

City of Toronto

Toward an Inclusive Economic Development Framework at the City of Toronto

ACTION ITEM: Read in advance of September 13th, 2024, consultation

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9-9-2024

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## Issue Background: Inequitable Economic Growth

With significant shifts in global economic trends over the past several decades, most jurisdictions have aimed to foster a competitive environment and attract new investments to ensure continued growth. This focus has often been accompanied by the assumption that overall economic growth would lead to improved economic outcomes and opportunities across labour force members, households and neighbourhoods. Even if better jobs and higher incomes were not available to all, at least expanded social programs could be funded by a growing tax base. However, a growing body of evidence suggests these assumptions were incorrect or incomplete.

As compared to other jurisdictions in North America, Toronto has thrived economically over the past several decades, avoiding the decline of other manufacturing centres by successfully attracting investment and workers and growing clusters in a variety of strategic industries. The region is firmly embedded as a hub in international supply chains, and Toronto continues to appear near the top of many global city rankings. The city has successfully re-established its competitive business environment relative to surrounding municipalities and now competes with other globally significant economic city-regions.

Yet overall economic growth has not been equally or equitably shared and many Toronto residents and neighbourhoods have not, historically, participated in the benefits of this growth. According to the 2021 Canadian Census, close to 35% of Toronto residents made an after-tax income of less than \$30,000 a year, whereas an estimated 10% made an income of more than \$120,000. The overall average after-tax income was reported at \$49,080. Census data collected every five years shows a pattern of average income levels in individual Toronto neighbourhoods moving further away, both up and down, from the overall city average.

Corresponding studies over the past decade (in Toronto and elsewhere) have highlighted the existence of an 'hourglass' economy with growing concentrations of both relatively high-paying and low-paying jobs and a thinning or squeezing out of middle-income jobs. Additionally, jobs at the lower end of the income scale are increasingly likely to be precarious in other ways including variability of hours, lack of security and fewer non-monetary benefits.

### Framework to Advance Inclusive Economic Development (IED):

The City of Toronto is working to develop a Framework to advance Inclusive Economic Development (IED). The framework is intended to coordinate current and future economic development efforts initiated or endorsed by the City. Recognizing that there are existing initiatives underway (e.g. the Poverty Reduction Strategy, Social Procurement Policy, Action Plan for Toronto's Economy, Community Benefits etc.), this document aims to outline the City's working approach to the frameworks' development. Included are a set of key terms, a proposed approach to IED and draft definitions.

The proposed approach references four areas: 1) Community Economic Development, which is foundational to the Poverty Reduction Strategy and other place-based

development approaches employed by the City (e.g. Toronto Strong Neighbourhoods Strategy); 2) Economic reconciliation, referenced in the Truth and Reconciliation Actions and Indigenous principles of economic development (Neechi Principles) which applies a rights-based approach to economic development; 3) Equity for service access which applies a population-based approach to inclusion, emphasizing the participation of equity seeking groups in economic development decision making, employment, and benefits of development and growth; and 4) Governance, .

## Key terms

**Economic Development:** Economic development is a process that describes change in the economy of a geographic region with both quantitative and qualitative elements. Economic development can be measured by factors such as industrialization and technological innovation, environmental sustainability, governance and stability, as well as social determinants of wellbeing such as health, housing access and education.

**Economic Growth:** Economic growth is one aspect of economic development, a quantitative indicator often measured by Gross Domestic Product (GDP).

**Inclusion:** Inclusion refers to three distinct areas in the context of IED: Inclusion in economic development policy and program development; inclusion (or participation) in economic activities and access to resources (decent jobs, finance, business opportunities, training); and inclusion (or sharing) in the benefits of economic development and growth.

**Equity-seeking groups and Indigenous peoples:** The City of Toronto recognizes the following equity-seeking groups: First Nations, Inuit and Métis peoples, Black and racialized peoples, persons with disabilities, LGBTQ2S+ communities, immigrants and refugees, people with low income, undocumented Torontonians, women, and vulnerable youth and seniors.

