

# Toronto's Financial Sector – a growing global player with a global need for talent

SPEECH BY JANET ECKER WEDNESDAY, OCTOBER 8, 2014

Thank you very much. Before I begin, let me just briefly describe what our organization does, as a backdrop to my comments. The Toronto Financial Services Alliance (TFSA) is a public-private partnership among the three levels of government, the financial industry in its entirety and academia. We work to build Toronto region's status and profile as an international financial services centre, to increase jobs and investment. Our work is based on the spirit of partnership and collaboration, among competitors and among the public and private sectors.

It's about identifying what we are good at, and then working together to take advantage of it, for the benefit of the broader community, in our case, for the local, regional and national economies.

But in the case of last year's Olympic Games in Sochi, it was an approach which propelled us to greater success. Why do I mention the Olympics? Well, there is an interesting fact about Canada's participation in last year's games – did you know that during the games, Canadians took to social media to congratulate and support their athletes more frequently than almost all other countries? This doesn't exactly fit the old Canadian stereotype, that we don't readily celebrate our strengths or successes. As I have often joked, Canadians don't think we are good at something until someone outside the country says we are. But with Sochi in mind, and with the upcoming Pan Am Games heading towards us next year, I'm going to follow Canada's lead and be very un-Canadian today.

Because I want to talk about one of the Toronto region's – and Canada's – most successful accomplishments in recent years.

And that would be our great strength and growth as an international financial services centre.

**BY THE END OF MY REMARKS, I HOPE YOU WILL HAVE LEARNED THREE THINGS:**

Toronto is a strong, solid global player in financial services – but we're struggling to tap into the global talent market in order to keep our status as global player.

The financial services industry is built on adherence to high ethical standards – in practice and governance – including when we need to recruit talent beyond our borders.

It has a very bright future on the international financial services stage. This matters to you and me because the success of Toronto's financial sector benefits all of us. When we think of strong, influential, global financial services hubs, New York and London are almost always top of mind, followed closely by Singapore and Hong Kong.

Until recently, many would not have thought of Toronto.

With our national tendency towards modesty, that's not unusual. However, when you consider the facts, it is a bit surprising.

For example, Toronto is the fastest growing financial services hub in North America. We rank 6th in The Banker's ranking of international financial centres. The Global Financial Centres Index, continues to group Toronto among the world's top financial centres in terms of their depth and breadth in the industry.

Employment in the sector has risen by 25 per cent in just over a decade, while competitors like New York and Chicago, have seen the number of financial jobs in their cities drop, by six and 10 per cent respectively.

This now makes us the second largest financial centre in North America by employment, after New York.

Our region actually has a higher concentration of financial services employment than either London or New York, which serves to underline its importance to our economy (STAT: 7.5 per cent of all Toronto jobs. London, which is 7.4 per cent, and New York, which is 6.4 per cent).

For example, the sector accounts for approximately 20 per cent of our GDP and supports, directly and indirectly, more than 420,000 jobs both here and across the country. And in terms of stability, the World Economic Forum continues to rank our banking system as the safest and soundest in the world – for seven consecutive years now, an unprecedented achievement. In this age of economic uncertainty, this is a prized attribute.

### WHAT HAS CONTRIBUTED TO THIS SUCCESS?

We have many strengths – from our talent base and sound regulatory and ethical framework, to our quality of life and strong economy. Our industry and Toronto have built a solid, stable business reputation that has grown steadily over the past decade. And this isn't just home team bias. According to the Reputation Institute's 2013 City RepTrak Study – which ranks the world's 100 most reputable cities, Toronto comes in at number 2. This positive reputation is critical because it attracts both business and talent to the region, which creates even more jobs and a healthier local economy.

For example, Toronto is home to the headquarters of four of the world's 50 largest banks – in 2000 there were none – two of the world's 15 largest life and health insurers, three of the world's 40 largest pension funds and it is a "Top 10" global equity market.

These companies want to be here because Toronto makes sense: it has the global presence, the proximity to New York, Chicago and Boston, the infrastructure and the talent pool to ensure success.

Clearly, Toronto's foothold as a global financial services hub is strong and it's growing.

Let me offer some further facts.

The sector headquartered here generates over \$50 billion dollars a year to Canada's Gross Domestic Product (GDP).

And the industry contributes a combined \$13 billion in fiscal benefits to the Canadian, provincial and municipal governments. Not to mention what individual Canadians receive from their investments in these successful companies.

Big money, to say the least.

This is all supported by a very sound and well-regarded regulatory system, one that is credited with helping keep our financial system out of trouble during the global financial crisis.

It is also one of the foundations that will keep our system out of trouble going forward as well – because no one is taking our current record of success for granted.

That is one of the reasons we founded the Global Risk Institute in Financial Services, not only to leverage our international reputation in risk management, but to ensure that we can continue to be global thought leaders in this space.

And global is exactly where our industry is going.

This is another important feature of the sector which deserves consideration, especially when governments create policy and legislation that impacts our financial industry's ability to compete globally.

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In particular, I want to address recent government response to the temporary foreign workers firestorm and the reforms that are putting a stranglehold on financial services companies' ability to hire global talent.

