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A HEAD FOR FINANCE

Growing Financial Services Headquarters in Toronto.



A Head for Finance: Growing Financial Services Headquarters in Toronto

Michael Burt and Lin Ai

Preface

A Head for Finance: Growing Financial Services Headquarters in Toronto discusses the size, characteristics, and role of financial services headquarters in Toronto. We begin by describing the impacts of headquarters. We then discuss the characteristics of headquarters in Toronto with a particular focus on the financial services sector. Finally, we discuss the results of a survey designed to identify the factors that make Toronto attractive for financial services headquarters, and things that can be improved upon to make the region even more attractive.

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About the Toronto Financial Services Alliance

The Toronto Financial Services Alliance (TFSA) is a unique, public–private partnership dedicated to growing Toronto region's financial services cluster and building it as a global financial services centre. Established in 2001, TFSA is a collaboration involving three levels of government, the financial services industry, and academia.



EXECUTIVE SUMMARY

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At a Glance

- The financial services sector is Toronto's third largest source of corporate headquarters employment, accounting for 16.6 per cent of the total.
- Toronto's financial services headquarters tend to be very large. The average employment count per financial services headquarters in Toronto is 323.2, which is twice as many employees as the next largest sector.
- Approximately 30.6 per cent of all financial services headquarters in Canada are located in Toronto, which is more than double the share of Vancouver (13.2 per cent), its closest competitor.
- Forty-three per cent of Canada's financial services headquarters employees can be found in Toronto. This is more than triple its nearest competitor, Montréal, at 12.4 per cent.
- Domestically, Toronto is viewed as the most attractive metro area in Canada for establishing a headquarters in the financial services sector.
- Internationally, Toronto is generally viewed as being equally attractive or more attractive than most of the top 12 global financial centres.

Attracting and retaining corporate headquarters is a common objective of economic development agencies around the world. This is because headquarters bring highly skilled and well-compensated jobs to local communities. As well, headquarters typically spawn important secondary socio-economic impacts in the communities in which they are located. Therefore, it is essential to understand the characteristics and benefits of headquarters, and the key features that attract them.

Toronto, as Canada's corporate headquarters capital, enjoys many of these benefits, and the financial services sector is a major contributor to the footprint of headquarters in the metro area. The financial services sector is Toronto's third largest source of corporate headquarters employment, with one in six headquarters employees in Toronto working for a financial institution. Furthermore, 43 per cent of Canadian financial services headquarters employees can be found in Toronto.

What Is a Headquarters?

A headquarters is a corporate unit that performs administrative and managerial functions at a location that is separated from the corporation's production units. Headquarters are always functionally and quite often geographically separated from other corporate facilities. They are also most common among large businesses. For example, there were 2,938 enterprises with more than 500 employees in Canada at the end of 2012. Not coincidentally, Statistics Canada recognizes 2,816 headquarter operations in Canada in 2012, even though there are more than 1 million businesses in the country. Hence, there is a fairly strong link between the number of large enterprises and headquarters.

Headquarters bring many benefits to the regions in which they are located. They tend to be a direct source of high-paying and highly skilled jobs. Headquarters also support a variety of above-average-paying ancillary services in their local communities, such as legal and consulting services. We estimate that for every 100 direct jobs at a headquarters in Canada, another 74 jobs are supported indirectly. Headquarters also provide other benefits, such as large donations to local and regional charities, knowledge spillovers, and the improvement of a region's international profile and global connections.

Given the benefits of headquarters to the hosting region, it is pertinent to understand the key features that attract headquarters. In general, location choice is based on a number of factors such as corporate income tax rates, transportation infrastructure, a skilled local workforce, and a high level of business intermediation services. Other features such as an agglomeration of same industry headquarters and a high standard of living also increase the probability of locating a new headquarters in a region.

Headquarters in Toronto

Toronto is Canada's corporate headquarters hub. Home to one-quarter of all the headquarters in the country, it has more headquarters than any other region. Toronto is also where the headquarters of the largest corporations in Canada tend to congregate. Among the 500 largest corporations in Canada, 41 per cent have their national headquarters in Toronto, and 36.8 per cent of their headquarters employees work there. Since 1999, Toronto has steadily increased its share of Canada's headquarters employment.

The count and composition of Toronto's headquarters consists of six major sectors:

- manufacturing (162)
- retail trade (131)

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- wholesale trade (119)
- health care (52)
- food services and accommodation (39)
- financial services (37)

Although the financial services sector ranks only sixth in terms of the number of headquarters, it actually ranks third in terms of its contribution to headquarters employment in the metro area, accounting for 16.6 per cent. The key reason for the two different rankings is that financial services headquarters tend to be very large. With more than 300 employees per headquarters, the financial services sector employs twice as many employees as the next largest sector. This also makes financial services the highest “density” employer among all the sectors.

Three leading factors explain the typically “large” size of Toronto’s financial services headquarters. First, many of the financial institutions headquartered in Toronto are among the largest companies in Canada. Second, many of these financial institutions have a large international presence. Third, financial institutions are generally heavily regulated, which increases the staffing requirements related to the compliance function of headquarters.

What is more, Toronto has the greatest concentration of financial services headquarters in Canada. Approximately 30 per cent of all financial services headquarters in Canada are located in Toronto, which is more than double the share of Vancouver (13.2 per cent), its closest competitor. This claim is even more apparent when we examine employment at financial services headquarters. In Canada in 2012, there were an estimated 27,967 financial services headquarters employees—43 per cent in Toronto. This is more than triple its nearest competitor, Montréal, at 12.4 per cent.

Toronto compares favourably with domestic and international peers, with the exception of one area most in need of improvement—transportation infrastructure.

Growing Financial Services Headquarters in Toronto

The Conference Board of Canada, in partnership with the Toronto Financial Services Alliance, conducted a survey of financial services executives. The objective of the survey was to identify the factors that make Toronto attractive as a destination for financial services headquarters. As well, respondents were asked to identify areas for improvement if the region is to become even more attractive.

Domestically, Toronto is viewed as the most attractive metro area in Canada for establishing a headquarters in the financial services sector. Given that the factors that make cities such as Vancouver, Montréal, and Calgary attractive for headquarters tend to be location-specific, there is little that Toronto can do to improve its competitiveness.

Internationally, Toronto is viewed as being equally or more attractive than many of its peers. Only New York, London, and Hong Kong among the 12 global financial centres surveyed are perceived as being more attractive than Toronto for financial institutions headquarters. Important advantages cited by respondents for these three cities include their large customer base, diverse talent pools, and innovative institutions.

More broadly, key factors identified by respondents as making a region attractive for financial services headquarters include:

- regulatory certainty
- good transportation infrastructure
- a clustering of financial institutions
- telecommunications infrastructure
- availability of skilled people
- access to financial expertise and leadership

For most of these factors, Toronto compares favourably with domestic and international peers, with the exception of one area most in need of improvement—transportation infrastructure. In particular, improved road infrastructure and/or mass transit links for commuting purposes was

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widely cited as an area of concern. A secondary issue for transportation is the availability of and access to efficient and affordable air travel, especially for closing business deals in foreign markets.

Other areas of concern identified by respondents include finding enough skilled workers. This could be done through better recognition of foreign credentials as well as improved linkages between the sector and post-secondary institutions. Management skills is another area of potential improvement. Specifically, respondents suggested that managers need more international exposure and more outside business expertise. Finally, quality-of-life factors, such as better availability of green space, more timely health care services, and entertainment options, were also cited as a way to improve the attractiveness of Toronto.

CHAPTER 1

Introduction

Chapter Summary

- Toronto's financial services sector is a major contributor to the economic activity of headquarters in the metro area.
- The sector is the third largest source of headquarters employment in the city.
- Toronto also has the highest concentration of financial services headquarters in Canada.
- Given the size and significance of Toronto's financial services headquarters, the main objective of this report is to examine the current state, composition, size, and economic contribution of financial services headquarters in Toronto.

Attracting and retaining corporate headquarters is a common objective of economic development agencies around the world. This is because headquarters bring highly skilled and well-compensated jobs to local communities. As well, headquarters typically spawn important secondary socio-economic impacts to the communities where they are located. This is why the number of headquarters clustered in a city is often used in international surveys as a criterion to rank a city's economic prowess and international influence.

Toronto, as Canada's headquarters capital, enjoys many of these benefits, and the financial services sector is a major contributor to the economic activity of headquarters in the metro area. The sector is the third largest source of headquarters employment in the city. In fact, one in six headquarters employees in Toronto works for a financial institution. Toronto also has the highest concentration of financial services headquarters in Canada, with 43 per cent of Canadian financial services headquarters employees working there.

