

PIVOT



CPA
CANADA



WHY ARE BIG BANKS SO AFRAID OF THIS GUY?

Wealthsimple's Michael Katchen has won over millennials. Now he's coming after everyone else.



THE (ACCOUNTING)
PROBLEM WITH POT

LESSONS FROM
THE GIG ECONOMY

THE TEENAGE GIRL
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MAY/JUNE 2018



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PHOTOGRAPH BY DANIEL EHRENWORTH

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WHEN BIGGER MEANS BETTER

Five years after unification, CPA Canada is a dynamic, global player **BY JOY THOMAS**

Anyone who does M&A work knows that mergers don't always deliver the goods. Sometimes, organizations just don't blend well and the anticipated gains don't materialize.

When we unified Canada's national professional accounting bodies five years ago, we had a clear sense of the business case, including the potential benefits to the profession. But we also knew we would have to manage uncertainty as we combined three organizations with very different corporate and professional cultures.

Today, we can point to clear gains, achievements that have gone a long distance toward elevating the status

and influence of Canada's professional accountants on the global stage. In fact, at a time when calls for protectionism are growing louder and long-standing free trade agreements are under attack, our ability to insert a strong Canadian voice on important global debates has become ever more important for the long-term sustainability of Canadian business.

Two areas stand out. First, there's CPA Canada's global voice: as one of the world's largest national professional organizations, we now have Canadian CPAs on a wide range of international boards, including the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) Foundation (the esteemed former federal auditor general Sheila Fraser sits on the foundation's board as a trustee), the International Auditing and Assurance Standards Board (IAASB), and the International Federation of Accountants (IFAC). We've leveraged the fact that we're now one body to make sure we can assert our view across

these boards on matters of great relevance, not just to the practice of accounting, but also public policy and the efficient functioning of Canadian capital markets.

Our engagement, crucially, is a two-way street: we contribute, but we are also able to share our insights from the international dialogue with key stakeholders in Canada.

Due to our post-unification voice with these global bodies, for example, we've been able to influence matters of critical importance within the G20 on issues such as fraud, corruption and global tax evasion.

Our work internationally, in turn, informs how we engage with the federal government, leading Canadian think tanks and individual Canadians on these policy issues and their implications, for instance, with respect to vulnerabilities in the Canadian tax system.

CPA Canada is able to serve as an important conduit because of the many CPA volunteers and our own employees who are on the ground, contributing directly to these international debates.

The second key area is corporate responsibility. CPA Canada has 210,000 members, which makes it one of the five largest accounting bodies in the world. With size comes responsibility and an imperative to give back.

In the five years since unification, CPA Canada has sought to use its professional experience to foster accounting capabilities in emerging economies. We know that professional accounting practices carried out in an environment with robust standards raise economies, boost productivity and help organizations respond to dynamic conditions

The three legacy bodies all engaged in their own social responsibility activities, and did so with great dedication. Yet scale has given CPA Canada the resources and capacity to amplify its impact with initiatives such as the promotion of financial literacy at home, as well as capacity building in developing nations, where there's a dearth of accounting education and professional standards.

And as you've already noticed, we've remade our magazine. The new name, *Pivot*, captures an essential feature of business, society and the economy. The magazine will focus on change, on smart and agile new approaches for tackling the challenges ahead. Additionally, we have begun publishing digital content in real time so that our members will have even more access to the issues they need to know about in their professional lives. Together, our print and digital properties will cover the people, companies, trends and strategies that are shaping the future. It is our hope that this new magazine and the complementary online content will become a must-read for Canadian business leaders—both CPAs and others—who help companies confront an increasingly dynamic future.

In this inaugural issue, you will meet Michael Katchen, the boy wonder of personal finance. His big, simple idea about how to invest has captured the millennial market and made the Bay Street giants take notice. You will also read about how the gig economy is changing the way people work, and hear from Naheed Nenshi, the outspoken mayor of Calgary. He has found innovative ways to make his city attractive to business after the oil patch economy crumbled beneath his feet. Our new front section, First In, includes incisive columns from CPA chief economist Francis Fong, and our foremost tax authority, Bruce Ball. And our back section, Last Out, serves up lifestyle content—new products, travel, health and so on—but gives it a business spin, finding the disrupters and the creative thinking in that space.

Everything about this magazine is new. We've pivoted, and hope you will find the content to be sharp, informative and authoritative, all of it packaged in a design that's bold and energetic. In the same spirit that we merged three accounting bodies five years ago, we're now looking to engage with our members in fresh and compelling ways. ♦

PIVOT

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FIRST IN

BURNING ISSUE

A BUCKETLOAD OF TROUBLE

A huge global cannabis market awaits. Canadian producers are world leaders. There's just one (accounting) problem...

BY MICHAEL McCULLOUGH

At first glance it's preposterous that an industry with less than half a billion dollars in sales last year should have had a market capitalization of \$37 billion. Even assuming the legalization of recreational marijuana proceeds as planned over the second half of 2018, and all the sales migrate over from the incumbent black market, we're talking about a \$5.8-billion business, tops, according to estimates from Statistics Canada and the Parliamentary Budget Officer. It only makes sense when you consider the global opportunity out there.

The worldwide market is estimated to hit US\$31-billion by 2021, and Canadian companies have it virtually all to themselves—for now. By dint of being the largest country to legalize medical and soon recreational marijuana at the federal level—the other early movers being the Netherlands and Israel—Canada has a unique opportunity for global domination. Countries like Germany and Italy, at earlier stages of legalization, have welcomed well-regulated, transparent operators from Canada to supply their nascent medical marijuana markets. International competition with superior scale, talent and access to capital—the usual obstacle to Canadian companies' global ambitions—does not exist.

Only there's a problem: an accounting problem. It's been raised by equity analysts, commentators and even the chief financial officers of some of the largest players. "I came into the industry a year ago and the first thing I saw was gross profits that were higher than revenues," says Glen Ibbott, a CPA with 25 years' experience under his belt who serves as CFO of Vancouver-based Aurora Cannabis Inc. "And I say 'Okay, there's something crazy going on with the accounting here.'"

Basically, pot producers are booking gross profits and gross margins based on unsold inventory. That's



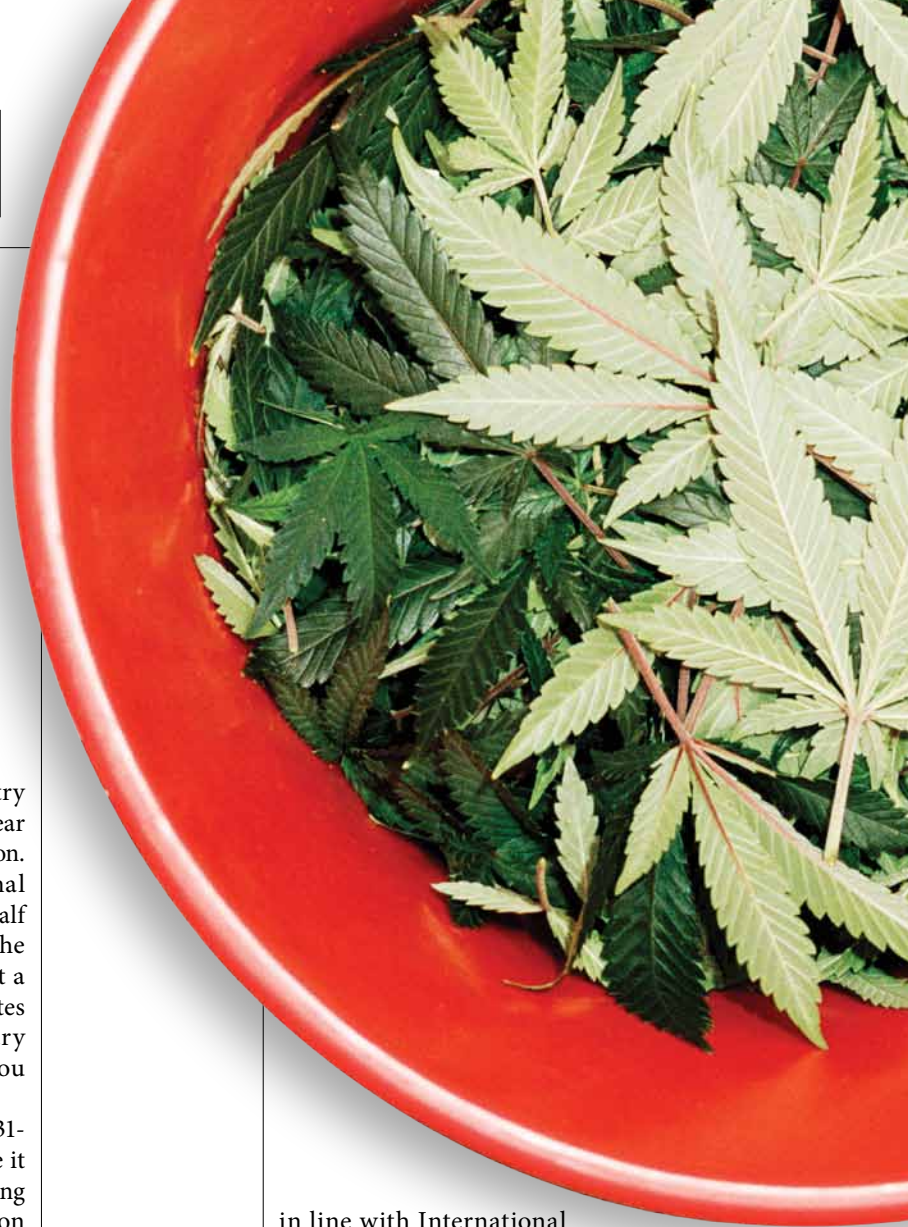
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The number of publicly traded pot companies on the TSX and TSXV

in line with International Financial Reporting Standards (IFRS), which require agricultural businesses to record the fair value of their biological assets, as they grow, as a negative adjustment against cost of sales. But critics consider this estimate speculative, seeing as the recreational market for cannabis has not even been legalized yet. Not to mention the crop could rot, or prices could tank. Some companies are reporting gross profits far in excess of their actual revenues (which are all, to date, from the smaller medical market), and investors are confused, if not deluded.

