

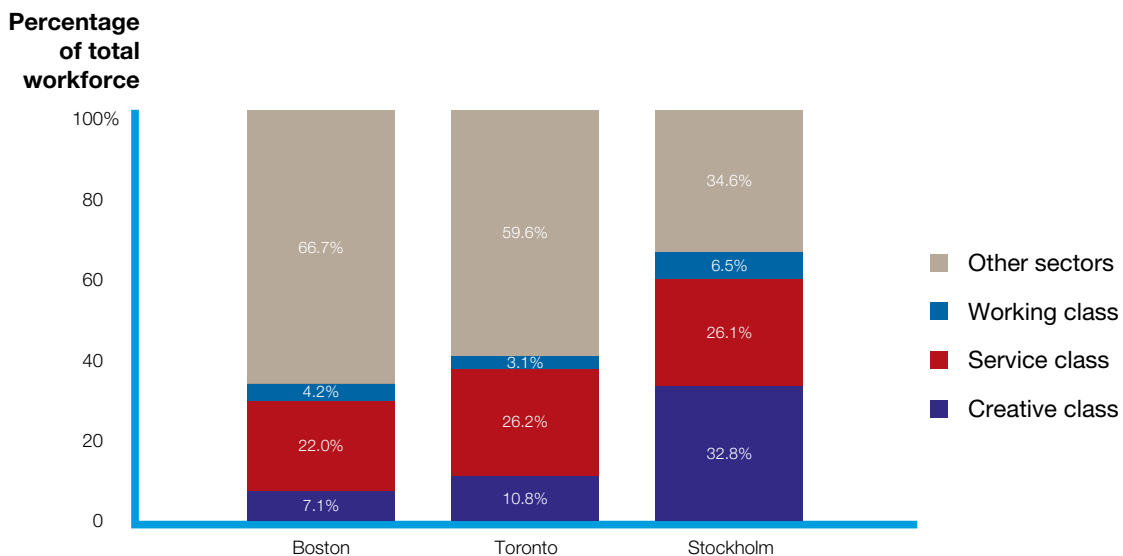
Why You Can't Get a Pizza Delivered in Stockholm

Traditional research on the economic organization of countries and regions has focused only on industry; however, industrial analysis of the past neglects the role of human capital in clusters by focusing only on the demand side of the equation. Researchers Karen King, Charlotta Mellander and Kevin Stolarick instead bring the supply side to life as they dig deeper into occupations within industries.

To highlight the effects of this interaction, three countries were examined: Canada, The United States and Sweden; within each country an exemplar metro region was chosen: Toronto, Boston and Stockholm respectively. These countries were selected to maximize the potential of uncovering differences within the developed world as the social organization of these countries range from social democratic (Sweden) at one extreme to free market (United States) at the other end of the scale; Canada falls somewhere in between. Some highlights from the analysis follow.

The service industry sector employs the largest share of national employment for Sweden (51.0%) and Canada (45.4%); however, unlike these two countries the United States has its largest share of national employment in the knowledge industry sector (38.8%) highlighting the importance of this sector to the US economy. For instance, the examination of the knowledge to goods producing industry sector national employment share ratio highlights key industry differences as the United States has a ratio of 1.78 followed by Canada (0.79) and Sweden (0.26). That is, for every employee in the goods producing industry sector in the United States there are 1.78 employees in the knowledge industry sector. (In the graph shown below, fishing/farming/forestry occupations have been excluded because their share of the service sector employment is relatively insignificant).

Service Sector by Occupational Group



For creative occupations, the three countries have similar occupation structures with Sweden having the largest national share of employment (36.7%) followed closely by the United States (35.1%) and Canada (30.9%). Service class occupations are the majority of occupations in the United States (42.0%) and Canada (44.8%) while a significantly lower share in Sweden (26.7%). In contrast, the United States and Canada have a smaller share in working class occupations (22.1% and 20.7% respectively) than Sweden (35.6%).

Today's economic engines are more knowledge driven as we move away from mass production. Firms that don't need highly skilled individuals for labour and/or demand a lot of space for their production tend to systematically move away from high-cost urban regions. These firms tend to be more commodity driven, competing on cost rather than added value. Therefore, we should expect fewer goods producing firms within a city like Toronto and an overrepresentation of the knowledge industry sector compared to the Canadian average. We should also expect more service industry firms and occupations in bigger cities like Stockholm, Boston and Toronto, since services are in general are more distance sensitive – meaning that the producer and consumer need to meet in order for consumption and production to take place (it would be tough to export a haircut).

Similarly when we examine metro areas, Stockholm has the lowest share of regional employment in service class occupations (29.8%) despite a large share of employment in the service industry sector (65.4%) when compared to Boston (38.3%) or in Toronto (43.7%).

The ratio of creative to service occupations within the service industry sector of the three regions is similar to that of national measures with 0.32 for Boston and 0.41 for Toronto implying that for every creative occupation within the service sector there are more than two service class occupations. This ratio for Stockholm is 1.26 implying there are more creative occupations in the service sector than traditional service class occupations.

The results from Sweden indicate that there has been an occupational shift within the service industry sector moving away from the more traditional service class occupations to creative occupations. Unlike Canada and the United States, relatively high service costs in Sweden may have expedited the shift from the traditional service class occupations in the service industry towards creative occupations.

While the United States and Canada rely more heavily on service class occupations, which typically pay much lower wages, Sweden has transformed its reliance on low-wage service workers by increasing its creative employment across the entire economy (knowledge, service, and goods producing industry sectors). However, this transition has left a much smaller knowledge industry than is found in both the United States and Canada, which could mean that Sweden has optimized for the short-term but with long-term consequences.

Canada consistently maintains a position that is similar to the United States but shows Swedish "tendencies". While much can be learned from the Swedish approach, including the power of a greater concentration of creative employment across all industry sectors, the challenge facing Canada is to find a way to improve the creative content of its industries without losing its knowledge industry.

The Martin Prosperity Institute (martinprosperity.org) 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.

This Martin Prosperity Insight is part of the "Ontario in the Creative Age" series, a project we are conducting for the Ontario Government and is supported by Karen King, Charlotta Mellander and Kevin Stolarick's working paper: "What You Do, Not Who You Work For: A Comparison of the Occupational and Industry Structures of the United States, Canada and Sweden". The project was first announced in the 2008 Ontario Budget Speech, and its purpose is to understand the changing composition of Ontario's economy and workforce, examine historical changes and projected future trends affecting Ontario, and provide recommendations to the Province for ensuring that Ontario's economy and people remain globally competitive and prosperous. The series will involve a number of Insight releases over the course of the coming months.