Given the size and significance of Toronto's financial services headquarters, the main objective of this report is to examine the current state, composition, size, and economic contribution of financial services headquarters in Toronto. In order to achieve this, we first examine the characteristics of headquarters. This includes a discussion of a corporate headquarters' main functions and benefits, and the key features that attract headquarters.

We then turn to an overview of headquarters in Toronto, drawing heavily from Statistics Canada's Head Office Survey to track trends and changes in headquarters operations across Canada's major cities, with a particular emphasis on financial services. These results allow for a comparison and evaluation of Toronto versus other major Canadian cities in terms of headquarters operations.

Finally, we discuss the results of the Toronto as a Location for Headquarters of Financial Institutions Survey, which was conducted by The Conference Board of Canada as part of this study. The purpose of the survey was to gain additional insights about Toronto's attractiveness as a financial services headquarters location. As well, survey respondents also offered suggestions that can make the city an even more attractive and compelling location for financial institutions to establish their headquarters.

CHAPTER 2

Why Do We Care About Headquarters?

Chapter Summary

- Headquarters tend to be a source of high-paying and highly skilled jobs.
- Headquarters spawn significant spillover impacts for the local economies in which they operate.
- Headquarters can serve to improve a region's international profile and link the region with the rest of the world.
- Headquarters' location choice is based on factors such as corporate income tax rates, international accessibility, a skilled local workforce, and high levels of business intermediation services. Other features such as an agglomeration of headquarters and a high standard of living also increase the probability of locating a new headquarters in a region.

What Are Headquarters?

A headquarters is a corporate unit that performs administrative and managerial functions at a location that is separated from the corporation’s production units. Its activities include corporate functions such as strategic organizational planning, communications, tax planning, legal services, marketing, finance, human resources, and information technology services.¹ In short, the primary purpose of a headquarters is to direct or manage the enterprise as a whole.

Headquarters exist to add corporate value beyond what is added by corporate divisions or business units, and this value is related to a variety of activities. While many researchers have laid out frameworks that describe the different roles of headquarters, all of these frameworks contain common elements. One such framework puts forward four main functions for corporate headquarters:²

1. **Obligatory functions:** Encompass all of the legal, compliance, and finance activities needed to conform to corporate governance standards and regulatory requirements.³
2. **Shared services:** Provide business units with corporate services such as human resources, marketing, finance, information technology, and legal services, allowing firms to enjoy economies of scale on these back-office functions.
3. **Control functions:** Monitor and control the performance of all the operating units. Since the corporate entity is ultimately accountable for the financial performance of the company, it must adopt a control system to effectively delegate decision-making to operating units.

1 Statistics Canada, “551114—Head Offices.”

2 Collis, Young, and Goold, *International Differences in the Size and Roles of Corporate Headquarters*.

3 Couto and Neilson, *Headquarters: Irrelevant or Irreplaceable?*

4. **Coordination functions:** Develop, allocate, and deploy valuable resources throughout the corporation. Coordination also includes developing and implementing the business's corporate strategy.

A corporation may choose to carry out all the functions in one location, although it is also possible for a corporation to have regional or subordinate headquarters that perform some of these functions. For example, the Italian carmaker Fiat recently moved its parent company's legal domicile to the Netherlands, its tax residence to Britain, and its main stock market listing to New York.⁴ Indeed, among a sample of 25,000 U.S. corporations, Strauss-Kahn and Vives found that an average corporation has 15 headquarters.⁵ In the context of Toronto's financial services sector, an example of a regional headquarters would be Citibank's Canadian headquarters in Toronto, which is subordinate to the Citibank corporate headquarters in the United States.

The official corporate headquarters will generally house the chief executive officer (CEO) and other C-suite⁶ executives who have a direct mandate from the board of directors and/or shareholders to set strategy for the organization. The regional or subordinate headquarters may be organized along their areas of expertise or particular skill sets. These are sometimes referred to as "centres of excellence," where certain types of expertise are held centrally for the use of all business units. The regional or subordinate headquarters may also encourage collaboration across business units using the centre's expertise. For example, CIBC's corporate headquarters is in Toronto, yet its corporate asset management operations are based in New York City because many of CIBC's corporate clients are in the United States.⁷

- 4 The Economist, "Here, There and Everywhere: Why Some Businesses Choose Multiple Corporate Citizenships."
- 5 Strauss-Kahn and Vives, "Why and Where Do Headquarters Move?"
- 6 C-suite refers to the three-letter title acronyms that start with "C" and end with "O" (for "chief ... officer"). For example, three such officers are chief executive officer (CEO), chief operations officer (COO), and chief financial officer (CFO).
- 7 Létourneau and Heidrich, *Canadian Banks Abroad*.

Headquarters tend to be a source of high-paying and highly skilled jobs.

Headquarters are always functionally and very frequently geographically separated from other corporate facilities. This is the reason why Statistics Canada recognizes only 2,816 headquarter operations in Canada in 2012,⁸ even though there are more than 1 million businesses in the country.⁹ In Statistics Canada's *Business Register*, headquarters are treated as a type of production unit. They are only recognized as a production unit if they are located in a separate physical location. A headquarters that is co-located with a production unit (e.g., a manufacturing plant) would not be counted as a separate unit. Given that most of the enterprises in Canada are small and medium-sized, the management functions are part of the overall responsibilities that individual employees undertake, and are not managed by a separate "headquarters" unit.

Even in the situation where a business is sufficiently large and developed that it has separate senior management positions, the business may not have a separate headquarters unit. It is for this reason that headquarters are most common among large businesses. In fact, there were 2,938 enterprises with more than 500 employees in Canada at the end of 2012,¹⁰ a similar number to the total number of headquarters in the country.

The Benefits of Headquarters

Headquarters are attractive to the regions in which they operate for a variety of reasons. One of the most commonly recognized benefits is that they tend to be a source of high-paying and highly skilled jobs. For example, the average weekly earnings for senior managers are more than double the average for all employees. (See Chart 1.) Of course, not all positions in a headquarters would be reserved for high-level executives; nonetheless, many of the other jobs found at headquarters are professional occupations that also pay above-average wages.

8 Statistics Canada, *CANSIM Table 528-0001*.

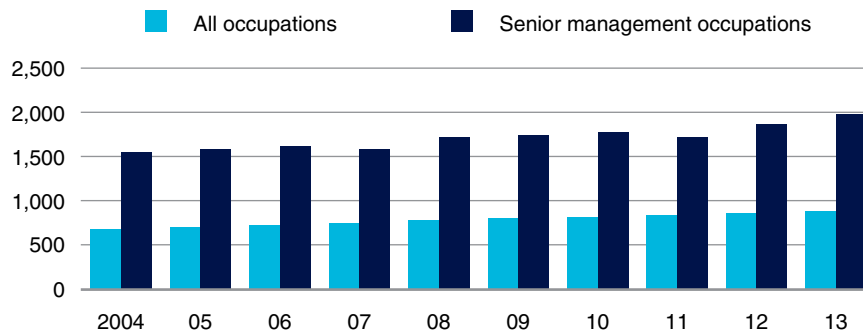
9 Enterprise count data from Statistics Canada's *Business Register*.

10 Ibid.

Chart 1

High Pay Makes Headquarters Attractive

(\$, average weekly wage rate)



Source: Statistics Canada, CANSIM Table 282-0069.

In addition to the direct jobs and wages created by headquarters, they also spawn significant spillover impacts for the local economies in which they operate. One example of a spillover is the indirect, or supply chain, effects for the local economy. Headquarters typically outsource activities such as accounting, legal, information technology, and advertising services. Therefore, headquarters generally support a variety of above-average-paying ancillary services in their local communities. We estimate that for every 100 direct jobs at a headquarters in Canada, another 74 jobs are supported indirectly.

Headquarters also generate other types of spillovers. For example, studies have found that headquarters are responsible for large donations to local charities, which are delivered through two primary channels. First, corporations themselves are large donors. Second, highly compensated corporate executives often act as personal benefactors to many local charities.¹¹ Headquarters may also have a high propensity to contribute non-monetary resources to charities, such as volunteer time. In one study, the Institute for

11 Card, Hallock, and Moretti, *The Geography of Giving*.

Competitiveness & Prosperity noted that the five largest banks headquartered in Toronto contributed to local United Ways at a significantly higher rate than other companies.¹²

Knowledge (such as production technology, marketing techniques, and business practices) spillover is another benefit of hosting headquarters. This effect results when knowledge flows from the knowledge-owning or -creating corporations to businesses located in the same geographical area, which can then benefit from it. In essence, if a firm has been successful enough to establish a separate headquarters operation, it likely has some firm-specific assets that allow it to generate superior performance. Those assets may transfer to other local firms through factors like supply chain linkages, the movement of employees between firms, and competitive pressures.