Producers, meanwhile, feel shackled to a reporting standard they say does not apply very well to their burgeoning industry. Some are proactively including their own additional, non-IFRS metrics to their financial statements in a bid for greater transparency. But as yet there is no agreed methodology or industry-specific guidelines for doing so, whereby investors could compare these line items between different companies.

Some industry CFOs think it's time for a regulatory authority to step in. Linda Mezon, chair of the



PHOTOGRAPH BY NATHAN CYPRIAS



Accounting Standards Board (AcSB), says that once the fuss over legalization and the volatility in the market settles down, the question over whether the standard is appropriate will be clearer. The AcSB is actively monitoring the situation and, in June, its IFRS Discussion Group will have its first meeting on cannabis. Mezon is also planning talks with the standard setters in the Netherlands. If the AcSB does decide a change is needed, it will go to the International Board in London.

“It’s a two-prong issue,” says Mezon. “One, it’s early days now. We’re keeping an eye on events to see what needs to be done. The second prong is that, once we work with the industry, if we identify things that need to be done, the AcSB will move forward to have the right discussions and support the industry in asking for changes as needed.”

To understand how we got here, you have to go back to 2011, when Canada adopted the IFRS for publicly listed companies. IFRS was meant to create a global standard that would allow investors to compare the results of public companies across borders. Before Tweed Marijuana Inc., now known as Canopy Growth Corp.—the first, and still the largest, publicly traded pot company in Canada—

went public in 2014, it received an expert opinion from its auditor, Deloitte, on how to report its biological assets per IFRS. That determination hewed to IFRS rules for agricultural companies, which included booking the value of unsold plants as a fair value adjustment on the balance sheet, which then triggered reporting on the profit and loss statement as a debit or credit under cost of sales.

Rival companies now feel bound by that precedent even though some question its applicability. (Canopy Growth did not respond to questions for this story.) The fair value adjustment, critics argue, was intended for companies with relatively long-lived assets such as hogs or trees. This way, they could demonstrate the value they were creating in the very long lead time before they sold these biological assets. Marijuana, by contrast, is grown in a six- to 20-week cycle. Importantly too, there exist futures markets for hogs and trees and many other agricultural commodities, meaning a farmer with a three-year-old hog can sell it today for delivery in a year’s time. This is not yet true of cannabis. Growers currently have no opportunity to pre-sell their inventory and no one knows what the market these plants will be sold into will look like.

Lumping them in with farmers also misinterprets how pot producers create value, argues Igor Gimelshtein, CFO of Markham, Ont.-based MedReleaf Corp. “Farming is just one component of our business. We harvest, process, manufacture, package and brand our product. Why should I be recognizing gross profit on just the farming part?” He compares pot companies to wineries: how much they charge for their product has more to do with what happens after the harvest than before.

MedReleaf modifies its income statement in an effort to clarify things for investors, and Aphria Inc. and even Canopy Growth itself have followed suit. They insert a gross profit line that does not factor in the fair value adjustment ahead of the IFRS-defined gross profit line. “Is that going to become a common convention? I’m almost sure of it,” Gimelshtein says.

Given the unprecedented opportunity for Canadian operators, it’s worth getting this part right. Industry CFOs know only too well what a shame it would be for this situation to let one or two less scrupulous players soil Canada’s reputation with stock-promotion shenanigans just as a global market is set to take off. ♦

Estimated
cannabis sales
in Canada

**\$5.8
BILLION**

Estimated
sales worldwide
by 2021

**US\$31
BILLION**

Market cap
reached
by cannabis
producers

**\$37
BILLION**

INNOVATOR

MACHINE MAN

How Geoffrey Hinton, the godfather of artificial intelligence, changed the way we do business

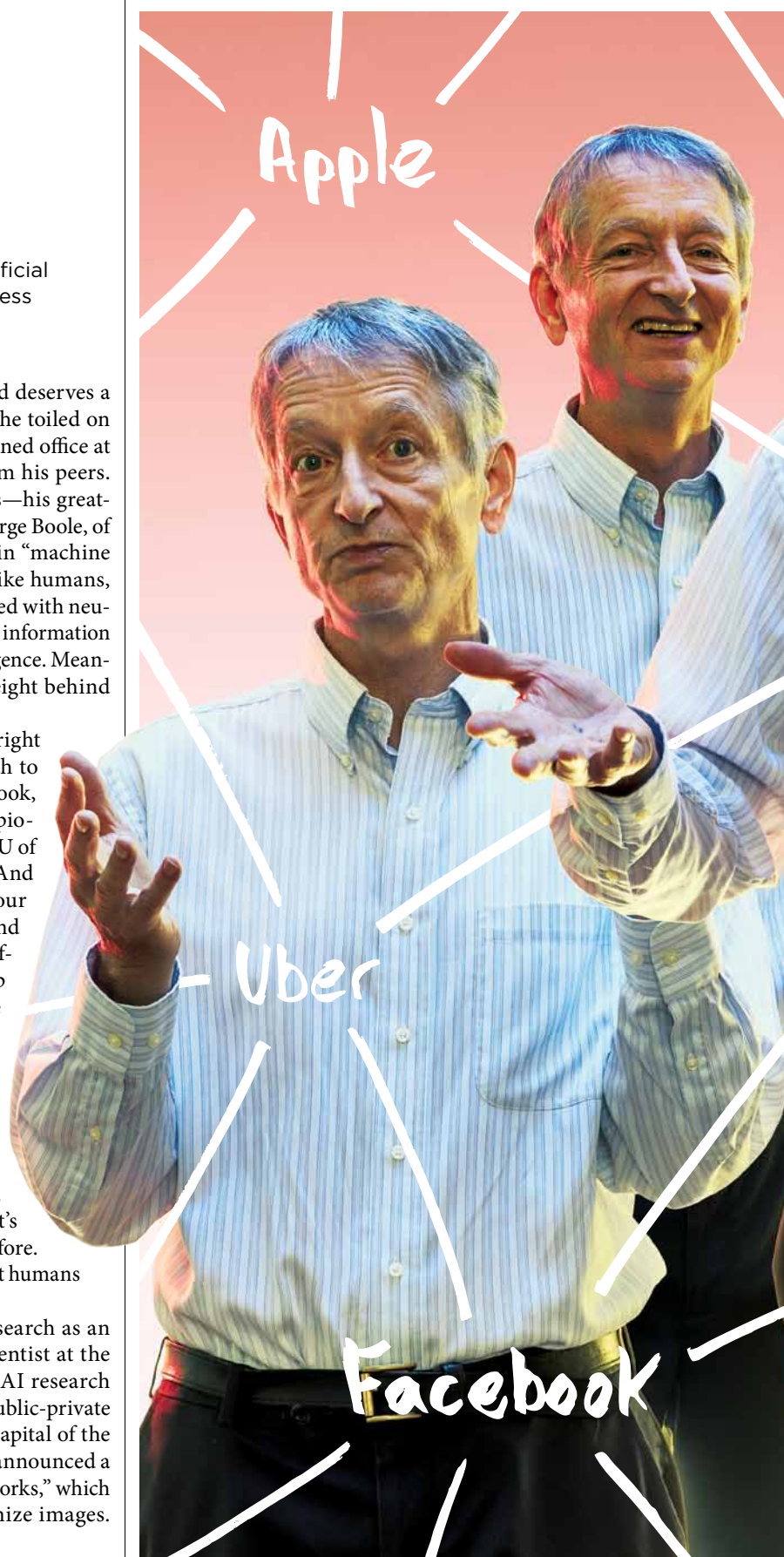
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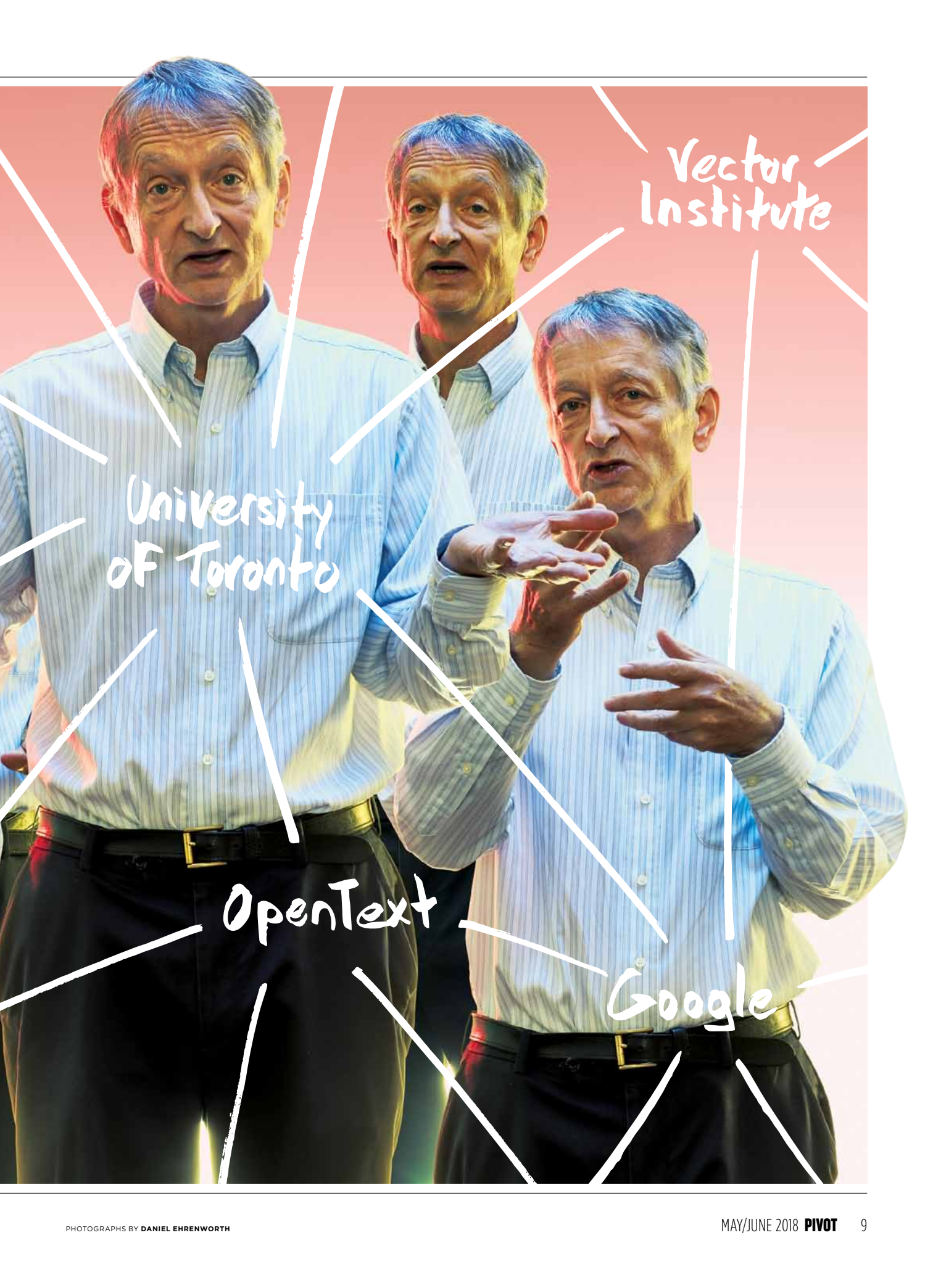
Geoffrey Hinton, a lanky, bemused 70-year-old deserves a good gloat right about now. For three decades, he toiled on the fringes of artificial intelligence in an unadorned office at the University of Toronto, garnering scoffs from his peers. Descended from a long line of British scientists—his great-great-grandfather was the computer pioneer George Boole, of the “Boolean search”—Hinton never lost faith in “machine learning,” the idea that computers could learn like humans, using intuition rather than logic. He experimented with neural networks modelled on the human brain, where information pings between synapses, building layers of intelligence. Meanwhile, most everyone else in AI threw their weight behind logic-based programming.