**Low-Income:** There are several indicators used to measure low income:

### *Low income cut-offs*

The Low Income Cut-offs are income thresholds below which a family will devote a larger share of its income on the necessities of food, shelter and clothing than the average family.<sup>i</sup>

A family is considered low income if it spends 20 percentage points more on these necessities than the average family. It is a relative measure of low income.

- Since data is available as far back as 1976, it is frequently used to examine low-income trends over several years.
- The Low Income Cut-offs are adjusted for seven family sizes and five different community sizes to capture differences in the cost of living.

### *Market basket measure*

The Market Basket Measure defines low income based on a specific set of goods and services that represent a basic standard of living.

A family is considered low income if it does not have enough money to buy these specific goods and services in its community. It is an absolute measure of low income.

- This indicator is available for 49 different communities across Canada and is more sensitive to differences in the cost of living.
- Data is available since 2002.
- Low income measure The Low Income Measure defines low income as being below a fixed percentage of income.

A household is considered low income if its income is below 50% of median household incomes. It is, therefore, a relative measure of low income.

Since many countries report low income on this basis, it is frequently used for international comparisons.

## For Discussion

### Inclusive Economic Development:

The proposed approach to guide Inclusive Economic Development at the City applies four lenses (Place-based, Rights-based, Population-based, and System-based) and is intended to describe the theoretical basis for existing initiatives and offer consistent language for interdivisional and externally partnered initiatives.



#### 1) Community Economic Development (Place-based)

The origins of Community Economic Development (CED) can be traced back thousands of years, deeply rooted in social movements that emphasize the importance of community-driven initiatives. The foundational principles of CED center around bottom-up development, where communities actively lead efforts to enhance their own economic conditions. This approach fosters greater autonomy and control over a community's economic future.

In Canada, CED began to gain momentum in the late 1980s as a response to the limitations of provincially or regionally focused economic development strategies. This shift was further propelled by the financial crises of the early 1980s and early 1990s, which highlighted the need for more localized, community-focused economic interventions.

Although there is no universally accepted definition of CED, there is broad agreement in the literature that it represents a strategy or process aimed at improving the economic well-being of communities. Central to CED is the concept of economic development that

is not just for the community but by the community, empowering local populations to shape their own economic destinies.

## 2) Indigenous economic development/ Truth and Reconciliation Actions (Rights-based)

Applying a rights-based approach to economic development means actively promoting the calls to action outlined in the [Truth And Reconciliation Calls to Action](#), in particular those pertaining to business, (92 – Appendix 1). The Federal Framework for Aboriginal Economic Development (Appendix 2) also provides high-level guidance to which the City can align efforts.

Other principles that provide tactical economic development guidance may provide helpful context, though cannot substitute direct consultation with rights-holding groups. One set of recognized principles are the Neechi Principles, which emphasize a local and holistic approach to community economic development – including local production and consumption, local reinvestment of profit, skills development, decision making, and human dignity. (Appendix 3)

## 3) Equity for Services Access (Population-based)

The City and its partners have identified that there are barriers to access of business and employment supports by specific populations in the City (racialized groups, youth, LGBTQ2S+ communities, and others). Through the EDC Equity Plan and Outreach and Engagement Plan, as well as economic development actions outlined in population-based strategies such as the Confronting Anti-Black Racism Action Plan, and supported by a City-wide Data For Equity strategy, and equity-based approach to economic inclusion can be implemented and measured.

## 4) Governance, Culture and Policy (Systems-based)

Movements in participatory models of decision-making and governance (e.g. Community Benefits, the EDC Indigenous Engagement Framework), centering lived experience in participatory design of policy and programs, and the growing movement toward diversity and inclusion in corporations offer areas where the City can both draw from expertise and impact broad-based systems change.

Some systems-based initiatives to advance IED may not focus on specific communities or neighbourhoods but have the potential to expand opportunity and reduce overall economic polarization. For example, the City of Toronto and other partners have been supportive of legislation that facilitates employee and/or cooperative business ownership.