Headquarters can also serve to improve a region's international profile, since hosting the headquarters of successful firms implies good local business supports.¹³ Corporations tend to locate their headquarters in cities with qualities such as a strong business environment, large talent pools, high-quality infrastructure, and attractive quality of life. In fact, the number of headquarters clustered in a city is often used as a criterion for ranking a city's economic prowess and international influence.¹⁴ Ultimately, headquarters are perceived as attractors of business services, human talent, and investment.

Beyond the local contributions of headquarters, their presence helps to link the region with the rest of the world. Headquarters are decision-making centres. They are not only part of global value chains, but they create these chains by dispersing the value-added process through their international operations to seek either efficiency gains, save costs, or take advantage of other local strengths. For instance, many Canadian financial services corporations have headquarters in Toronto,

12 Institute for Competitiveness & Prosperity, *Assessing the Economic Impact of Head Offices in City Regions*.

13 Sassen, "The Global City."

14 Thompson, "The World's 26 Best Cities for Business, Life, and Innovation."

but they also have substantial foreign affiliates and foreign assets. And, headquarters are increasingly locating some of their value-added activities in offshore affiliates, where they can take advantage of specific local factor endowments that reduce their costs.¹⁵ Research and development (R&D) may be one of these activities.

It has traditionally been assumed that corporations tend to conduct R&D at the same location as the headquarters. Thus, one of the perceived advantages of hosting headquarters is that the local economy will benefit from R&D spillovers. However, the relationship between the location of R&D spending and headquarters is waning. A study on the R&D spending patterns of headquarters found that the 25 largest R&D performers in the world all conduct some R&D in the same city as their headquarters, but none conduct their entire R&D at their headquarters location.¹⁶ Instead, corporations are putting their current and future R&D investments closer to their customers, or to where specific research strengths already exist.

Key Features That Attract Headquarters

Businesses locate their headquarters in regions that maximize their productivity, facilitate the efficient gathering and use of information, and offer easy access to sources of finance and skilled workers. In general, location choice is based on factors such as corporate income tax rates, international accessibility, a skilled local workforce, and high levels of business intermediation services. Other features such as an agglomeration of headquarters and a high standard of living also increase the probability of locating a new headquarters in a region.

Corporate income tax rates can be a powerful influence on headquarters location, especially for multinational corporations.¹⁷ (See Chart 2.) One example is that California hosts fewer headquarters than Texas

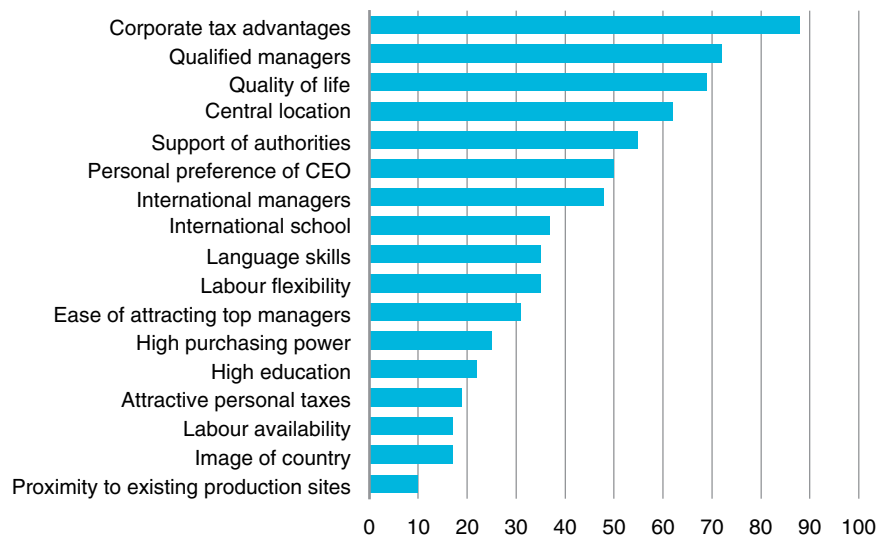
15 Mudambi and Venzin, "The Strategic Nexus of Offshoring and Outsourcing Decisions."

16 Institute for Competitiveness & Prosperity, *Flourishing in the Global Competitiveness Game*.

17 Arthur D. Little Inc., *Benchmarking of Global and Regional Headquarters*.

despite its many advantages, such as a bigger population base, largely because of its higher effective tax rates.¹⁸ In comparison, corporate tax rates in Canada for business income over \$500,000 are relatively similar across provinces.¹⁹ For example, corporate income tax rates for Ontario, Quebec, and British Columbia are 11.5, 11.9, and 11 per cent, respectively. As a result, corporate income tax rates in the Canadian context do not appear to be a key location determinant. In the global context, Canada is ranked 47th in terms of corporate income tax rates²⁰ among 135 countries in 2014,²¹ which puts Canada at a competitive disadvantage versus lower-taxed nations in its efforts to attract new headquarters.

Chart 2
Importance of Factors When Choosing a Head Office Location
 (share of responses, per cent)



Source: Arthur D. Little (Schweiz) AG, "Headquarters Are on the Move."

18 Grant, *Valuing Headquarters: Analysis of the Role, Value, and Benefit of Headquarters in Global Value Chains*.

19 KPMG, *Federal and Provincial/Territorial Tax Rates for Income Earned by a CCPC*.

20 It comprises a federal tax component and a provincial tax component.

21 KPMG, *Global Corporate Tax Rates Between 2006 and 2014*.

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International accessibility is another determining location factor. Headquarters need to coordinate and command activities within the firm, which involves executing information exchanges across the various business units. Since these exchanges sometimes require face-to-face contacts and business units tend to be geographically dispersed, efficient transportation services is an attractive quality. It is also likely that headquarters staff will need to meet customers that are geographically dispersed, providing an additional need for good transportation links.

Headquarters are also drawn to locations with a large pool of highly skilled workers. This is mainly due to the fact that headquarters regularly have specialized staffing requirements. A study on Canadian headquarters location choices found that a doubling of a city's share of university graduates in the population is associated with three or four times more headquarters per capita.²² This will eventually lead to a positive cycle, with headquarters attracting top talent to the region and vice versa.

Corporations also prefer headquarters locations with a wide variety of business intermediation services to support their operating activities. Because business services such as advertising, legal, and accounting tend to be very specialized and complex, headquarters frequently outsource to local firms rather than produce them in-house. Consequently, headquarters prefer to be located close to where these services are available to allow more efficient interaction. The largest business services firms also tend to locate their headquarters in the same locations where their clients are located. Ultimately, the agglomeration of headquarters in different fields helps to provide upstream and downstream services to each other.²³

22 Head and Ries, *Head Office Location: Implications for Canada*.

23 Bel and Fageda, *Getting There Fast*.

The decision about where to locate the headquarters of a corporation is often based on a multitude of factors that are associated with corporate strategy and internal organization.

Finally, there is a tendency for headquarters operating in the same sector to concentrate in a particular region. This may simply reflect a benefit of spatial concentration, which facilitates the exchange of specialized information or knowledge among industry participants. Another explanation is that certain locations have a common interest for many corporations, such as proximity to input sources. Calgary, for example, is Canada's energy hub because it is geographically situated near massive oil and mineral reserves. Accordingly, a majority (53 per cent) of Canadian mining, oil, and gas extraction-related corporate headquarters are found in the city.

In summary, the decision about where to locate the headquarters of a corporation is not based on any stand-alone features. It is often based on the consideration of a multitude of factors that are associated with corporate strategy and internal organization. We discuss the factors that make Toronto specifically attractive to financial services businesses in Chapter 4 of the report.

CHAPTER 3

Headquarters in Toronto

Chapter Summary

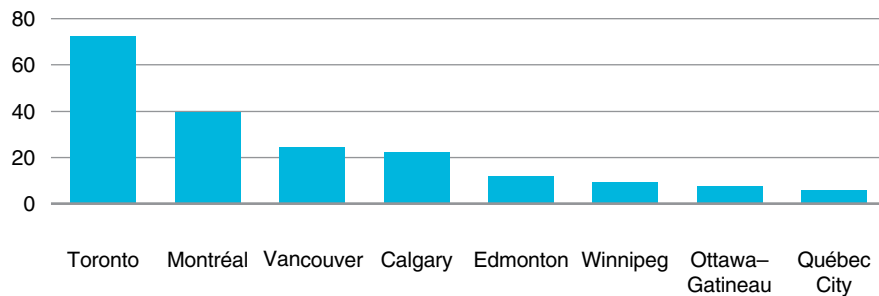
- Toronto is Canada's corporate headquarters hub, hosting one-quarter of all the headquarters in the country and employing one-third of all Canada's headquarters workers.
- Toronto has the highest concentration of financial services headquarters in Canada.
- The financial services sector is the third largest source of headquarters employment in Toronto, behind only retail and manufacturing.
- Financial headquarters in Toronto tend to be large due to their sizable assets, large international presence, and high degree of regulatory requirements.