Then around 2012, it turned out that he was right all along. Computers became powerful enough to execute Hinton’s theories. Tech giants like Facebook, Apple, OpenText and Uber adopted Hinton’s pioneering version of AI. His former students from U of T became the hottest recruits in Silicon Valley. And machine learning became the path to change our lives: think of companies like Sage and Xero and their AI-based accounting software. Think self-driving cars, automated transcription and an app that will diagnose cancerous lesions. Every time your phone nudges you to hit the quick response to an email (“See you soon!”), that’s neural networks. Every time an accounting app suggests where to allocate a particular transaction, that’s Hinton’s work.

Analysts say that by 2020, machine learning will take on the most tedious tasks of bookkeeping, which means auditors will have access to data that’s more complete, timely and accurate than ever before. So this cutting-edge technology might deliver what humans have always coveted: more free time.

Meanwhile, Hinton continues his dogged research as an engineering fellow at Google and the chief scientist at the just-launched Vector Institute, a \$180-million AI research centre in downtown Toronto. The institute is a public-private hybrid effort to transform Toronto into the AI capital of the world. As the doors opened this winter, Hinton announced a new game-changing breakthrough: “capsule networks,” which will revolutionize a machine’s ability to recognize images. Vindication never sleeps. ♦





Vector
Institute

University
of Toronto

OpenText

Google

DISCLOSURE

BIT PLAYER

What did a teenage software whiz learn when she launched a Bitcoin app? Some sobering truths about crypto culture that everyone should know before they waded in.

Harshita Arora tells her story.

“**Last summer**, I was a 15-year-old high school dropout travelling from my home in Saharanpur, India, to Silicon Valley for a two-month internship at a venture capital firm.

At that time, Bitcoin prices had just started going up, so I began reading subreddits to see what the talk was about. One problem people had was how to track prices and see historical data—a very basic thing. Some apps were doing this, but I thought they could be a lot better. I realized that a Bitcoin app would be like selling shovels to gold miners.

So, in November, I started developing Crypto Price Tracker. I worked on it for two months, about 15 hours a day and often in the middle of the night.

I launched the app in January and, unexpectedly, it got a lot of attention from Reddit. I had about 1,000 downloads in the first week.

During the second week, someone accused me of plagiarizing the code. A post on Reddit said that other people had written the code. So I wrote a rebuttal explaining that I did get three people to help me: one friend did some back-end work and I paid him for it; another answered some questions once a week; and a third friend, who just wanted to help, created code snippets. Maybe 80 per cent was done by me, and the app was designed and written from scratch, so the whole idea was absurd.

The original post was taken down after it was reported, but it was too late. People found my email and I began getting nasty messages. One user said I should go kill myself. I was scared. Thousands of people started hating me and I worried about what kind of permanent damage that could have on my career. I tried deleting the messages, but I took screenshots of everything first and reported two people to their employers. One lost her job and the other issued a public apology.

In Saharanpur, a town of 700,000 people about five hours north of New Delhi, tech wasn't in our family. And if there were programmers in our town, I didn't know them. I didn't have a computer until I was 10, and we didn't get an Internet connection until about a year after that. The only thing I knew about



I LEARNED HOW INTOLERANT THE CRYPTO WORLD CAN BE. I FACED SEXIST, RACIST AND AGEIST REMARKS. BUT I WON'T LET HATERS DISCOURAGE ME.

Silicon Valley was from the TV show of that name.

In my pre-Internet days, I read a lot of books about science—molecular and cellular biology—and I wanted to invent a vaccine. Growing up, I mostly read, wrote for my school's magazine and participated in math Olympiads; I won my first medal in Grade 2 and about nine more in older grades.

When I finally did get a laptop, I didn't have an aha moment. I couldn't do much with it without the Internet. And when we did get the Internet, I found it frustrating. It was so slow. I actually started to make notes about how I would design a better operating system or faster Internet.

I started getting into tech, and coding and software design, when I was in the seventh grade. I had a computer science teacher, Midhun Manikkath, who would ask us to create websites, blog posts and imaginary apps. I became obsessed—coding

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and design are so intellectually stimulating—and started skipping school.

And then I came across Bitcoin and blockchain. I wanted to work in this world full-time, so I dropped out of school a few months later.

When the Reddit drama intensified, I ended up going off-line for two days—I was feeling anxious and I couldn't keep deleting everything—and I read a few books. I came back a little more optimistic that things would get sorted out. Then I saw a message from the *Daily Beast*, who wanted to write a story about what had happened to me. I was initially hesitant to do an interview, but it gave me a place to comment. After that story was published, I started getting positive messages and it felt like not everyone hated me. I realized a lot of people weren't programmers and didn't understand any of this. They just heard words like “fake” and “liar” and “plagiarist” and sent messages based on two minutes of reading things they didn't understand.

What did I learn? For one, how intolerant the crypto world can be. I faced sexist, racist and ageist remarks. And I'd seen it before. I'd read sexist comments on videos created by female blockchain and crypto educators. I saw people supporting [ex-Google engineer] James Damore, who said women are not biologically capable of being good engineers. There's also a strong bias against young people and Indians. Many people think an Indian program must be a scam.

I also learned never again to call myself the sole creator (I'm going to give credit everywhere, which last time I did on only some of my posts) and I won't ever post on Reddit again, obviously. And I've learned strategies on how to report people to the authorities. I did think, at one point, that I'd never launch another start-up, and that I don't want to be part of all this, but I didn't change my path. I won't let haters discourage me.

I'm now working on artificial intelligence and machine learning projects, and I'm working on an app related to food and health. The big news, though, is that I'm going to move to Silicon Valley in June if my visa goes through. It will be a big deal for me to get out of my small town and be where I want to be, working on something that improves the lives of many or solves a bigger problem.