## Scope

While it is recognized that economic outcomes and opportunities are linked to multiple policy areas including access to quality childcare, safe and reliable transit options, bridging the 'digital divide' and housing affordability, IED policies, programs and partnerships can be more specifically scoped to focus on the labour market and the production of goods and services, including supports for employment pathways, entrepreneurship and business development.

#### Potential IED policy/program/advocacy areas:

- Inclusive workforce development and sector pathways refers to services, supports and programs aimed at supporting all members of a local workforce to access employment opportunities and address the economy's needs. To best achieve this outcome, workforce development initiatives should simultaneously focus on the jobseeker and the employer. Workforce development approaches may be place-based, focused on the needs of jobseekers within a specific community, or sector based, focused on the needs of employers and labour force members in growing and in-demand sectors.
- Inclusive entrepreneurship and asset ownership: aims to support more Toronto residents to start and grow businesses and/or secure an ownership stake in assets with potential to appreciate in value over time. Relevant policies and programs can, for example, aim to ensure that appropriate production and retail spaces are available and affordable. Other policies, programs and partnerships can address the risk of commercial displacement and help support longstanding community serving businesses, particularly in the retail sector, to thrive even as neighbourhoods change. This policy area also captures inclusive asset ownership which refers to emerging models like community land trusts and employee-owned businesses and trusts.
- Research and monitoring: will be required to match new inclusive economic development objectives with corresponding metrics of progress, to be measured and evaluated over time. Key indicators of IED can include different dimensions of individual and household incomes; for example, how household income varies across neighbourhoods and occupations. It will also be instructive to track part-time versus full-time jobs and growth in self-employed contract work.

#### Working Definitions

**Inclusive Economic Development (IED):** City of Toronto staff have proposed that inclusive economic development can be defined as an approach that will deliver improved economic opportunities and outcomes across Toronto's population and neighbourhoods - with an intentional focus on Indigenous, Black and equity-deserving communities - in parallel to overall growth of the city and regional economy.

While overall growth remains as key economic development goals, an IED approach aims to address the 'hourglass' and provide more residents with the opportunity to participate in and benefit from growth.

**Community Economic Development (CED):** City of Toronto staff have proposed that community economic development can be defined as the application of inclusive economic development tools focused on particular neighbourhoods or geographic areas. Although these terms have been used interchangeably, CED be understood as a subset or specific place-based application of IED.

**Community Wealth Building (CWB):** Community Wealth Building is an economic development model that transforms local economies based on democratic community ownership and control of assets in place. It addresses wealth inequality at its core in



order to produce broadly shared economic prosperity, racial equity, and ecological sustainability.

#### Draft IED Principles:

Beyond a broad definition of inclusive economic development as proposed above, City of Toronto staff are engaging partners to identify key IED principles that can inform policies, programs and partnerships. Possible principles could include:

- IED promotes and centers the voice of lived experience to inform and benefit from positive market outcomes.
- IED recognizes that low-income communities have a desire to participate fully in the economy and are untapped economic assets.
- IED facilitates place-based approaches for economic inclusion, enabled by authentic public–private–community partnerships and social investment to revitalize underdeveloped communities and generate community controlled capital assets.
- IED supports and invests in equitable and diverse educational and training opportunities with appropriate support systems.
- IED creates and improves workforce training and soft-skills development for low-income, equity seeking communities and indigenous populations to enable these populations to more fully participate in the local economy.
- IED supports improved opportunities in multiple sectors and occupations, including those that serve local communities, and not exclusively globally traded industries.