Before I get to the heart of that issue, let me put in context for you how our home-grown industry is a major global player.

We are used to thinking of our financial industry as a small group of companies, sitting at the corner of Bay and King Streets in Toronto.

But that picture is incomplete, to say the least. They are now growing global players.

Our five big banks have over 100 operations that span Asia, Europe, the Americas and the Caribbean.

In 2012, Canadian life and property insurers held \$597 billion in assets for their operations outside of Canada. Our three big pension funds based in Toronto now have offices in cities such as New York, London, Sydney, Hong Kong and Sao Paulo.

Canadian exports of financial services, more than doubled over the past decade, the best performance of any sector over this period.

Exports now account for one-quarter of financial sector revenues, well above the average for all service sectors. And for some of our companies – like Manulife and Scotiabank, for example, it is a great deal higher. The sector also accounts for half of the country's total stock outward foreign direct investment. Canada, on a whole, is a major net exporter of financial services capital, consistently ranking among the top four countries globally in outward FDI.

So we have a successful and growing global industry, headquartered here in the Toronto region. Why is this so important to you and me?

Because during the global crisis, we saw both south of the border and in Europe, what happens when your financial system almost literally implodes – when Wall Street blew up Main Street.

That just didn't happen here. And while good luck helped, so too did our strong financial companies, our ethical business culture and business model, and our regulatory framework.

So financial services is something we're good at and its success is one of our critical economic strengths.

It's a tough world out there, and our economy, despite our relative strength to our G20 partners, has been seriously affected by the global recession. And while we can point to many positive signs, we can't afford to take for granted a sector that is such an important contributor to a healthy economy.

It may sound trite to some, but it bears repeating. It is a virtuous circle – a successful industry contributes to a strong economy. And a healthy and strong economy supports a standard of living and quality of life for all of us. And that contributes to our value proposition as a good place to live, work and invest.

And think of your own personal circumstances, your dreams and aspirations for you and your family. Whether you are saving for a new home, your son or daughter's education or your own retirement – a strong financial sector, staffed with top talent, astute advisors

and savvy investors is critically important to your financial future.

And that brings me to another great industry strength that impacts all of us – the quality and size of the talent base.

I touched on this earlier. In 2012, the financial services sector employed almost 230,000 people in Toronto – that's 1 out of every 13 jobs in the region.

And its growth has been exceptional. From 184,000 people in 2002 to today's 230,000, a 25 per cent increase, as I mentioned.

This creation of jobs is remarkable, but without the right talent to fill them, we wouldn't be where we are today in the global marketplace.

A talented and skilled workforce begins with great education. Toronto has a network of internationally-recognized educational and training institutions that plays a crucial role in nurturing and developing the large talent pool in this great city.

That talent is extremely diverse, highly skilled and is one of the critical things that keeps us competitive, gets us noticed and helps us grow.

One of Toronto's unique strengths is its cultural diversity. We all like to talk about it, but it is real and it matters. More than 200 distinct ethnic groups call Toronto home and more than 180 languages are spoken in the region. This diversity provides Toronto's financial sector with a rich network of international business and cultural connections – a must-have for today's globally-connected financial companies.

But when the temporary foreign workers issue blew up this past year and the government was faced with mounting criticism over abuses and perceived abuses in the long-standing program, Ottawa's response has resulted in unnecessary barriers to Canadian companies seeking top global talent to ensure success and growth. Just when our financial services industry is on the cusp of being more globally significant, just when they are beginning to more successfully compete around the world, government has put up a barrier to their ability to attract top global talent with the kind of executive and highly specialized skills they need to continue that growth – and just to repeat the point, growth that supports a growing number of jobs in Toronto.

It began this past April with allegations that three Victoria, B.C. McDonald's franchises were favouring temporary foreign workers over domestic employees. Ottawa reacted with sweeping changes to the program in

June, changes that applied equally to almost every sector – whether you were talking about recruiting large groups of employees for the mining industry, the hospitality sector, the technology business – or the recruitment of individuals with highly-specialized skills or executive talent.

The government’s urgency was fueled by polls showing that the intense media coverage had convinced the majority of voters that a program representing less than two per cent of our total workforce was stealing large numbers of jobs from unemployed Canadians.

I don’t disagree that the Temporary Foreign Workers program had issues needing repair. But, you don’t kill a fly with a sledgehammer either.

Had they been able to take the time to properly restructure a complex program that’s been part of our country’s economic mosaic for the past four decades, the government could have avoided some very serious, unintended consequences.

And make no mistake about it, as we speak, our financial companies are losing out in the global race for top talent, because we no longer have an effective process to bring that talent into the country.

Canada’s entire immigration program – not just the temporary foreign workers program – is based on National Occupation Classification codes (NOCs).

And the reality is the government lacks adequate data – which means employers searching for skilled talent are using out-of-date NOCs – and this means that an employer isn’t assessing potential job candidates that are suitable for existing industries.

The assumption is that the use of the system is equal – and the perception of the government is that the use of the NOC database is the same, regardless of your industry. But it’s not the same. The system caters to the MASS attraction of talent – it is not designed to attract the one or two individuals who can come to Canada and make a huge difference – such as an employee who can tap into new markets, build new strategies, and provide market intelligence while an organization is going through strategic change.