The other big news is that I just sold my app. Sean Walsh, from Redwood City Ventures, mentioned online that he was interested in acquiring or investing in a mobile app in the crypto space, so I contacted him and we started talking. Two days later, we signed a letter of intent and he wired me the first payment.” ♦

As told to Bryan Borzykowski

CASH FLOW

TIPPED OFF

What a CRA crackdown on undeclared tips will mean **BY PETER SHAWN TAYLOR**



Voltaire, the famous 18th-century French wit, once remarked that the British navy found it useful to execute an admiral every once in a while “*pour encourager les autres*.”

Earlier this year, the Canada Revenue Agency sent a similar message of encouragement to the entire hospitality industry with an audit of dozens of wait staff at Murphy Hospitality Group's P.E.I. restaurants. It was looking for undeclared tips from back in 2014 and 2015. With many servers thought to declare only a small portion of their tips for income tax purposes (10 per cent is a popular estimate), the crackdown should prove both instructive and lucrative.

In 2012 CRA did the same thing to 145 servers at four restaurants in St. Catharines, Ont., and found, according to an internal report, \$1.7 million in undeclared tip income—or nearly \$12,000 per server. “The amount of unreported income was very surprising,” the report noted dryly.

Going after undeclared tips is getting a lot easier for the revenue agency, says Paul S. Hewitt, a CPA and Toronto-based restaurant consultant. “Back when the business was mostly cash, it was very difficult to audit restaurant staff,” he says. “But now with everyone paying by credit or debit, CRA can easily demand a tip report for every waiter and waitress and compare that to what they're reporting on their taxes.” He recommends servers start reporting all tips, even if they don't like it.

Hewitt also warns owners against getting involved in the distribution of tips. Controlling the tips, so kitchen staff get a share, for example, means CRA will consider that money to be restaurant income and not a direct payment to the individual server. And that triggers CPP and EI contributions, T4 inclusion and HST owing. “Even if restaurants think they're doing the right thing by being fair to their chefs, it's a huge potential liability,” he cautions. ♦

\$12,000

Average undeclared tip income, per server, found in a previous CRA audit

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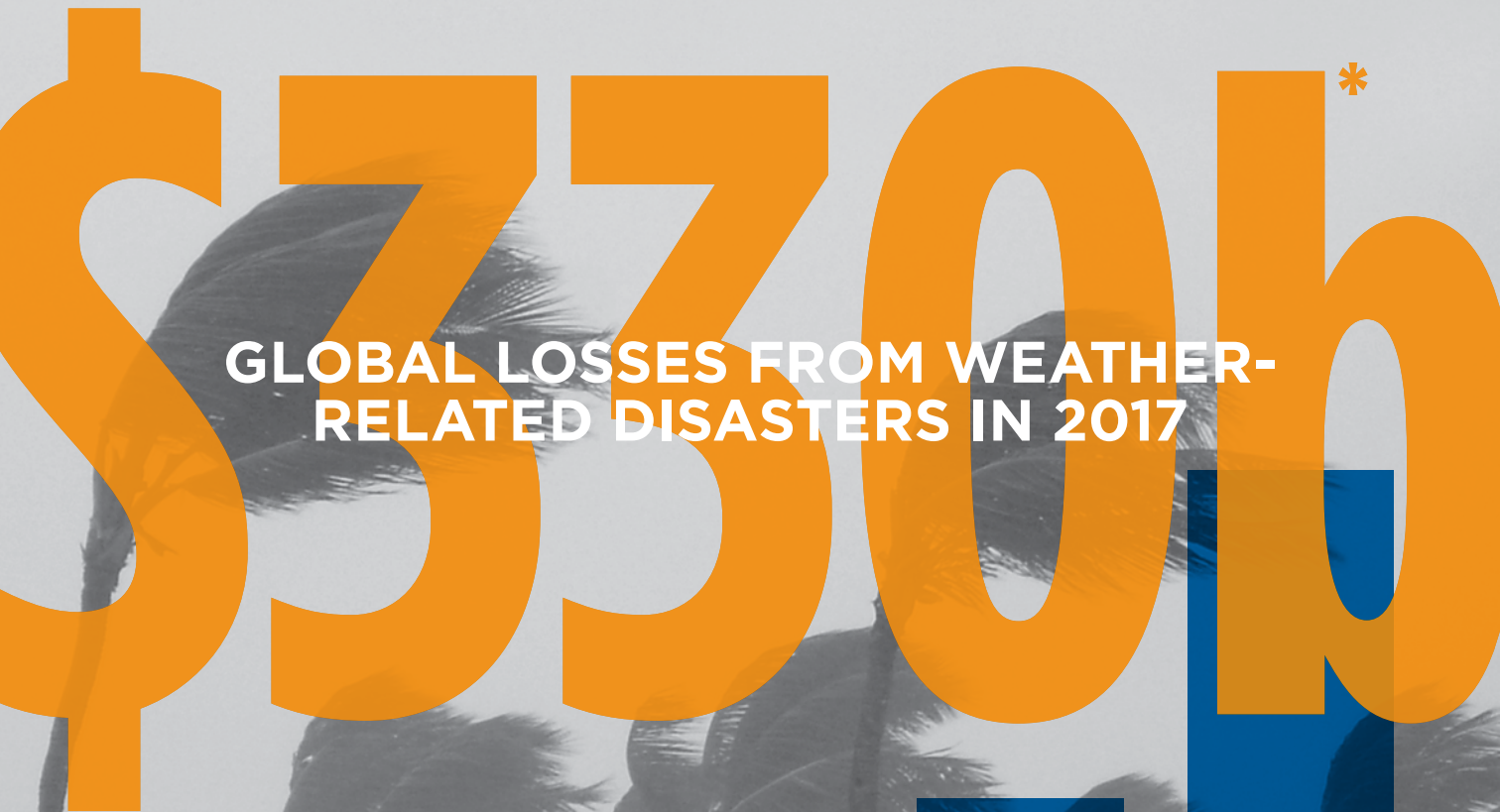
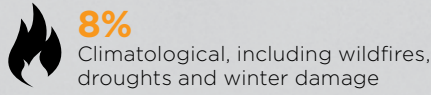
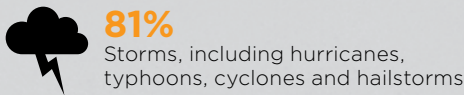
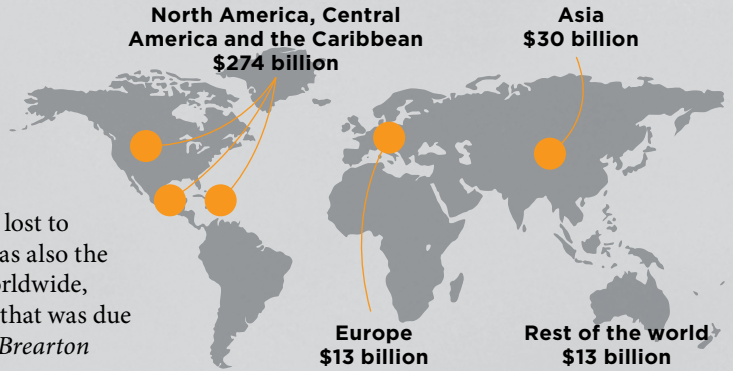
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BY THE NUMBERS

STORM TRACKER

Weather was a killer last year, with more than 10,000 lives lost to 710 events, including storms, flooding and landslides. It was also the costliest weather year on record—\$330 billion in losses worldwide, almost double the 10-year average of \$170 billion. Most of that was due to three devastating hurricanes in the Caribbean. —*Steve Brearton*



GLOBAL LOSSES FROM WEATHER-RELATED DISASTERS IN 2017



NATURAL CONSEQUENCES

The Atlantic hurricane season, featuring hurricanes Harvey, Irma and Maria, caused an estimated \$220 billion in losses

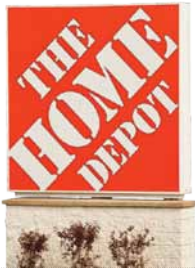


Steel stocks +16%

Roughly 35 per cent of all U.S. steel imports come through the port of Houston. When Hurricane Harvey forced its terminals to shut down, American steelmakers saw demand rise and stock prices jump. Stock in United States Steel rose from \$25.01 to \$28.19.

Home Depot sales +8.1%

Home Depot Inc. reported \$282 million in hurricane-related sales, such as tools, flashlights and building materials, in the third quarter of 2017. Overall, sales were up 8.1 per cent to \$25 billion.



Generators +21%

Sales of generators rose 21 per cent in the months after the 2017 Atlantic hurricanes.

6000+ returned

More than 6,000 Canadians required emergency evacuation from Caribbean islands affected by Hurricane Maria in September 2017.

Murders +15%

In January, Houston's mayor Sylvester Turner ascribed a 15 per cent increase in the city's murder rate from September to December 2017 to a rise in post-traumatic stress disorder. A 2012 study found that half of the survivors of Hurricane Katrina reported some form of mental health distress.



500,000 vehicles

Victims of hurricanes Harvey and Irma in the U.S. bought about 150,000 new and 350,000 used vehicles following the storms. Initial estimates said one million cars and trucks had been destroyed.