Toronto is Canada’s corporate headquarters hub. In 2012, it was home to 726 corporate headquarters—one-quarter of all the headquarters in the country and nearly twice the number in the second-ranked city Montréal, at 397. (See Chart 3.) What is more, one-third of Canada’s headquarters employment is found in Toronto. Thus, headquarters in Toronto tend to be larger than the Canadian average.

Chart 3

Toronto Has More Headquarters Than Any Other Canadian City

(number of headquarters, by metro area, 2012)



Note: This chart is a special tabulation from the *Annual Head Office Survey*.
Source: Statistics Canada, *Annual Head Office Survey*.

Toronto is also where the headquarters of the largest corporations in Canada tend to congregate. Among the 500 largest corporations in Canada, 41 per cent have a headquarters in Toronto and 36.8 per cent of their headquarters employment is in Toronto. This is a strong signal of the agglomeration effects of headquarters, with headquarters being attracted to regions with a critical mass of attractive features, such as developed support services and a deep labour pool.

Even though the number of headquarters in Toronto is shrinking, the number of headquarters employees is rising.

Part of the reason for the high concentration of headquarters in Toronto is the region's size and location. Toronto is Canada's largest metro area and the fourth largest by population in North America. One-quarter of Canada's population is located within 160 km of the city and more than 60 per cent of the U.S. population is within a 90-minute flight.¹

However, Toronto's size does not explain everything. Toronto has 12.2 head offices per 100,000 people.² Among major cities in Canada, only Calgary has a higher concentration of headquarters.

The number of headquarters located in Toronto has been trending down modestly. However, this is true of most cities in Canada. In fact, the total number of headquarters in the country has averaged annual declines of about 1.1 per cent per year since 1999. In comparison, the number of headquarters in Toronto averaged declines of 0.4 per cent over the same period. Thus, Toronto's share of the number of Canadian headquarters has actually increased modestly, although this trend has slowed in the past few years.

Even though the number of headquarters in Toronto is shrinking, the number of headquarters employees is rising. Since 1999, the number has risen by an average of about 0.8 per cent per year, which exceeds the average for all of Canada, at -0.1 per cent. Thus, Toronto's headquarters have been expanding in size and Toronto has been accounting for a growing share of Canada's headquarters employment, although again that trend has slowed in recent years.

The trend of fewer but larger headquarters may be driven by several factors. First, consolidation, particularly among the headquarters of industries, may have been a factor. As well, the remaining headquarters are likely expanding their roles through product or geographic expansion.

1 Toronto Financial Services Alliance, *Toronto—Canada's Business and Financial Capital*.

2 See *CANSIM Table 528-0001*.

Finally, it is possible that the declining number of headquarters is partially related to hollowing-out,³ although the accompanying increase in total employment in headquarters makes this an unlikely event.⁴

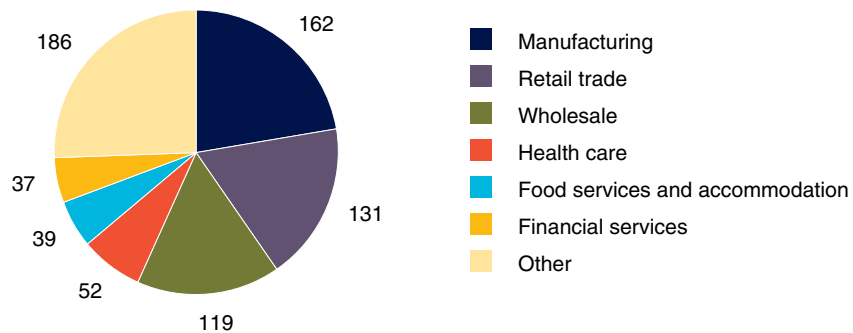
The Composition of Toronto’s Headquarters

Although Toronto remains Canada’s headquarters capital, what types of businesses have their headquarters there? Together, manufacturing, retail trade, and wholesale trade account for more than half of the total number of headquarters in Toronto. (See Chart 4.) The financial services sector ranks sixth, with 37 headquarters—or 5 per cent of the total. Headquarters in the major financial services sector include 4 out of the top 5 banks in Canada, Canada’s 2 largest life and health insurers, a top 10 global equity market, and 6 out of Canada’s top 10 largest pension funds.

Chart 4

Manufacturing, Retail, and Wholesale Account for Most of Toronto’s Headquarters

(number of headquarters in Toronto, by sector, 2012)



Source: Statistics Canada, *Annual Head Office Survey*.

- 3 “Hollowing-out” of corporate refers to corporate mergers with and acquisitions by foreign companies that lead to a loss of head offices in Canada, or to a loss of the higher-value, strategic planning functions within head offices.
- 4 Baldwin, Beckstead, and Brown, *Hollowing-Out, Trimming-Down or Scaling-Up?*

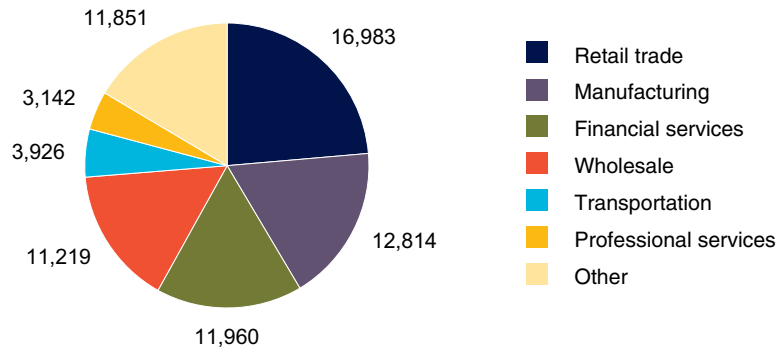
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At 16.6 per cent, the financial services sector ranks much higher when it comes to its share of headquarters employment in Toronto. Thus, one in six headquarters employees in Toronto works for a financial institution. In fact, with 11,960 headquarters employees in financial services, the sector is the third largest source of headquarters employment in the metro area, behind only the retail and manufacturing sectors. (See Chart 5.)

Chart 5

Financial Services Rank Third in Terms of Share of Financial Services Employment

(number of headquarters employees in Toronto, by sector, 2012)



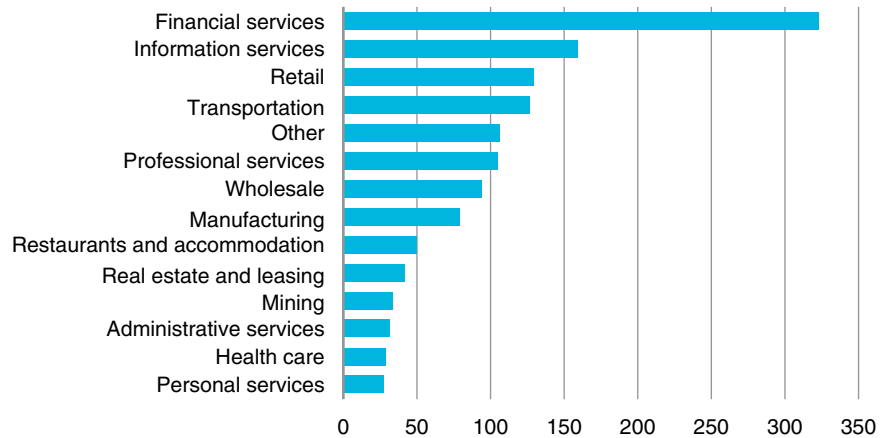
Source: Statistics Canada, *Annual Head Office Survey*.

The key reason for the financial services sector’s difference in ranking between headquarters counts and headquarters employment is that financial services headquarters tend to be very large. This is evident when we compare the average employment count per headquarters among different sectors. The average employment count per financial services headquarters in Toronto is 323.2, which makes it the highest “density” employer among all the sectors. (See Chart 6.) With more than 300 employees per headquarters, the financial services sector employs twice as many employees as the next largest sector.

Chart 6

Financial Services Headquarters Tend to Be Very Large

(average employees per headquarters in Toronto, by sector, 2012)



Sources: Statistics Canada; The Conference Board of Canada.

Why Are Toronto's Financial Institution Headquarters So Large?

The large size of financial services headquarters may be due to a number of factors. Size may be related to a company's corporate strategy, the nature of its business, or its organizational structure. The degree of regulation in a sector may also have an impact. In the case of Toronto's financial services sector, three reasons explain the typically "large" size of its headquarters.