Think about it. Isn’t a Canadian company smarter to bring an individual to its firm who can advise on a specific market – for example how best to expand the business in the Asian market – rather than go into that Asian market and try and build a business there?

The beginning of the end of our talent pool is when a Canadian CEO has to start building elsewhere in order to

bypass the hurdles of acquiring global talent – how is that going to help Toronto and Canada be a top financial player if we can’t keep headquarters jobs here?

Further impeding the global recruitment process is the specific skill set information that has to be posted on multiple job boards to advertise the position – this simply impedes an organization’s ability to remain competitive for these kinds of hires.

The advertising requirements of Canada’s NOC do not allow companies to maintain discretion.

For example, the system requires the job posting to include salary – but all salaries are individually negotiated, particularly when you are filling a highly-specialized position.

A discussion about this important issue should not be derailed in debate about the myth of the temporary foreign worker as a “job stealer” – quite the contrary! A few highly-skilled and talented individuals that can be attracted to work in Canada’s financial industry form the basis for new economic growth and keeps us competitive in a global market.

Those who see “foreign” workers as a threat are grounded in the misguided idea that these workers steal jobs from Canadians – but new people entering the market do not take jobs from others, they form the basis for new economic growth.

Let me give you an example. Scotiabank is a home-grown Canadian company, with operations in 55 countries. Now, imagine that you are leading the company’s talent recruitment and you have a position to fill.

Since your company operates in 55 countries, should you not be looking at the best candidates regardless of country address? Or, should this mean candidates from the other 54 countries “Need Not Apply”?

All workers – domestic or foreign – generate economic activity and promote growth. Imagine if the principles of free trade were to apply to labour as much as goods and services?

In such a world, all workers would be free to cross borders and work where they found opportunity. The movement of workers, temporary or permanent, fuels economic development, increased productivity and ultimately greater job creation.

If Canada has a trade agreement with another country, the issue is a *little* less tricky – we can move talent across borders through inter-company transfers.

But, the system assumes you can do these inter-company talent transfers with ease. And if the talent you find does not live in a country with trade agreements, that person is automatically treated like a temporary foreign worker.

Our economy is dependent on the ability for talent to move readily in here when we need it – for the companies who are located here to have access to global talent. So there's a very strong economic impetus here that can't be ignored.

The government's mistake was to treat every sector and each unique talent need as the same. And now Canada's banks, insurance companies and pension funds are struggling to recruit the world's brightest and best talent.

So, where do we go from here? I began my talk with you about Canada's success in the Sochi Olympic winter games. But, let's broaden that to include our country's Olympic success in many previous summer and winter games.

Over the years, Canada has increasingly captured global spotlight with both its medal contenders and podium winners. And with every success, the country has stood behind each athlete to cheer them on...regardless of their country of birth.

When Donovan Bailey crossed the finish line and won Gold in 1996 an entire country cheered! There was never any discussion that Bailey was originally from Jamaica and therefore the medal didn't count as a "Canadian" win. When the best athletes around the globe gather for the Olympic Games, national pride is often tied to which country wins the most medals.

Like Canada's "cultural mosaic", many of our athletes either come from other countries, or they are first-generation Canadians because their parents emigrated to Canada.

According to Pew Research Center, at the recent Sochi Games, at least 120 athletes, or four per cent of the nearly 3,000 who competed in Sochi, were competing for countries other than their birth nations.

At the top of the list? Canada!

Canada ranks at the top with nine foreign-born athletes in this past year's Olympics. For example, Jamaican-born Lascelles Brown has Canadian citizenship and was part of the Canadian bobsled team.

We don't seem to have an issue with "foreign" athletes. Nor should we with workplace talent. If it makes us successful, isn't that what matters?

So, allow me to switch gears from athletes back to financial services. I'm exceptionally proud that The World Economic Forum lists the TFSA as a public-private best practice in talent mobility.

This is a Toronto-based Canadian success story, but it is also an industry that is always potentially at risk. It may be sounder in Canada than it is elsewhere, but the risk is always there.

As we saw from watching the global financial crisis, this industry and the jobs that it supports can just as easily shrink as grow.

And in this day of growing technology, many of these jobs can be located elsewhere – and will be, if we forget the need to remain globally competitive, if we forget the importance of building and keeping a strong talent base here – with domestic and globally-recruited talent. We've had a wonderfully privileged life here in Canada, but that won't continue if we don't wrap our minds around some of the challenges that face us.

And the best way to do that is to find the right magical partnership between the public and private sectors, and with government policies that make sense for individual sectors – not blanket legislation that impedes our success. When we get that right, we can accomplish anything.

Toronto's financial industry has been a compelling success story. But it's taken the collaborative efforts of both the public and private sectors to do so.

Toronto's success on the global financial services stage is all about partnership and collaboration. It's about coming together and championing our achievements, identifying our strengths, and using those strengths to propel us forward – even if we need to go beyond our borders.

The task needs to continue – for our economy, for our jobs, for you and me.

Thank you. 🍁



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