Immigration +50%

A 2017 University of Michigan study found immigration to the U.S. increased after catastrophic storms hit other nations. When Hurricane Cesar devastated Nicaragua in 1996, green card applications from the Central American nation increased 50 per cent over the next two years.

THE INSURANCE GAP

Percentage of natural disaster losses covered by insurance in 2017, by region

Asia	8%
North America, Central America and the Caribbean	47%
Europe	35%
Africa	13%
South America	11%
Australia	55%

THE COST IN CANADA

In 2016, the Parliamentary Budget Officer estimated the financial impact of extreme weather events in Canada to be nearly CDN\$5 billion annually

Hurricanes

\$98.7 MILLION

Convective storms

\$671 MILLION

Winter storms

\$1.72 BILLION

Floods

\$2.43 BILLION

TOTAL

\$4.92 BILLION

CATASTROPHIC THINKING

"Knowing our wonderful team as I do, I suspect there will be little wine left in the cellar when we all emerge."

Virgin Group founder Richard Branson blogs about retreating to a wine cellar under his British Virgin Islands retreat prior to Hurricane Irma. His home was destroyed.



"My house is gone."

Days after calling the destruction of Richard Branson's Caribbean hideaway "positive Irma news," conservative provocateur Milo Yiannopoulos laments the loss of his own Miami home to the same storm.



"President Trump insulted the Puerto Rican people over and over and over. You know that Carly Simon song, 'You're so vain, you probably think this song is about you'? He probably thought that Maria was about him."

San Juan mayor Carmen Yulín Cruz, January 2018



TAX WATCH

TRICKLE-DOWN TRUMP

U.S. tax reform could be devastating to Canada. We need a strategy. And soon.



BRUCE BALL

For all the uncertainty swirling around Canada's economic relationship with the United States, one critical issue has come into clear focus in recent months. The sharp cuts to the corporate tax rate south of the border, approved into law by President Donald Trump last

December, have wiped out the advantage Canadian firms have enjoyed since Stephen Harper's Conservative government began reducing corporate taxes almost a decade ago.

Canada's average corporate income tax rate has been in the 26 to 27 per cent range since 2012, with an estimated 20 per cent marginal effective tax rate (i.e., incorporating deductions, credits, and other tax provisions). The cuts in the U.S. that came into effect for 2018 will bring their federal statutory rates down from 35 to 21 per cent, with a marginal effective rate estimated by economist Jack Mintz to be roughly 19 per cent. As Mintz observed earlier this year, "U.S. tax reform has changed everything."

What's also been overlooked—and it's going to be a big deal—is that the new U.S. corporate tax laws will allow most firms to write off 100 per cent of equipment purchases as in-year expenses for the next five years, with the rule phased out gradually thereafter.

While the benefits of these shifts will vary from sector to sector, firms in many important industries will be able to increase their dividend payments to shareholders and repatriate profits and debt held overseas. As well, the provision allowing the expensing of equipment will amplify profit gains by providing firms with a time-limited incentive to accelerate investments in productivity-enhancing technologies and equipment.

And Canada's response? In the run-up to the February, 2018, budget, Finance Minister Bill

21%
New U.S. corporate tax rate, down 14 percentage points

Morneau insisted there was no need to respond impulsively, although his messaging shifted somewhat by the time his government brought down its fiscal plan. The government, he said at the time, would be carrying out a "deep dive" on the competitive threats posed by the reduced U.S. corporate rate. "What I can tell you is that we are doing our analysis now," he told BNN on budget day.

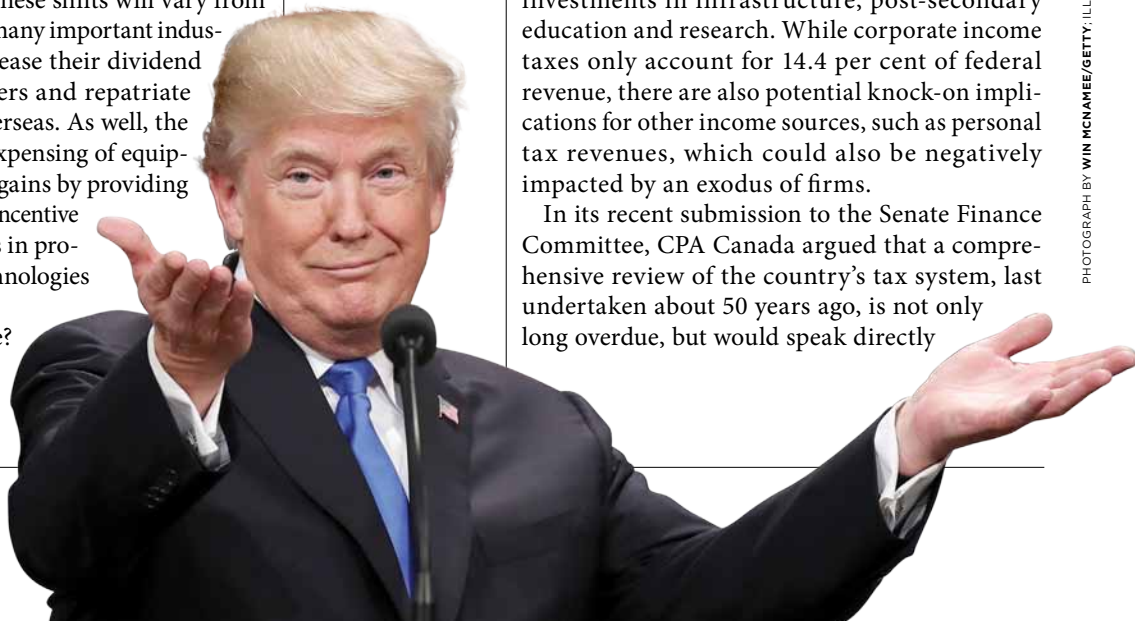
Morneau needs to finish this competitive analysis quickly so Ottawa can be in a position to make informed policy choices in a timely manner. It's critical that policy-makers better understand the new landscape and determine what changes, if any, are required. That said, the impact could be far-reaching, especially given all the anxiety over the future of NAFTA these past several months. Combine that with buy-American procurement policies and the new rate could provide Canadian exporters with sufficient incentive to move from selling into the U.S. to establishing operations there.

What's more, if a renegotiated NAFTA tips the balance on the trading relationship, it's not difficult to imagine that a more advantageous corporate tax rate could become an important factor when multinationals make decisions about foreign direct investment, as numerous studies have shown.

"Mobility of capital tends to be higher than labour," said a February 2018, TD Economics report, "which along with growing NAFTA uncertainties, increases the likelihood of a slow bleed of investment from Canada to south of the border." TD's analysis, in fact, showed the U.S. law puts the marginal effective tax rate below Canadian levels in most sectors, except manufacturing, oil/gas and some services.

The consequences could ripple through the economy, with reductions in corporate tax revenue impairing the federal government's ability to make important productivity-enhancing investments in infrastructure, post-secondary education and research. While corporate income taxes only account for 14.4 per cent of federal revenue, there are also potential knock-on implications for other income sources, such as personal tax revenues, which could also be negatively impacted by an exodus of firms.

In its recent submission to the Senate Finance Committee, CPA Canada argued that a comprehensive review of the country's tax system, last undertaken about 50 years ago, is not only long overdue, but would speak directly



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to the issue of keeping our economy competitive. In our recent Business Monitor survey of CPAs in business leadership positions, 84 per cent of the respondents said an assessment of U.S. tax reforms is urgently needed, with 93 per cent saying its findings should be made public.

With a federal election looming next year, it seems reasonable to expect the Liberal government to explain to voters how it plans to address this new normal. It's certainly good to know that the finance minister is preparing to take a deep dive to assess the consequences of U.S. tax reform. But Morneau should make sure he resurfaces quickly so Canadian businesses won't be left holding their breath, waiting to find out what Ottawa will do next. ♦

THE ECONOMY

I SEE DEBT PEOPLE

They're everywhere. But that doesn't mean we're headed for a U.S.-style mortgage crisis that will crush our economy.



FRANCIS FONG

Runaway home prices and record household debt levels have been the most talked-about economics story of the last decade. Disbelief, and even fear, have dominated the discussion, and there's widespread concern that this all ends badly for Canada. No doubt some scary statistics are backing up these fears. Home prices in Vancouver have doubled in the last nine years. Prior to the recent pullback in Toronto, prices had doubled in six. Household debt has doubled since 2006 and, as a share of income, breaks new records almost every quarter.

These statistics paint a picture that's eerily similar to the U.S. prior to 2008-'09. Recent price declines in Toronto even raise the spectre that we're past the tipping point on our way to a U.S.-style crash. But are we?

While that comparison might be obvious, it is not the full picture. Beyond prices and debt levels, Canada shares far fewer similarities with the U.S. than you might think. And this becomes very apparent when you look at just one measure: credit quality.

Readers may recall that the root of the U.S. financial crisis lay in the spread of subprime mortgages—ultimately, home prices were driven by borrowers taking on mortgages that they fundamentally could

3%
Share of low-credit-quality borrowers considered high risk by CMHC

not afford. When those borrowers inevitably began to default, the wave of losses that hit the banks acted as the trigger for the financial crisis.