First, many of the financial institutions headquartered in Toronto are large companies with sizable assets. Indeed, according to the *Financial Post's* list of the 500 largest companies in Canada, 7 of the 20 largest businesses in Canada in terms of revenues are financial services firms headquartered in Toronto (including the Royal Bank of Canada, The Toronto-Dominion Bank, Manulife Financial, The Bank of Nova Scotia,

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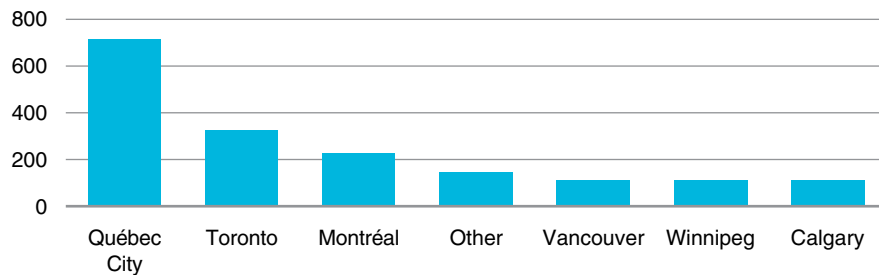
Brookfield Asset Management, Sun Life Financial, and Canadian Imperial Bank of Commerce). Large businesses tend to require larger staffs at their headquarters to support their large and complex businesses.

The size effect is also apparent when we look at the average size of Canadian financial services headquarters inside and outside of Toronto. In Toronto, financial services headquarters average 323 employees, compared with 166 in the rest of the country. Among major metro areas, only financial services firms in Quebec have a larger average size. (See Chart 7.) There are only six financial services headquarters in Quebec, and they include large firms such as Caisse de dépôt et placement du Québec, Industrial Alliance Insurance and Financial Services, and Desjardins Financial. Thus, the concentration of a few large headquarters in the metro area is influencing the results.

Chart 7

Toronto's Financial Services Headquarters Are Larger Than in Most Cities

(average employees per financial services headquarters, by metro area, 2012)



Sources: Statistics Canada; The Conference Board of Canada.

Second, many of the financial services institutions headquartered in Toronto have a large international presence. Market diversification leads to issues such as managing different accounting and legal standards in different countries. These issues increase the complexity of the

Professional services firms locate in Toronto because the city is home to many headquarters.

oversight function at headquarters. Thus, the size of a headquarters customarily expands when a multinational corporation's geographic scope increases.⁵

Third, headquarters are the legal representatives of the corporation. As such, these headquarters perform all of the obligatory reporting and compliance functions, risk management, and decision-making required to demonstrate due diligence on behalf of shareholders. Since financial institutions generally have a high degree of regulatory requirements, these functions may be larger than at the headquarters of firms in other sectors. This is likely why one study looking at headquarters in seven countries found that financial services headquarters tend to be much larger than average.⁶

The Concentration of Headquarters in Toronto

A diverse array of sectors has their headquarters concentrated in Toronto. In fact, seven different sectors have more than one-quarter of their Canadian headquarters located in Toronto. (See Chart 8.) In particular, the professional services sector⁷ stands out, with close to half of its Canadian headquarters located in Toronto. The symbiotic relationship of the professional services sector with the headquarters of other sectors is likely a key factor supporting its presence in Toronto. In essence, professional services firms locate in Toronto because the city is home to many headquarters, while headquarters locate in Toronto because support services are readily available.

5 Collis, Young, and Goold, "The Size and Composition of Corporate Headquarters in Multinational Companies."

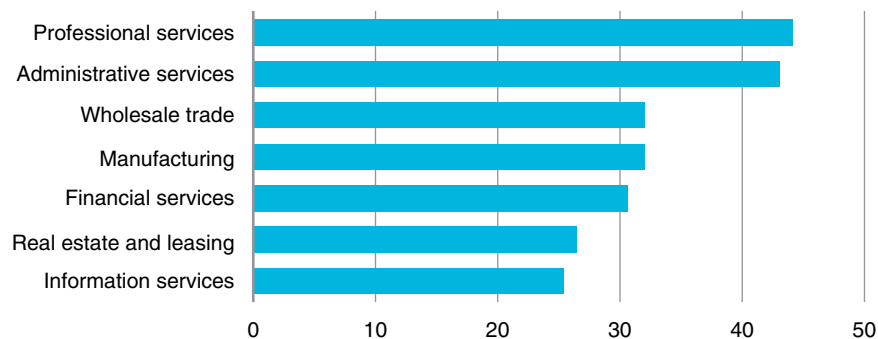
6 Collis, Young, and Goold, "The Structure, Size, and Performance of Corporate Headquarters."

7 This sector comprises establishments primarily engaged in activities in which human capital is the major input. The main components of this sector are legal services; accounting, tax preparation, bookkeeping, and payroll services; architectural, engineering, and related services; specialized design services; computer systems design and related services; management, scientific, and technical consulting services; scientific research and development services; and advertising, public relations, and related services.

Chart 8

Several Sectors Have a High Concentration of Their Canadian Headquarters in Toronto

(share of Canadian headquarters in Toronto for select sectors, per cent)



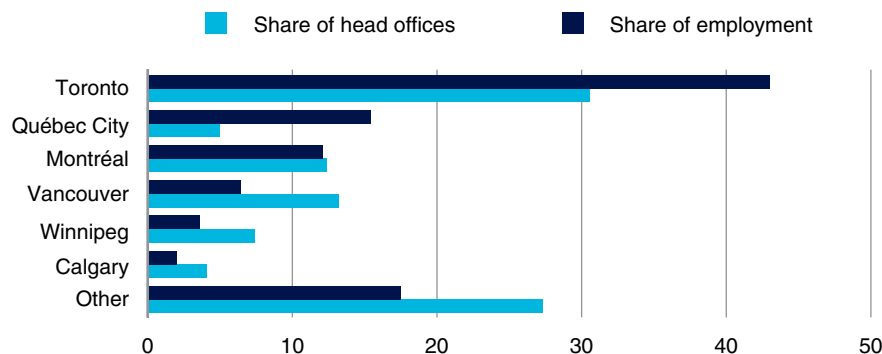
Sources: Statistics Canada; The Conference Board of Canada.

When the focus is narrowed to the financial services sector, we find that Toronto has the highest concentration of financial services headquarters in Canada. (See Chart 9.) Approximately 30 per cent of all financial services headquarters are located in Toronto—more than double the proportion of those located in Vancouver (13.2 per cent), its closest Canadian competitor.

Chart 9

Toronto Is Canada’s Leader for Financial Services Headquarters

(per cent, 2012)



Sources: Statistics Canada; The Conference Board of Canada.

This highlights an interesting point. With only 37 headquarters, the financial services sector ranks only sixth in Toronto in terms of its share of the total number of headquarters in the metro area. However, this is because there are comparatively many more headquarters for certain sectors, such as retail, wholesale, and manufacturing in general. Financial services headquarters are much rarer, with only 121 existing in all of Canada in 2012. Thus, although few in number, they are heavily concentrated in Toronto.

This is even more apparent when we look at employment in financial services headquarters. There were an estimated 27,967 financial services headquarters employees in Canada in 2012, and 43 per cent of them could be found in Toronto. This is more than triple its nearest competitor, Montréal, at 12.4 per cent. Moreover, senior management positions in the financial services sector are also concentrated in Toronto. According to the 2011 Census, 35 per cent of all Canadian senior management positions in the financial services sector are located in Toronto—more than double its nearest competitor, Montréal, at 15 per cent.

CHAPTER 4

Growing Financial Services Headquarters in Toronto

Chapter Summary

- Domestically, Toronto is viewed as the most attractive metro area in Canada for establishing a headquarters in the financial services sector.
- Internationally, Toronto is generally viewed as being equally or more attractive than many of its peers, with only New York, London, and Hong Kong perceived as being more attractive.
- Transportation infrastructure is the one area that stood out as being most in need of improvement in Toronto.

In Toronto, given the significant presence of headquarters in general and financial services headquarters in particular, it is important to recognize and evaluate the region’s comparative advantages when attracting and retaining financial services headquarters. In order to do this, The Conference Board of Canada, in partnership with the Toronto Financial Services Alliance, designed and conducted a survey to solicit views from finance executives about the region’s attractiveness as a headquarters location. As well, survey respondents were asked to provide suggestions about how Toronto can make itself an even more attractive and compelling location for financial institutions to establish their headquarters.

