



**STAFF REPORT  
ACTION REQUIRED**

**Collaboration for Competitiveness:  
Strengthening High Value Sectors- Technology Sector  
(Implementation Action 4)**

<b>Date:</b>	June 17, 2013
<b>To:</b>	Economic Development Committee
<b>From:</b>	General Manager, Economic Development and Culture
<b>Wards:</b>	All
<b>Reference Number:</b>	

**SUMMARY**

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The purpose of this report is to highlight City and private sector initiatives to strengthen the Tech sector in Toronto through a collaborative approach that connects the various subsectors and stakeholders, identifies opportunities and issues, facilitates entrepreneurial growth and job creation, and builds the talent pool. These initiatives are part of the implementation of *Collaborating for Competitiveness: A Strategic Plan for Accelerating Economic Growth and Job Creation in Toronto*.

Given Toronto's diverse economy and strengths in many sectors, Toronto has tremendous opportunities to leverage its economic diversity and excel in the Tech sector. However, future growth cannot be taken for granted. Ensuring an adequate supply of talent, entrepreneurial space for start-ups and early stage growth firms and improving access to finance are critical to sustaining economic growth in Toronto.

Although Toronto has a critical mass of talent, including access to a large talent pool from the post secondary institutions, the expansion of the Tech sector both locally and globally and the application of technology in all sectors has led to increased competition for talent. To retain and grow the city's internationally competitive talent base will require collaborative efforts to ensure a supportive business climate, ongoing networking activities, and activities and events that create global 'buzz' that promotes Toronto to the world.

Economic Development & Culture Division staff have been working with industry partners, colleges and universities, and other city ABCCDs to attract new investment and retain and expand the talent base by coalescing the disparate elements of the sector, initiating or supporting B2B, B2G and B2C networks, facilitating linkages in the supply chain, removing barriers to growth such as crowdfunding limitations, and working to align government policies and programs to support innovation and business growth.

The availability of entrepreneurial space and access to capital remain a challenge but are improving as a result of City initiatives to incent and accelerate development and private sector investment to collaborate in growing Toronto's Tech sector.

These initiative aligns with the city's new economic growth and cultural strategies 'Collaborating for Competitiveness' and 'Creative Capital Gains' which support facilitating workforce development, helping small and medium sized enterprises to form and prosper, attracting investment and strengthening high-value sectors. As the world and the city move toward a more knowledge based economy it is essential that the efforts to build and expand the Tech sector continue.

## **RECOMMENDATIONS**

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### **The General Manager, Economic Development and Culture recommends that:**

1. Economic Development Committee endorse the collaborative initiatives being undertaken by staff in partnership with the industry to support the growth of the Tech sector in Toronto.

### **Financial Impact**

There are no financial impacts resulting from the adoption of this report.

## **DECISION HISTORY**

This report provides an update on current and upcoming initiatives to stimulate economic growth and job creation by strengthening the technology sector. It also responds to the request of the Economic Development Committee (April 22, 2013) for the General Manager, Economic Development and Culture to report on:

- a. ways to increase the "on-shoring" of information and technology jobs; and
- b. any impacts that the Federal Government Temporary Workers' Visa Program has in supporting or facilitating the "off-shoring" of information technology jobs

## **ISSUE BACKGROUND**

Toronto's Technology Sector is a key strategic sector that is both a major employer in its own right and an essential enabler and economic driver of virtually all other sectors of Toronto's economy, including financial services, life science, renewable energy, film & television, digital media and advanced manufacturing. The 11,500 Tech sector firms located in the Toronto CMA employ over 178,000 people, about 60% of total Tech sector employment in Ontario. Technology sector staff are also integral to the success of other strategic sectors. For example, it is estimated that about one-third of Financial Services sector employees (~42,000) are in ICT related jobs.

During 2007-2012, employment in the Tech sector in the Toronto CMA grew at a rate of 3.5% annually in comparison to 0.6% growth in Ontario and 0.7% in Canada over the same period (Source: Labour Force Survey). Over the last four years, the number of new jobs in the Computer and Information Systems Professionals has continued to increase. On a monthly basis, there are about 3,000 new job postings in the Computer and Information Systems Professionals in the Toronto CMA. (Source: Wanted Analytics).

City staff efforts to strengthen the tech sector are focussed on developing partnerships to ensure an adequate supply of talent, entrepreneurial space for start-ups and early stage growth firms and improving access to finance. Activities and events that bring the many and varied stakeholders together to jointly develop and implement solutions are key to successfully sustaining Tech sector growth in Toronto.