The severity of that crisis owed to a number of factors, from the widespread use of derivatives to lax regulation, but those low-credit-quality mortgages were the heart of the problem. So the trillion-dollar question for Canada is: do we have that same problem?

Thankfully, likely not.

Data from the Canadian Mortgage and Housing Corporation (CMHC) show the opposite is true: the credit quality of borrowers is actually getting *better* over time, not worse. Among the mortgages that CMHC insures, the share of borrowers that are considered to be high credit quality rose from 66 per cent in 2002 to 88 per cent in 2017. Conversely, the share of low-credit-quality borrowers considered high risk fell from 17 per cent to just three per cent over those years.

Part of this shift is due to the dozens of changes made to mortgage rules in the last decade by the CMHC and the federal Department of Finance—such as making income testing more stringent, and limiting mortgage insurance to homes selling for less than \$1 million. These changes ultimately made the system safer, but did so by systematically limiting the ability of borrowers to take on debt. Higher-priced homes became the exclusive arena of those who didn't need mortgage insurance (i.e., they could come up with a 20 per cent down payment), while everyone else was pushed into lower price brackets, or out of the market entirely.

Not surprisingly, most new mortgages in recent years have been uninsured as prices have continued to increase.

But even on that side, data from Equifax for every mortgage it covers (which, they say, is the vast majority) corroborate that credit quality is improving across the country. Data from the end of 2012 to the beginning of 2017 show that the share of borrowers with either "very good" or "excellent" credit scores rose from 81.4 per cent to 84 per cent, with an even larger increase among new mortgage borrowers, from 77.5 per cent to 82.4 per cent. Again, these increases come at the expense of those with mediocre or poor credit scores.

So how do we reconcile that home prices have been bid up beyond what most Canadians can afford, yet those who are doing the bidding appear to be in increasingly better financial standing?

It's possible we're not getting the whole picture. There are still plenty of ways credit risk can have crept into the system. Lower-credit-quality borrowers

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could be falsifying their income or assets to appear to be higher-quality borrowers, for example. Let's also not forget that recent regulations have likely pushed riskier borrowers "off the grid" toward non-regulated lenders and others that don't report to the likes of Equifax. So there could be risk out there, just not directly in the core of our financial system.

Interestingly, that's part of what distinguishes Canada from the U.S. If our largest financial institutions are less exposed to losses if and when mortgage defaults start to pile up, then even a housing crash won't hit our economy as severely as it did America's. Nearly every U.S. bank had some losses related to subprime mortgages. The failure of those that were more exposed was what transformed a severe housing downturn into a full-blown crisis.

There's an alternative interpretation—it's harder to swallow, but pause to consider it. What if we don't have a housing problem? What if this is simply what houses are worth now?

That would mean Canada may not be on a crash course to economic disaster, but it would also mean that homes may never be affordable to those who are already priced out.

In that case, fear may be exactly what we should all be feeling; not of the inevitability of a correction but of the fact that, on their way to becoming world class, our cities stopped being the bastions of equal opportunity we like to think they are. That may be what Canada is now. And that might be the scariest thought of all. ♦



THE WORKPLACE

ME 2.0

The harassment problem is deeper than you think. And the solution is bigger than most companies would like.



KATHERINE LAIDLAW

If at first you don't succeed, try, try again is an adage that just doesn't fly at Facebook anymore. In the wake of #metoo, the movement's supporters have commended the company for a one-shot policy it has when it comes to wooing co-workers.

Here's how it works: if you decide to ask a colleague out on a date, and they say no, that's it. If they say they're busy or evade the question, that's it. You get to ask once, and then you never get to ask again. Google's parent company, Alphabet Inc., has also adopted the rule, an example of the kind of tone-setting measures employers are using in response to sexual harassment.

Since the Harvey Weinstein scandal broke last October, the focus has widened from the elite industries of entertainment and media to the hyper-male corridors of tech, academia, law and finance. Inside ordinary offices, the issues take on a different tenor. When there are no famous actors leading the public outcry, there are only policies and practices.

Tracey Epp, a partner practising labour and employment law at Pitblado LLP in Winnipeg, has taught sexual harassment prevention to companies for 28 years. Since Weinstein, she's seen a spike in incident reporting. She's now on the receiving end of many phone calls from employers who are being forced to dust off their policies and see if they're effective in action.

They're not. "We've been trying to solve harassment by thinking outside the box for the last 30 years and we've been failing miserably at it," says Epp. Most companies have policies around the most common forms of outright harassment. What they require is the courage to enforce them. Others have tried disclosure policies, which dictate that employees in committed relationships must declare them, particularly in the case where there's a power imbalance or a direct-reporting relationship. There are "love contracts," documents that fledgling co-worker couples must sign to confirm that they weren't coerced into the relationship and that they agree to comport themselves professionally. Corporate policy largely tries to dissuade workplace dating



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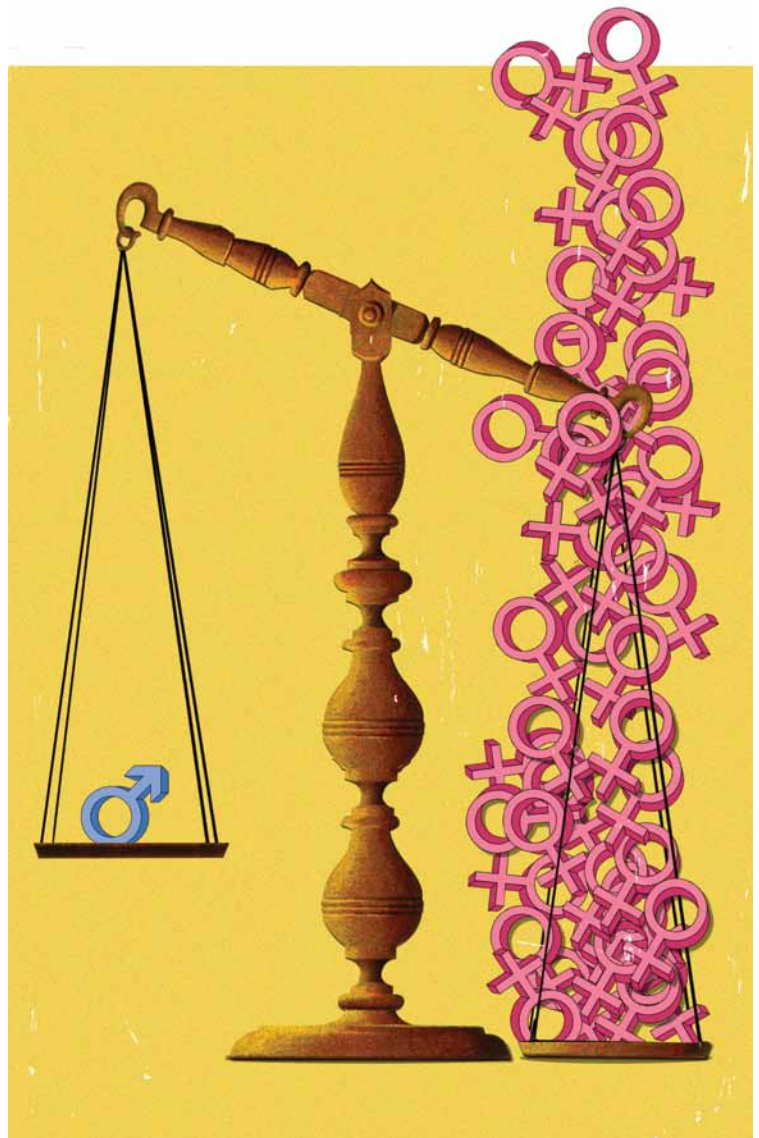
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altogether—an impossible task. One recent survey by the data company ReportLinker estimates that 15 per cent of people meet their partners at work.

In the end, no dating edict will solve the fundamental problem of workplace inequality, a power imbalance that challenges women on several fronts, including financially. (At last check by Statistics Canada, Canadian women earn 87 cents to men’s \$1.) Addressing it, therefore, should be about instituting broader policies that are not just disciplinary responses to male indiscretion. This involves approaching inequality as a business problem, and doing what CEOs do all the time: manage a culture change.

The first step to change a culture is to understand a culture, especially its defenders. On this point, we’re in for a shock. Harassment is not an issue that will simply age out as a “woke” generation takes over from older traditionalists. According to a February 2018 Angus Reid poll, Canadian men ages 18 to 34 represent the group that is most against the values of #metoo. The numbers are troubling: a fifth of millennial men think it’s okay to use sexualized language at work. A quarter think it’s fine to make comments about a colleague’s body. A quarter think it’s acceptable to display or distribute sexually suggestive material at work, or to stand in a co-worker’s personal space. Thirty-eight per cent think #metoo is overblown and receives more attention than it should. This gulf between values means that nine out of ten women—or 11.7 million Canadian women over 20—have, at some point in their career, taken steps to prevent being sexually harassed.

The second step is to create a sense of urgency with the company’s department heads. In many industries, human resource departments don’t work



THE PROBLEM ISN'T GOING AWAY. A QUARTER OF MILLENNIAL MEN THINK IT'S FINE TO MAKE COMMENTS ABOUT A COLLEAGUE'S BODY.

to protect the employees who come forward. They work to protect the companies who employ them. Consider Uber’s HR protocol when then-employee Susan Fowler revealed documented examples of sexual harassment by her manager, someone the company protected because he was a “high performer.” Such practices have consequences. After Fowler recounted her dismal HR experiences on her blog, CEO Travis Kalanick resigned.

