix: How We Measure the Service Class

We define the three major classes by occupation and skill.⁵

The Service Class includes workers' occupations which are based on routine service work, including: Food Preparation and Serving related occupations, Healthcare Support Occupations, Building and Grounds Cleaning and Maintenance, Personal Care and Service, Low-end Sales, Office and Administrative Support, Community and Social Services, and Protective Services.

The Creative Class includes workers in occupations that are defined by high levels of cognitive skill, complex problem solving, relatively autonomous decision-making, and independent judgment. Creative Class occupations include: computer science and mathematics; architecture, and engineering; life, physical, and social science; education, training, and library science; arts and design work, entertainment, sports, and media; and professional and knowledge work occupations in management, business and finance, law, sales management, healthcare, and education.

The Working Class includes workers in routine manual occupations such as construction and extraction, installation, maintenance and repair, production, and transportation and material moving occupations.

The data for this analysis was provided by [Emsi](#). Emsi's occupation data are based on Emsi's industry data, regional occupation data from the Labour Force Survey (LFS), and regional staffing patterns taken from the Census.

Metro	Number of Service Class Jobs	Growth 2011–2016	Share of Metro Labour Force	Median Hourly Wage
Toronto	1,112,636	2.62%	38.05%	\$16.88
Montréal	743,275	1.39%	40.63%	\$16.58
Vancouver	501,855	7.39%	41.77%	\$17.50
Calgary	267,818	6.18%	38.06%	\$19.07
Edmonton	249,887	-3.21%	37.09%	\$19.24
Ottawa - Gatineau	226,488	2.21%	35.06%	\$17.00
Winnipeg	180,980	1.80%	43.88%	\$16.21
Québec	154,342	-4.04%	38.61%	\$16.74
Hamilton	122,733	3.04%	39.29%	\$16.83
London	98,719	4.56%	41.11%	\$16.33
Kitchener - Cambridge - Waterloo	97,447	6.86%	37.94%	\$17.25
Halifax	88,645	-4.29%	41.26%	\$15.72
St. Catharines - Niagara	75,911	1.72%	45.19%	\$16.47
Victoria	74,936	4.92%	42.86%	\$17.37
Saskatoon	59,920	4.48%	41.35%	\$17.43
Windsor	50,985	1.23%	37.90%	\$16.17
Oshawa	50,477	4.56%	41.97%	\$16.33
Regina	50,113	0.17%	39.30%	\$18.51
St. John's	47,291	11.07%	41.90%	\$15.72
Kelowna	38,699	16.54%	45.63%	\$16.54
Sherbrooke	37,396	-0.15%	40.64%	\$16.25
Kingston	36,074	6.15%	44.25%	\$16.85
Moncton	35,805	-5.47%	46.26%	\$15.63
Barrie	33,362	7.96%	43.95%	\$16.85
Greater Sudbury / Grand Sudbury	31,795	7.36%	39.97%	\$16.64
Guelph	29,059	7.39%	32.67%	\$17.40
Abbotsford - Mission	28,797	9.03%	41.53%	\$17.50
Trois-Rivières	28,338	4.48%	41.45%	\$15.68
Saguenay	27,325	-0.89%	38.40%	\$15.96
Thunder Bay	25,594	6.69%	43.85%	\$16.89
Peterborough	25,513	14.89%	44.96%	\$17.00
Saint John	24,993	1.10%	43.89%	\$15.35
Belleville	24,672	9.33%	45.74%	\$16.38
Brantford	24,324	5.95%	41.04%	\$16.92
Lethbridge	21,792	-3.63%	37.23%	\$17.02

Data Appendix: Service Class at the Metro Level in 2016

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