## **COMMENTS**

The Tech sector is a large and diverse industry that includes firms engaged in the manufacture, development, maintenance, distribution, finance and training of hardware, software, applications, games, film, television, digital media, and animation products. While there are a few well-known major corporations, such as Google, Facebook, Microsoft, Cisco and IBM, the vast majority of firms in the industry are start-ups and small and medium sized enterprises (SMEs). All of these firms rely on highly skilled, creative talent for the continual and relentless innovation required to sustain growth. Start-ups and SMEs are also highly dependent on partnerships securing financing; consequently networking events are a central part of the industry's connective culture.

The scale and diversity of the industry within Toronto provides resiliency, however, the number of firms and the need for meaningful 'meet-ups' also creates challenges. Some meet-ups may result in a merger or acquisition, but firms also come together on a project specific basis then may break apart and look for new partners for the next project.

### Toronto's ecosystem is healthy and growing

City staff continue to work with the numerous IT associations and informal industry organizations to continue building the sector and creating a network of contacts and

opportunities for organizations to work together on projects. Some of these groups include The Toronto chapter of the International Game Developers Association, the Toronto Web Series, and the Technology Chief Financial Officers' Forum. The Toronto Region Board of Trade has also been consulting with City staff and industry representatives about branding the Tech sector.

Annual events and conferences include Mesh, DX3, Canada 3.0 and Technicity. Mesh is the grand daddy of Toronto 2.0 events. Mesh 2013 was the 5<sup>th</sup> annual mesh conference hosted in Toronto. It is a 2 day event that focuses on how the web is evolving and affecting every part of our lives. Dx3 is a newer event, now entering its third year. Dx3 is focused on digital marketing, digital advertising and digital retailing. It brings agencies, brands, publishers & retailers together for two days to network and do business.

Technicity is produced by the City in partnership with IT World Canada. It brings together about 400 CEOs and senior executives to share views about opportunities and issues and to explore potential partnerships. The theme for the third annual Technicity conference held this past November was crowdfunding. Crowdfunding is at the forefront of assisting start ups, small businesses, and in particular, technology start-ups with raising capital to fund new ventures, spur growth, and create employment opportunities. The discussion at Technicity, attended by Minister Duguid, then Minister of Economic Development and Innovation, was instrumental in initiating a review of crowdfunding regulations.

On May 27<sup>th</sup>, 2013 start-up entrepreneurs, employees, and tech enthusiasts got together to compete in a tech inspired scavenger hunt. Almost 100 participants across 23 teams took part in the competition. The Amazing Tech Race was put together by North of 41, an organization that creates networking opportunities for Toronto-based entrepreneurs. The goal of North of 41 is to connect not only entrepreneurs within Toronto, but also to create links between Toronto and tech communities south of border in hot spots like San Francisco, Chicago, and New York. On average, the organization runs one event per month.

Recognizing the opportunity for growth in digital media in the film and television industry, EDC staff worked with the Digital Media Industry Ontario (DMIO) to present the first Digital Marketplace Meet up. Held at City Hall and Nathan Phillips Square, this event connected digital media companies with the emerging talent they need for sustained success. Over 30 studios, schools and technology facilities, along with other key industry professionals, participated.

Smaller events and meet ups that are more focused on sharing best practices and the use of tools are the Toronto Ruby Brigade, Rails Pub Night, Django/Python Toronto, and HTML5 Web App Developers. Judging by the participation and feedback from these events, Toronto's tech sector is vibrant and interested in connecting. Other regular events that are popular within the Tech sector include Mentor Mondays, Founders and Funders, SproutupTO, Tech talks TO, and Ladies Learning Code.

Meet ups are also about financing opportunities. Increasingly, the private sector is combining financing and meet up opportunities. One example is Extreme Start-ups' Demo Day. Extreme Start-ups' is looking to discover, invest in and help build great start-up companies. Demo Day is an opportunity for investors, partners and users to get a first-hand look at potentially explosive growth-oriented companies.

EDC staff have also participated in two related provincial studies which reviewed mobile innovation and how mobile technologies can be used to provide better access to services for residents. Mobile services and technologies can benefit lifelong learning, improved health, government efficiency, commerce, and entertainment. The findings from "Mobile Innovation: Ontario's Growing Mobile Content, Services, and Applications Industry 2012" and "Taking Ontario Mobile" were discussed at a seminar hosted by the city.

### Real Estate Market and the Tech Sector

Toronto's real estate market is also benefitting from the stable and steady growth of Toronto's Tech sector. Corporate/commercial real estate brokers advise that their data centre practice is growing steadily and that there is increased activity among small and medium sized Tech companies that are expanding their staff size and require more floor space.

In addition, a firm which specializes in business centres recently established a business centre in Liberty Village, attesting to the need for cubicle office space to accommodate the increased number of start-ups in that neighbourhood. Business centre companies from New York have also inquired about establishing business centres in Toronto.