What else should employers do? We already know. Promote talented women. Put people in charge who

don’t need to be trained to stop making off-colour jokes. Monitor bias. Implement blind hiring where it’s possible. Eradicate the idea that some people are just a good or bad “fit,” based on abstract intuition rather than competencies. Level pay scales. Many corporations implement a salary calculation formula that takes into consideration factors like previous experience and role. The radical idea here is to make the formulas public, then circulate actual salaries among employees. And before arguing that this will increase employee turnover and lower motivation, consider that Whole Foods has posted its salaries internally since 1986 and continues to thrive.

There may be no more effective way to even the playing field, however drastic that may seem to the men and women who work at the company. There will be outrage. But every big problem warrants a big solution. ♦

ILLUSTRATION BY MATTHEW BILLINGTON

The Highs and Lows of Serving Canada's Newest Emerging Market

Financial strategies to manage the opportunities and risks of the cannabis sector

As the country moves toward legalization in 2018, the cannabis industry is quickly emerging as one of the most promising Canadian markets. Early estimates predict the medical/recreational cannabis industry will reach \$10 billion by 2020, offering exciting opportunities for astute entrepreneurs.

One of the greatest challenges businesses will face is how to strategize growing their companies without robust consumer data to bank on. While there is plenty of data to be collected from external markets—most notably the U.S.—Canadian consumers may very well differ from their American counterparts. With legalization fast approaching, it's difficult to predict consumer trends. Questions around demand and preference leave open how this industry will evolve once commercial.

The promise of high yields is leading many industry cowboys to go all in on their investments. Between their high-stakes ventures, a lack of Canadian consumer data and a heavy push to market, casualties are expected. In an emerging market like cannabis, it is survival of the prepared.

What we are certain of: merger and acquisition (M&A) activity is inevitable and so are bankruptcies. MNP has been watching this unfold and has been working with cannabis companies to navigate the variables as best as possible.

THE CHALLENGES OF RESTRUCTURING A CANNABIS BUSINESS

Insolvency legislation in the U.S. is federal, yet cannabis is legal in only a handful of states—making it difficult for federal courts to approve any restructuring of cannabis-related businesses. In the summer of 2012, two medical cannabis dispensaries sought Chapter 12 protection of the U.S. Bankruptcy Code (CGO Enterprise, L.L.C. in Colorado and Mother

Earth's Alternative Healing Cooperative in California) but both failed.

Meanwhile in Canada, both cannabis and insolvency will be federally legislated, providing a clear legal mechanism to restructure. MNP expects to work with numerous companies requiring assistance with their financial distress, restructuring their existing operations, understanding the best way to handle insolvency or protecting themselves against potential issues.

If a cannabis-related entity was in financial distress and had a secured lender who wanted to recover its collateral in a liquidation (bankruptcy or receivership) the big unknown is the licensing. A federally granted licence is required to possess or market cannabis and cannabis-related products. It has yet to be determined if the licence is transferable to a purchaser through a statutory restructuring, which would affect the price of the cannabis and/or its related products. Equipment can likely be sold without restrictions, albeit to a limited number of available purchasers.

AN EXPERIENCED LEADER IN THE CANNABIS SECTOR

Since 2014, MNP has proactively worked with companies in this emerging cannabis industry to position them for success. The first step is to help companies identify the optimal business strategy for the market. We work with companies to identify and articulate their mission and vision, a basic concept, but critically important for a company operating in the uncharted waters of the cannabis sector. As the sector is evolving, there will be numerous strategies to successfully capture a share of the market, but finding the right one for each company is key. It doesn't mean that they must remain committed to this strategy but having a game plan is paramount.

Once a company has a clear understanding of where they want to go, the next crucial step is to develop the right corporate governance and human capital strategy. These strategies are built around attracting and retaining talented people who possess the skills needed to successfully execute a company's vision and mission. Businesses will need to graft the skills of the founders and entrepreneurs, combining the knowledge and the skills to grow a successful business in a fast-paced market. As these businesses transform from start-ups to growing enterprises, underestimating the need for having the right skills on the team could be a fatal mistake.

CONCLUDING THOUGHTS

Identifying the unknown is difficult, but preparing for it is easy. Knowing both the risks and rewards of working within the cannabis industry will underpin any successful venture. We believe the regulated cannabis sector will be a major driver of the economy, bringing many business opportunities. We are proud to be a leading advisor in the sector.



Grant Bazian, LIT, CIRP is the President of MNP's Insolvency Practice and can be reached at 1.877.363.3437 or grant.bazian@mnp.ca

Glenn Fraser, CPA, CA, MBA, is the National Leader of MNP's Cannabis Services team and can be reached at 1.877.251.2922 or glenn.fraser@mnp.ca

BOY WONDER



Katchen looking typically
inconspicuous at
Wealthsimple headquarters

MICHAEL KATCHEN HAD A BIG, SIMPLE IDEA. IT'S AN INVESTING REVOLUTION THAT'S WINNING OVER MILLENNIALS. CAN HE BEAT THE BIG BANKS, TOO?

BY LUC RINALDI

PHOTOGRAPHS BY DANIEL EHRENWORTH

Wealthsimple has had many offices—a storage closet, an Airbnb rental, a chic co-working space—but there was one that never quite fit its scrappy start-up creation myth: the penthouse of a Bay Street skyscraper. It was the summer of 2015, and a broken water pipe had flooded the company's usual digs. So the investment management giant Power Financial, Wealthsimple's biggest backer, offered some spare office space 49 floors above Toronto's Financial District. For nine months, Wealthsimple's boyishly charismatic founder, Michael Katchen, and his handful of employees looked like disoriented pupils at an extended take-your-kid-to-work day—a gaggle of twentysomethings in shorts and Birkenstocks sardining themselves into elevators filled with suits and strolling halls lined with Group of Sevens. “We were a rinky-dink little start-up,” says Katchen. “People were like, ‘Who the hell are these kids?’”

Nearly three years later, Katchen, now 30, is still a sprightly interloper in Canada's financial scene, but his company, a digital investing service, is booming. Wealthsimple is, as its name implies, straightforward. On your phone or computer, you answer some basic questions about your finances and savings goals, the company suggests how to invest your money and, if all goes as planned, you sit back and watch your nest egg grow.



Prime Minister
Justin Trudeau's
2017 visit

Katchen is betting that most people his age don't know—or care to know—much more about investing than that. He's not after seasoned stock pickers with multi-million-dollar portfolios; he's targeting financially illiterate millennials who feel guilty because they know they should invest but don't. And there are a lot of them: 53 per cent of Ontarians between the ages of 18 and 36, for instance, have no investments. Why not? They're intimidated, they're paying off debt first, they don't think they have enough money or, in the era of Uber and Airbnb and Instacart, they don't have the patience for in-person appointments and piles of paperwork. The good news for Katchen is that two-thirds of millennials who aren't investing plan to start in the next five years. He created Wealthsimple for those uninvested masses: the company is allergic to financial jargon, and you can open an account with as little as a dollar in less time than it takes to walk to your nearest bank branch.

So far, it's working. Katchen's machine is by far Canada's biggest robo-advisor (a term for a digital investing service that automates most of a financial advisor's job). With 65,000 clients—40 per cent of them first-time investors, 80 per cent of them under 45—Wealthsimple serves four of five Canadians who use robo-advisors. And with more than \$2 billion in assets under administration, most of which is

in Canada, the company manages more than two-thirds of the total amount invested here through robo-advisors. In the past 16 months, Wealthsimple has launched in the U.S. and the U.K., where Katchen has equally ambitious plans. He has his sights set on an IPO in the next several years and on one day breaking \$1 trillion in assets.

Wealthsimple's early success hasn't just lined Katchen's pockets; it's made him the boy wonder of Toronto's blossoming tech sector. The city is creating more new jobs in technology than San Francisco and New York combined, according to a 2017 report from real estate services firm CBRE, and it will need to lure the world's whiz kids away from the U.S. if it intends to become a Silicon Valley-calibre tech superpower. Politicians and employers tout people like Katchen, who left a cushy job in the Valley to come back north, when they want to advertise Toronto as an affordable, Trump-free alternative to the Bay Area. When Wealthsimple reached \$1 billion in assets under administration last year, Prime Minister Justin Trudeau dropped by the office for a celebratory photo op. "Wealthsimple is an example of fintech innovation at its finest," he said, before coying up with Katchen for the obligatory selfie.

Not that everyone likes Mike. The Big Five banks are irritated that a wunderkind with some venture capital

money and a sleek website has reached the elusive millennial market. Although Wealthsimple's \$2 billion in assets isn't enough to threaten the old guard (BMO's wealth management arm alone, for instance, is responsible for almost \$800 billion), Katchen is now too big to ignore. Within a generation, robo-advisors could supplant the majority of financial planners and transform the way Canadians invest—the banks can't afford to miss out. So far, they're playing catch-up, mimicking Wealthsimple's magic formula; since 2016, both BMO and RBC have debuted competing robo-advisors.