About the Survey and Survey Participants

The Conference Board of Canada conducted an online survey of financial institutions that are headquartered in Toronto, from May to June 2014. A total of 47 responses from 40 different institutions¹ were received. Participants were asked to describe the characteristics of their headquarters in Toronto; identify the key reasons that make Toronto an attractive headquarters location; detail areas that can be improved upon to make the city an even more attractive destination; and compare Toronto’s attractiveness with other cities in Canada and around the world.

¹ Statistics Canada defines “financial services headquarters” differently from the definition used in The Conference Board of Canada survey. For this reason, we surveyed 40 headquarters rather than the 37 recorded by Statistics Canada.

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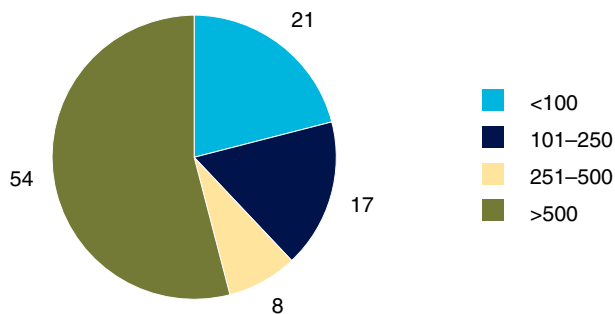
Survey participants were identified and contacted with the assistance of the Toronto Financial Services Alliance.

Responses were obtained from headquarters of financial institutions of different sizes, in a range of industries within the broad financial services sector, and from locations across the Toronto Census Metropolitan Area (CMA).

Large headquarters (500 or more employees) made up more than 50 per cent of the surveyed financial institutions, while small and medium-sized headquarters constituted the rest of the survey participants. (See Chart 10.) This is a reflection of our other research findings, which suggest that financial services headquarters tend to be large in Toronto.

Chart 10
More Than Half of the Survey Participants Have 500 or More Employees

(share by respondents by employee size, per cent; number of responses = 45)



Source: The Conference Board of Canada.

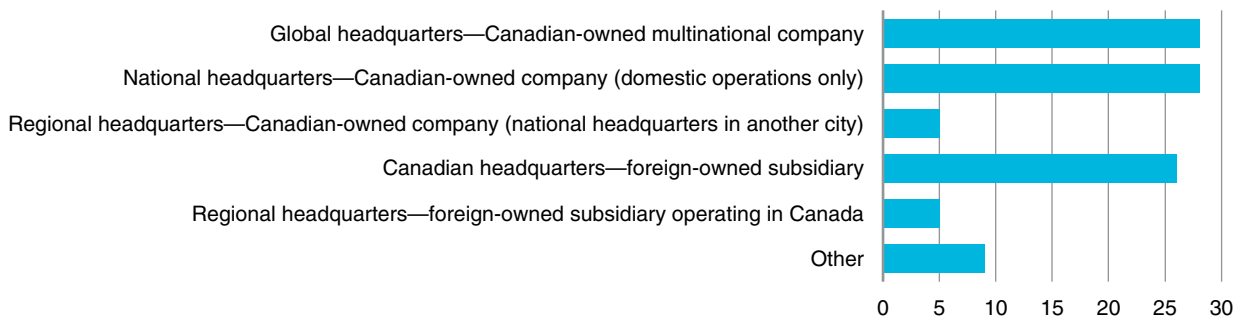
Given their large average size, it is not surprising that headquarters carry out a wide array of functions. Indeed, close to 90 per cent of respondents stated that each of the four identified headquarters functions—obligatory, shared services, control, and coordination—are conducted at their Toronto headquarters.

The fact that most of the respondents are either national or multinational headquarters also helps to explain why the financial services headquarters in Toronto are both large and tend to carry out all four major headquarters functions. The majority of our survey participants (56 per cent) are either the global or national headquarters for Canadian financial institutions. (See Chart 11.) Another 26 per cent of respondents were Canadian headquarters for foreign-owned companies.

Chart 11

Survey Participants Mostly From Global or National Headquarters

(share of respondents by headquarters type, per cent; number of responses = 47)



Source: The Conference Board of Canada.

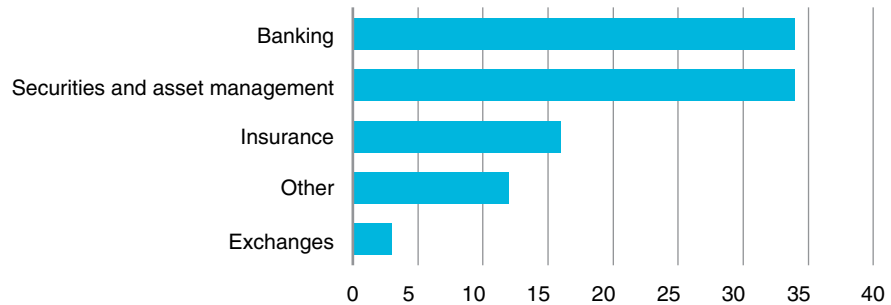
Survey participants also represent a cross-section of Toronto’s financial services sector. Three industries—banking, insurance, and securities—accounted for the majority (82 per cent) of respondents. (See Chart 12.) This is similar to the overall structure of Toronto’s financial services sector, which is dominated by these three industries in terms of the sector’s total employment figures and number of businesses.²

2 Burt, Audet, and Sutherland, *Ensuring the Future*.

Chart 12

Survey Participants Mainly Involved in Banking, Insurance, and Securities

(share of respondents by industries, per cent; number of responses = 47)



Source: The Conference Board of Canada.

Among other characteristics, the survey respondents stand out as being mostly (91 per cent) located in the core of the Greater Toronto Area (including downtown, midtown, North Toronto, York, Etobicoke, East York, Don Mills, and Scarborough), rather than outlying regions. As well, the headquarters of financial institutions in Toronto tend to be well established. Close to 70 per cent of survey respondents have been located in the Greater Toronto Area for more than 20 years.

Toronto's Attractiveness as a Headquarters Location: A Comparison

The survey asked participants their opinions on Toronto's attractiveness as a headquarters location compared with other domestic and international cities. In particular, respondents were asked to give specific reasons for why they thought other cities were more attractive than Toronto. In addition, they were asked to identify cities that they thought were in the best position to compete with Toronto with regard to their potential for hosting financial institutions headquarters.

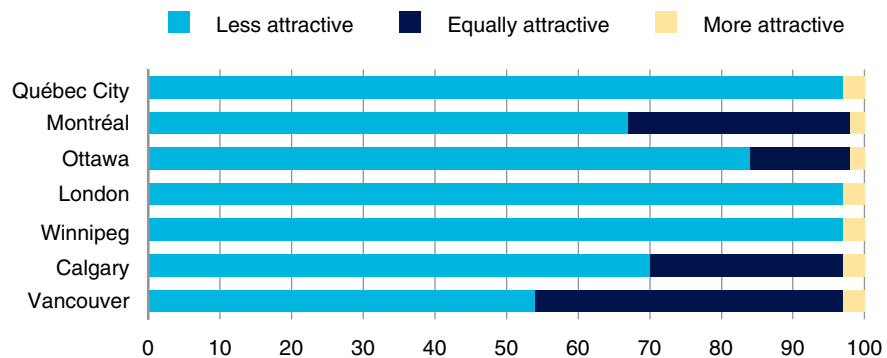
Toronto and Other Domestic Financial Centres

Results from the survey reveal that Toronto compares well against other domestic financial centres, including Vancouver, Calgary, Winnipeg, London, Ottawa, Montréal, and Québec City, in terms of attractiveness as a headquarters location. A majority of respondents viewed Toronto as being more attractive than these financial centres, while only 3 per cent of respondents considered financial centres such as Vancouver or Montréal as being more attractive. (See Chart 13.)

Chart 13

Other Domestic Financial Centres Mostly Viewed as Less Attractive Than Toronto as a Headquarters Location

(share of responses, per cent; number of responses = 37)



Source: The Conference Board of Canada.

Even though no single city stands out as being “more” attractive than Toronto, a sizable minority of respondents considered Vancouver, Calgary, and Montréal as being “equally” attractive. Not coincidentally, these three cities were also regarded as Toronto’s biggest domestic competitors for the headquarters locations of financial institutions.

Vancouver was credited for its location, due to its easy access to both the Asia-Pacific region and the U.S. West Coast markets. Moreover, respondents associated the city with a high quality of life. Calgary’s strengths are focused around its economic conditions (lower personal

and corporate taxes), fast-growing economy, and attachment to the energy sector. Montréal was cited mainly for its access to the Eastern Canadian customer base.

Most of these purported reasons are based on a geographical component, such as proximity to key markets. Since these geographical elements are largely out of the control of the city, Toronto will inherently have certain disadvantages compared with other cities, and vice versa. Consequently, Toronto should focus on elements over which it has some degree of control, such as tax rates, quality of life, and talent pool, to increase the city's attractiveness.