At present, larger Tech sector firms are, for the most part, renewing office leases in their current locations.

### Retaining and Attracting Investment

Given the growth in the Tech sector and the increasing use of technology in all sectors, global competition for technology related talent, firms and investment is intense. Innovative talent and businesses can, and do, locate wherever they choose. A recent study America's New Immigrant Entrepreneurs: Then and Now, October 2012, prepared for Kauffman, The Foundation of Entrepreneurship, found that in the seven year period, 2007 – 2012, 43.9% of Silicon Valley start-ups had at least one immigrant as a key founder.

Creative people have a propensity to locate in proximity to other creative people. Nothing attracts success, like success. Retaining and attracting investment in the Tech sector requires both maintaining a critical mass of skilled people and firms and ensuring that the world, particularly the Tech world, knows about it. Competing with the emerging dominance of China and India as low cost centres for service industries as well as manufacturing will require a coordinated and collaborative approach to growing

Toronto's Tech sector. Activities and events that create 'buzz' are important to stimulating industry growth.

As with other creative industries within the Toronto CMA, a region of about 6 million people and 130,000 businesses, achieving global visibility is difficult, even for a sector that employs almost 180,000 people. Establishing a strong, visible focal point, akin to the Financial District, Life Sciences Discovery District, and Entertainment District, would help the Tech sector and the city to market itself to the world. OMERS is initiating a development to create a major focal point for the Tech sector that will provide new space for emerging businesses and talent, enhance connectivity within the sector, and provide entrepreneurial advice and mentorship.

### Microsoft Worldwide Partner Conference

Tourism Toronto officials confirmed that Toronto will again be the host city for Microsoft's World Partners Conference in 2016 (July 10-14). This global conference is projected to attract 16,500 delegates from 161 countries and generate over 65,000 room nights. The primary events will take place at the Metro Toronto Convention Centre and the Air Canada Centre; however, other venues will be added. Accommodations are expected to include 38 hotels (possibly more as the event continues to grow from year to year). In addition to the significant tourism impacts, the Microsoft's World Partners Conference, provides opportunities to showcase Toronto to a global audience engaged in the Tech sector.

EDC staff worked collaboratively with Microsoft when Toronto hosted its World Partners Conference in 2012. The outstanding experience Microsoft had here last year was a major reason for Toronto's successful bid for the 2016 conference amid strong competition for this coveted event.

### Meeting of the Minds – Building Connected and Sustainable Cities and Regions

Meeting of the Minds, an international summit of 350 invited urban sustainability and technology leaders, will convene in Toronto, September 9 to 11, 2013. This is the seventh year of the conference and the first time it has been held outside the U.S., last year it was held in San Francisco. A key component of Meeting of the Minds is enabling innovation. The theme for 2013 is Innovations in Urban Connectivity and Sustainability. The conference will be held at the Evergreen Brick Works – a LEED Platinum facility. The speakers and invited delegates are thought leaders working at the cutting edge of urban systems: economic and environmental sustainability, social inclusion, clean energy and water strategies, advanced technology and transformational design, planning and policies. EDC staff have been working with Cisco, the principle sponsor, to facilitate this summit.

### Federal Temporary Foreign Worker Program

The Temporary Foreign Worker Program (TFWP) was initially created to attract temporary workers to Canada to fill labour and skills shortages where Canadians and

permanent residents were unavailable to fill such needs. Programmatic changes, such as permitting employers to pay up to 15% less than prevailing median wage under certain circumstances, made it easier and more attractive for employers to recruit temporary foreign workers. As a result, the program was criticized for facilitating the off-shoring of jobs in a number of sectors including information technology.

On April 29, 2013, the Government of Canada responded to the mounting criticism of the Temporary Foreign Worker Program. It announced that as part of their ongoing review of the TFWP, “the Government is introducing legislative, regulatory and administrative changes that will:

- effective immediately, require employers to pay temporary foreign workers at the prevailing wage by removing the existing wage flexibility;
- effective immediately, temporarily suspend the Accelerated Labour Market Opinion process;
- increase the Government’s authority to suspend and revoke work permits and Labour Market Opinions (LMOs) if the program is being misused;
- add questions to employer LMO applications to ensure that the TFWP is not used to facilitate the outsourcing of Canadian jobs;
- ensure employers who rely on temporary foreign workers have a firm plan in place to transition to a Canadian workforce over time through the LMO process;
- introduce fees for employers for the processing of LMOs and increase the fees for work permits so that the taxpayers are no longer subsidizing the costs; and
- identify English and French as the only languages that can be used as a job requirement.”

It is anticipated that these changes will return the program to its original intent of providing employers with a “last resort” ability to deal with acute skills shortages on a temporary basis and thus protecting the domestic job market.

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## **SIGNATURE**

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