## Appendix 1:

### Truth and Reconciliation Commission: Calls to Action

#### Business and Reconciliation (92)

We call upon the corporate sector in Canada to adopt the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework and to apply its principles, norms, and standards to corporate policy and core operational activities involving Indigenous peoples and their lands and resources. This would include, but not be limited to, the following:

- i. Commit to meaningful consultation, building respectful relationships, and obtaining the free, prior, and informed consent of Indigenous peoples before proceeding with economic development projects.
- ii. Ensure that Aboriginal peoples have equitable access to jobs, training, and education opportunities in the corporate sector, and that Aboriginal communities gain long-term sustainable benefits from economic development projects.
- iii. Provide education for management and staff on the history of Aboriginal peoples, including the history and legacy of residential schools, the United Nations Declaration on the Rights of Indigenous Peoples, Treaties and Aboriginal rights, Indigenous law, and Aboriginal–Crown relations. This will require skills based training in intercultural competency, conflict resolution, human rights, and anti-racism.

## Appendix 2:

#### Federal Framework for Aboriginal Economic Development (2008)

The Framework sets out the principles and conditions necessary to increase the participation of Aboriginal peoples in the Canadian economy, and can also be a guiding resource for municipal efforts.

1. **Strengthen entrepreneurship** by promoting a business-friendly economic climate on reserve land and in the North, while improving access to capital and promoting other business opportunities, including procurement;
2. **Develop Aboriginal human capital** by investing in demand-driven labour market development;
3. **Enhance the value of Aboriginal assets** through more systematic identification of economic opportunities, greater leveraging of partnerships, better management of community assets, and modernized lands management;
4. **Forge new and effective partnerships** with the private sector, provinces and territories; and
5. **Focus the role of the federal government** through improved collaboration and an increased focus on implementation.

## Appendix 3:

### The Neechi Principles of Community Economic Development

1. USE OF LOCALLY PRODUCED GOODS AND SERVICES • purchase of goods and services produced locally • circulation of income within the local community; less income drain • stronger economic linkages within the local community • less dependency on outside markets • greater community self-reliance • restoration of balance in the local economy
2. PRODUCTION OF GOODS AND SERVICES FOR LOCAL USE • creation of goods and services for use in the local community • circulation of income within the local community; less income drain • stronger economic links within the local community • less dependency on outside markets • greater community self-reliance
3. LOCAL RE-INVESTMENT OF PROFITS • use of profits to expand local economic activity • stop profit drain • investment that increases community self-reliance and co-operation
4. LONG-TERM EMPLOYMENT OF LOCAL RESIDENTS • long-term jobs in areas with chronic unemployment or underemployment • reduced dependency on welfare and food banks • opportunities to live more socially productive lives • personal and community self-esteem • more wages and salaries spent in the local community
5. LOCAL SKILL DEVELOPMENT • training of local residents • training geared to community development • higher labour productivity • greater employability in communities with high unemployment • greater productive capability of economically depressed areas
6. LOCAL DECISION-MAKING • local ownership and control • co-operative ownership and control • grassroots involvement • community self-determination • people working together to meet community needs
7. PUBLIC HEALTH • physical and mental health of community residents • healthier families • more effective schooling • more productive workforce
8. PHYSICAL ENVIRONMENT • healthy, safe, attractive neighbourhoods • ecological sensitivity
9. NEIGHBOURHOOD STABILITY • dependable housing • long-term residency • base for long-term community development
10. HUMAN DIGNITY • self-respect • community spirit • gender equality • respect for seniors and children • aboriginal pride • social dignity regardless of psychological differences, ethnic background, colour, creed or sexual orientation
11. SUPPORT FOR OTHER CED INITIATIVES • mutually supportive trade among organizations with similar community development goals

(Ccednet n.D.: Neechi principles)

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<sup>i</sup> Statistics Canada, "Low Income Lines, 2010-2011," from Income Research Paper Series, 2012. Low Income Cut-offs are calculated by Statistics Canada using economic family spending patterns with 1992 as a base year. An economic family is made up of two or more people living in the same house related by blood, marriage, common-law, adoption or a foster relationship. The Low Income Cut-offs are adjusted for inflation using the Consumer Price Index, and are calculated for families of varying sizes and living in communities of varying size