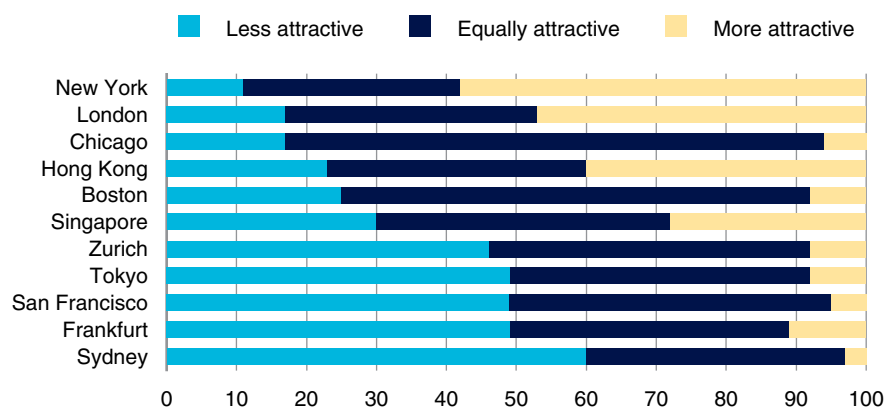
Toronto and Other International Financial Centres

The survey results show that Toronto compares well against other international financial centres in terms of its attractiveness as a headquarters location. Survey participants ranked many of the large international financial centres as “less” or “equally” attractive as Toronto. (See Chart 14.) For example, views on the attractiveness of San Francisco and Zurich compared with Toronto are almost evenly divided between “less” and “equally” attractive. Sydney is also considered to be “less” attractive than Toronto by 60 per cent of survey participants.

Chart 14

Many International Financial Centres Viewed as “Equally” or “Less” Attractive Than Toronto as a Headquarters Location

(share of responses, per cent; number of responses = 35)



Source: The Conference Board of Canada.

A strong majority of respondents suggested that Toronto's biggest competitor for financial institutions headquarters is New York.

However, a significant percentage of respondents considered New York, London, and Hong Kong to be “more” attractive locations than Toronto. Singapore was also cited, although to a lesser extent, with an almost equal number of responses proposing that it was “more” and “less” attractive than Toronto. Nevertheless, the attractiveness assessments are consistent with international rankings of financial centres. According to The Global Financial Centres Index 15, the top four financial centres worldwide in 2014 are New York, London, Hong Kong, and Singapore.³

Key advantages cited by respondents for New York, London, and Hong Kong include their large customer base, diverse talent pools, and innovative institutions. They also tend to offer easy access to multinational companies and business-related resources. Hence, there is clear evidence of network effects occurring in these financial services centres, as companies and financial capital congregate toward cities that are deemed to have the widest access to resources, markets, and support services. Other respondents cited innovation, low taxes, and infrastructure (transportation and market) as making these cities more attractive.

In particular, Hong Kong was mentioned as an established gateway to the Asia-Pacific markets, making it particularly desirable due to the strong growth potential of this region. New York and London were cited for their greater global economic footprints, well-established networks and infrastructure, and high level of reputational awareness as financial hubs compared with Toronto.

A strong majority of respondents suggested that Toronto's biggest competitor for financial institutions headquarters is New York. Besides the advantages already listed, New York's proximity to Toronto means that it has many of the same geographic benefits (e.g., located in the same time zone) as well as similar access to much of the same customer base.

3 Yeandle and Danev, *The Global Financial Centres Index 15*.

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Location Criteria for Financial Services Headquarters

In the survey respondents were asked to rate multiple criteria in terms of how important they are in making Toronto an attractive headquarters. These criteria were separated into three categories:

- business infrastructure, access to related business services, and political stability;
- human resources, expertise, and talent;
- health, social, and environmental infrastructure, quality of life, and related activities and services.

Business Infrastructure, Access to Related Business Services, and Political Stability

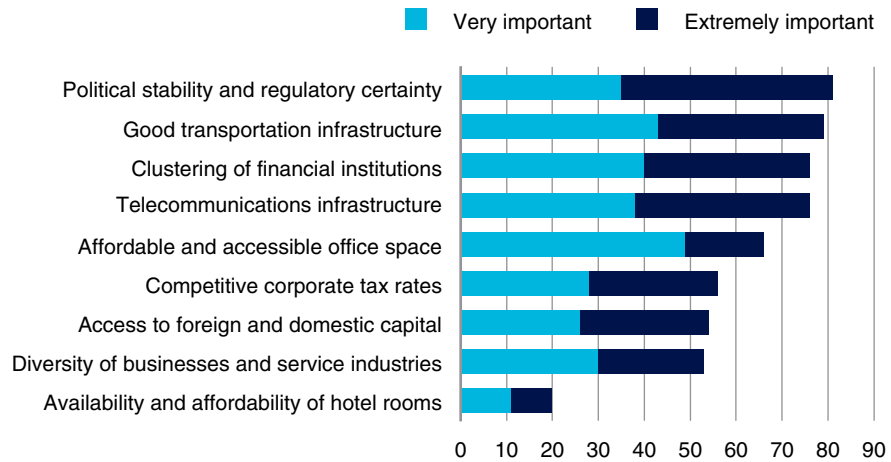
In this category, we asked respondents about nine criteria that are potentially important to attracting headquarters. Of these, four stood out as being particularly important, with 75 per cent or more of respondents indicating that they were either “very important” or “extremely important” for the location of a financial institution headquarters (See Chart 15):

1. political stability and regulatory certainty
2. good transportation infrastructure
3. proximity to other financial institutions and headquarters
4. telecommunications infrastructure

Chart 15

Importance of Criteria Related to Business Infrastructure, Access to Business Services, and Political Stability

(share of responses, per cent; number of responses = 42)



Source: The Conference Board of Canada.

Of these four criteria, Toronto’s financial services sector is well positioned in three. In terms of political stability and regulatory certainty, Canada’s financial system has been ranked as the world’s soundest for the past six consecutive years by the World Economic Forum.⁴ As well, according to the World Bank’s Worldwide Governance Indicators project,⁵ which measures six dimensions of governance such as political stability, government effectiveness, and regulatory quality, Canada is ranked above the 90th percentile for five of the six indicators listed.

In terms of having a large concentration of financial institutions, Toronto ranks highly. According to the Global City Competitiveness Index,⁶ Toronto scored very well (tied with cities like London and New York) in terms of financial maturity, which measures the breadth and depth

4 Schwab, *The Global Competitiveness Report 2013–14*.

5 Kaufmann, Kraay, and Mastruzzi, *The Worldwide Governance Indicators*.

6 Economist Intelligence Unit, *Hot Spots*.

Improving transportation infrastructure is the most important objective for Toronto to improve its competitiveness.

of a city as a financial cluster. As well, in the Global Financial Centres Index survey, Toronto is ranked as a global financial centre with both broad and deep service offerings.⁷

Canada also has a well-developed telecommunications infrastructure. For example, according to the Networked Readiness Index,⁸ Canada was ranked ninth out of 142 countries. This index measures the environment for information and communications technology (ICT), the societal adoption rate of ICTs, the actual usage of key stakeholders, and the impacts that ICTs have on the economy.

However, one area of concern for Toronto is its transportation infrastructure. For example, according to TomTom's 2013 Traffic Index,⁹ Toronto is the second-most congested city in Canada—worse than New York and more than 50 other cities in the Americas.

Not surprisingly, a strong majority of respondents suggested that improving transportation infrastructure is the most important objective for Toronto to improve its competitiveness. Many respondents mentioned a need for improvements to both mass transit and highway infrastructure. Concerns about adequate transportation options also filtered down into reservations about attracting the most qualified personnel and quality-of-life issues. Since a large number of financial institution headquarters in Toronto are located in the downtown core, commuting times were a major concern for those who choose to live in the suburbs.

To a lesser degree, satisfaction with air transportation options was another concern that was raised by respondents. Toronto's Pearson International Airport was ranked as middle of the pack in terms of the best airports in the world—at 46th—far behind Hong Kong (4th) and London (10th) but ahead of NY – JFK (63rd).¹⁰

7 Yeandle and Danev, *The Global Financial Centres Index 14*.

8 Bilbao-Osorio, Dutta, and Lanvin, *The Global Information Technology Report 2013*.

9 Verstraten, "Tomtom 2013 Traffic Index Highlights Toronto Woes."

10 World Airport Awards 2014, *The World's Top 100 Airports in 2013*.

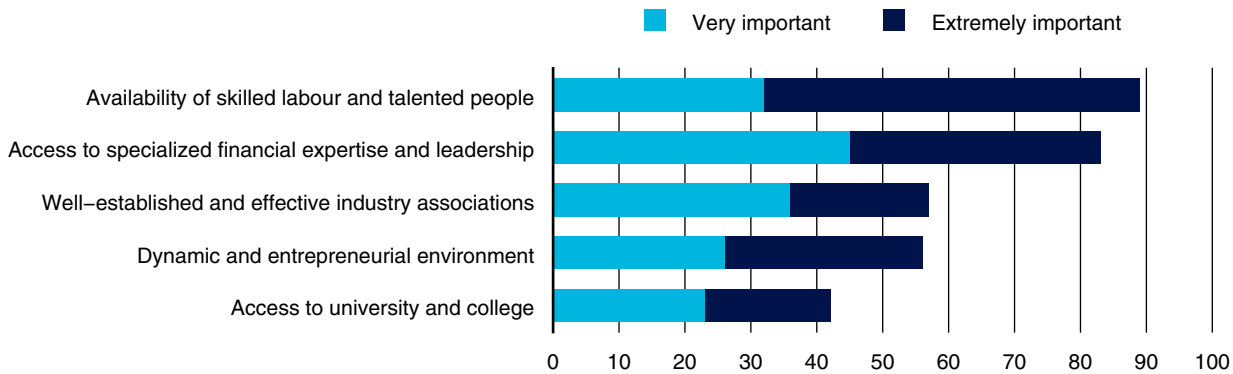
Human Resources, Expertise, and Talent

In this category, we asked respondents about five criteria that are potentially important to attracting headquarters. Two criteria stand out as being most important, with more than 75 per cent of respondents ranking them as being “very” or “extremely” important: availability of skilled labour and talented people; and access to specialized financial expertise and leadership in areas such as banking, asset management, insurance, energy financing, and risk management. (See Chart 16.)

Chart 16

Importance of Criteria Related to Human Resources, Expertise, and Talent

(share of responses, per cent; number of responses = 42)



Source: The Conference Board of Canada.

In general, Canada does a good job in producing skilled and talented workers. For example, according to The Global Talent Index, Canada ranked 14th in 2011 in terms of its talent environment, and is projected to move up even higher in the rankings to 8th in 2015.¹¹

Given Canada’s favourable talent environment, there were no broadly cited problems according to respondents in finding skilled workers or gaining access to specialized financial expertise and leadership.

11 Economist Intelligence Unit, *The Global Talent Index Report: The Outlook to 2015*.

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However, some issues were raised, most to do with improving access to the pool of skilled workers available to the sector. For example, better integration of immigrants and the recognition of foreign credentials were areas identified for improvement. Respondents also suggested that employers need to develop greater linkages with post-secondary institutions to better match graduate skills to jobs where there are skills gaps within the sector. Part of this process would involve reducing barriers for entry-level financial service jobs.

Management skills are another area where improvements can be made. Specifically, respondents suggested that managers need more international exposure and more outside business expertise. Finally, they suggested that better branding of Toronto as a financial services hub, both within Canada and internationally, would assist financial institutions in the city to attract more business and talent.

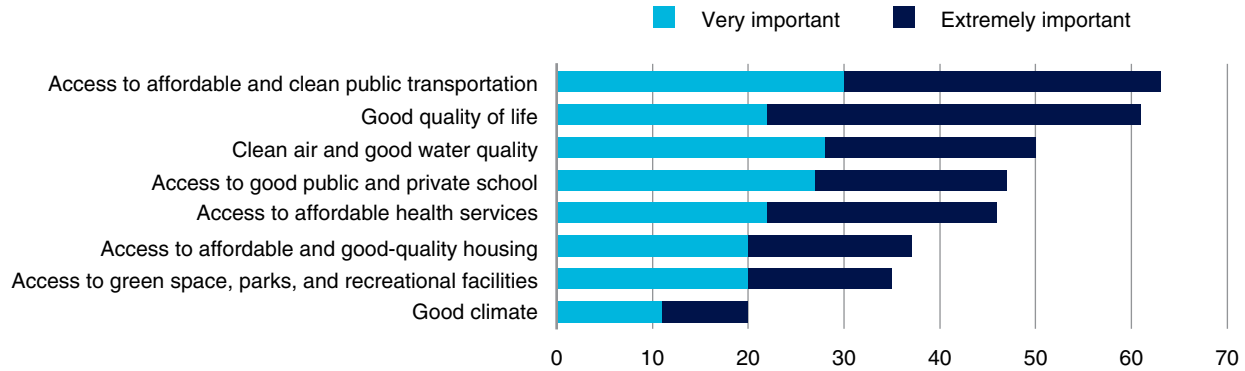
Health, Social, and Environmental Infrastructure, Quality of Life, and Related Activities and Services

In this category, we asked respondents about eight criteria that are potentially important to attracting headquarters. None of the criteria in this category had three-quarters or more of the respondents identifying them as being “very” or “extremely” important—which suggests that the criteria in this category are less important for attracting financial services headquarters compared with the other two categories surveyed. Nonetheless, two criteria did stand out as being the most important in this category: access to affordable, safe, and clean public transportation; and good quality of life. (See Chart 17.)

Chart 17

Importance of Criteria Related to Human Resources, Expertise, and Talent

(share of responses, per cent; number of responses = 42)



Source: The Conference Board of Canada.

In terms of areas for improvement, road and mass transit infrastructure was again identified. Outside of mass transit, other areas for improvement identified include access to more green space within the city. In fact, among quality-of-life criteria, mass transit was the only issue raised more often than green space by respondents. Other issues raised by a smaller number of respondents include better access to timely and high-quality health care, improvements in entertainment options (such as restaurants and theatres), and better access to existing public spaces (such as the waterfront).

CHAPTER 5

Conclusion

Chapter Summary

- The financial services sector is Toronto's third largest source of corporate headquarters employment, with one in six headquarters employees in Toronto working for a financial institution.
- Toronto also accounts for 43 per cent of financial services headquarters employment in Canada.
- Toronto compares favourably with both its domestic and international peers as a headquarters location. However, one important area stood out as needing improvement in Toronto—transportation infrastructure.

Attracting and retaining corporate headquarters is a common objective of economic development agencies around the world. This is because headquarters bring highly skilled and well-compensated jobs to local communities. As well, headquarters typically spawn important secondary socio-economic impacts for the communities where they are located. Therefore, it is important to understand their characteristics and benefits, and the key features that attract them.

As Canada's corporate headquarters capital, Toronto enjoys many of these benefits, and the financial services sector is a major contributor to the footprint of headquarters in the metro area. The financial services sector is Toronto's third largest source of corporate headquarters employment, with one in six headquarters employees in Toronto working for a financial institution. Toronto also accounts for 43 per cent of financial services headquarters employment in Canada.

Given the importance of financial services headquarters to Toronto, it is imperative to understand the factors that make Toronto attractive to this sector. It is equally important to identify areas that need improvement if Toronto is to become an even more attractive destination.

Domestically, Toronto is viewed as the most attractive metro area in Canada for establishing a headquarters in the financial services sector. Internationally, it is viewed as being equally or more attractive than many of its peers. Only New York, London, and Hong Kong are perceived as being more attractive than Toronto. Factors making these three cities more attractive include their large customer base, diverse talent pools, and innovative institutions.

Improved road infrastructure and mass transit links for commuting purposes was widely cited as an area of concern.

More broadly, key factors identified by respondents as making a region attractive for financial services headquarters include:

- regulatory certainty
- good transportation infrastructure
- clustering of financial institutions
- telecommunications infrastructure
- availability of skilled people
- access to financial expertise and leadership

For most of these factors, Toronto compares favourably with both its domestic and international peers. However, one important area stood out as needing improvement—transportation infrastructure. In particular, improved road infrastructure and mass transit links for commuting purposes was widely cited as an area of concern by respondents. A secondary issue related to transportation is the availability and access to efficient and affordable air travel, especially for closing business deals in foreign markets.

Other areas of concern identified by respondents include finding enough skilled workers. Suggested solutions could include greater recognition of foreign credentials and better employment linkages between the sector and post-secondary institutions. Management skills are another area where improvements can be made. Specifically, respondents suggested that managers need more international exposure and outside business expertise. Finally, quality-of-life factors, such as greater availability of green space, more timely health care services, and entertainment options, were also cited as ways to improve the city's attractiveness.

Although this list of areas for improvement was compiled in response to questions about financial services headquarters, these are all issues that are important building blocks for any city that wants to remain competitive in attracting international business and talent.

More practically, improvements in these areas will create a better business environment that can help attract more financial institutions headquarters. Since headquarters are highly sought after, Toronto would do well to understand and capitalize upon its strengths, while simultaneously working to improve upon the identified areas of weakness.

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APPENDIX A

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