Nor is Katchen unassailable. His millennial clients may one day need more than Wealthsimple can offer, and a market crash could quash his company without warning. But right now, it's a race to win over un-invested Canadians, and he's in the lead.

Katchen doesn't quite fit the start-up founder archetype. He's too personable to be an awkward, hoodied Zuckerbergian brainiac; too modest to be an exacting Jobs-like visionary. He wears inconspicuous sweaters, has closely cropped light-brown hair and a permanent five o'clock shadow. Unless you know where to look at the Wealthsimple office, you might miss him. He sits at a nondescript station—littered with magazines, investing books and a photo of Wealthsimple's U.K. team—in the middle of a long communal desk, sandwiched by other employees. When I asked his neighbour if it was stressful sitting next to her boss, she joked, "I think he's more stressed out sitting next to me."

Katchen was destined for a career in finance—even if his first investment tanked. When he was a preteen, his older

“WE WERE A RINKY-DINK START-UP. PEOPLE WERE LIKE, ‘WHO THE HELL ARE THESE KIDS?’”

sister, Jodi Kovitz, then a student at Western University's Ivey Business School, organized a mock-investing competition as a fundraiser for multiple sclerosis research (their mother, a psychologist and entrepreneur coach, has MS). Katchen signed up under his father's name. The elder Katchen, a tax lawyer and former stockbroker, sat down with Michael, opened the business section of the newspaper and told his son, "Pick out a few stocks that look interesting, and we'll research them."

Michael was smitten with MGI, a Toronto-based photo-editing software company, and invested nearly all his fake \$100,000 in the company. Its share price more than tripled during the course of the competition, and Katchen won the grand prize, a ski trip to B.C. Shortly thereafter, some family friends bought Katchen real shares of MGI as a bar mitzvah present, but they behaved radically different from

his fictional portfolio. Within two years, the stock dropped from \$25 a share to about a dollar, and Katchen lost his bar mitzvah booty. The flop nevertheless ignited a fascination. In high school, Katchen began reading books by influential American investors like John Bogle and David Swensen. To be fair, he was less of a square than his teenage reading list suggests. He spent his summers canoeing in Algonquin Park, he composed music for the piano and he played just about every sport at TanenbaumCHAT, his Jewish high school in north Toronto. One year, he received something called the Mensch Award. "Literally, it was an award for being the best person in the school," says his sister Kovitz. "People just like and trust Mike."

Katchen attended Ivey, like both his sisters before him (Kovitz is the founder of the women-in-tech organization #MoveTheDial, and Amy Baryshnik, the middle sibling, is a partner at an investment fund). After graduating, he landed a consulting gig at McKinsey, where he met the founders of the first start-up he worked at, a photo-digitization and family-tree platform called 1000memories. It earned a spot in Silicon Valley's venerated Y Combinator accelerator program in 2010, and after it emerged from the program, Katchen moved south to help build the business. He didn't know it at the time, but when Ancestry.com bought 1000memories in 2012, it sparked the idea for Wealthsimple.

The deal left Katchen and the team wealthier than most 25-year-olds. His colleagues asked him how they should invest the windfall, so Katchen built them a simple Excel spreadsheet outlining how to create, rebalance and optimize a portfolio. They used it for a month or two before confessing, "Mike, we love the approach, but we're lazy. Can't you just do it for us?" It was Katchen's eureka moment. "Even people that know they should invest don't want to do it," he says. "It's too much of a chore." If ordering lunch, paying for a cab and everyday banking had been automated, why not investing?

Katchen wasn't the first to ask that question. Business writer Richard J.

Koreto is credited with coining the term robo-advisor, then a largely hypothetical concept, in a 2002 article for *Financial Planning* magazine. To understand Koreto's idea, however, you need to begin 12 years earlier. In 1990, the Toronto Stock Exchange unveiled the world's first successful index-linked exchange-traded fund (ETF), the Toronto 35 Index Participation Fund. Like a mutual fund, an ETF is a basket of securities—i.e., government bonds, U.S. stocks, real estate—but it has significantly lower fees, and trades on an exchange like a stock. It's generally a passive investment: an ETF will often track a given market instead of employing an army of analysts and stock pickers trying to beat it. The number of ETFs grew during the 1990s and early 2000s, but it wasn't until the 2008 financial crisis that they truly took off. The collapse prompted distressed investors to look at ditching their high-fee mutual funds in favour of inexpensive ETFs.

They've continued to thrive: by early 2018, there was more than \$150 billion invested in Canada in roughly 550 ETFs. The first robo-advisors, including the U.S.'s two leading start-ups, Betterment and Wealthfront, got going in 2008. They offered investors a set-it-and-forget-it service: the company would put clients' money in a basket of ETFs—for example, 30 per cent in a bond ETF, 10 per cent in a dividend stock ETF, five per cent in an emerging market stock ETF, and so on—and algorithms would periodically rebalance their accounts, no human intervention required. "Smart investing is boring," says Katchen. "It's about sticking to a plan and never deviating. If you do that, you'll beat 99.9 per cent of the professional money managers out there peddling the fact that they can outperform the market." Betterment and Wealthfront each manage roughly US\$10 billion now. Their success inspired the American investment giant

THE STRATEGY IS TO CONVINCE MILLENNIALS IT'S OKAY TO BE CLUELESS ABOUT MONEY

Vanguard to create its own robo-advisor in 2013, giving the trendy, emerging technology some much-needed credibility.

That same year, Katchen moved home from the Bay Area and soon founded Wealthsimple. At the time, there were only a handful of nascent robo-advisors, including National Bank's InvestCube, operating in Canada, and none had emerged as a frontrunner. So he recruited Peter Graham, Rudy Adler and Brett Huneycutt—three of his former 1000memories colleagues who'd bugged him for investing advice—to help build one. Katchen also needed someone with formal credentials to give his business financial rigour. "I started cold-calling every chartered investment manager and financial analyst I could find on LinkedIn," he says. "I got rejection after rejection after rejection. They said, 'Why would I leave my job for a company that doesn't even exist yet?'" Katchen finally met Dave Nugent, an RBC advisor and fellow Western alumnus. "Before meeting Mike, I had to search what a robo-advisor was," says Nugent. But after hearing Katchen's pitch, he was sold. Wealthsimple, he thought, would reach a market he couldn't at RBC. "I couldn't even manage money for my network of peers and friends. To invest, the minimum was \$500,000 or \$1 million. Not many people in their 20s and 30s have that kind of money."

Katchen's LinkedIn blitz also led him to Wealthsimple's first batch of investors, directors and advisors, including Som Seif, the founder of the prominent ETF management company Claymore Investments, Joe Canavan, head of the asset management firm Logiq, as well as admired tech entrepreneurs such as Ryppl's Dan Debow and Ceridian's David Ossip. (Wealthsimple later added Bertrand Badré, former CFO of the World Bank, to its board of directors, and Eric Kirzner, a designer of the first ETF, to its three-

person investment advisory committee, the group that creates its ETF portfolios.) After months of rejections, Katchen's fortunes suddenly reversed, and he raised \$2 million in two weeks.

None of Wealthsimple's cheerleaders carried as much clout as Paul Desmarais III, senior vice-president of Power Financial and grandson of the late Paul Desmarais, at one time the fourth-wealthiest person in Canada. Before Wealthsimple launched, Desmarais and Power had scoped out every Canadian robo-advisor in development, as well as a couple of global ones, and even flirted with the idea of creating their own. They ultimately settled on investing in Wealthsimple instead—\$10 million at first. "What differentiated Wealthsimple was their team," says Desmarais. Some companies had great tech know-how; others had a strong brand. Wealthsimple had it all: talented computer engineers, an experienced financial analyst, a brilliant creative director. "And then there was Michael, this mission-driven leader. He has great ambition, but he is also an extraordinarily humble person," he says. "That cocktail of people was extremely powerful."

Wealthsimple attracted early customers through word-of-mouth marketing, info sessions for friends and lunch-and-learns at any company that would let Katchen and co. in. In 2015, the company acquired the brokerage Canadian ShareOwner, which allowed it to onboard clients and trade ETFs entirely in-house. Wealthsimple now employs more than 160 people, including nine portfolio managers, three investment researchers and more than 20 employees to field questions and concerns from customers—a lean financial team, the company says, because they've automated so much of the work. As the company has grown, Power Financial and its affiliates have supplied Wealthsimple with steady cash injections that, to date, total \$165 million. Through various subsidiaries, Power now owns roughly three-quarters of Wealthsimple, but Desmarais, chairman of the Wealthsimple board, says Power intends to let Katchen have tremendous independence in running the business. "The people that know best how to build this business are the people who have already built it," he says. "The reality is that they're going after a segment that is not necessarily the segment that Power knows best, and so giving them the traction to execute their mission is extremely important."

To Katchen, the existing robo-advisors had all been making the same mistake. Instead of marketing themselves as innovative platforms for a fresh generation of investors, they seemed content to be a new toy for the same old high-worth crowd—a client originally needed \$5,000 to open a Wealthfront account. More importantly, robo-advisors were painfully dull. They talked like banks, they looked like banks and they advertised like banks: stuffy fonts, conservative colour schemes, newly retired white couples standing on sailboats staring out into the horizon. "None of it felt relevant to young people," Katchen says.

“I looked at banks and fintech brands around the world, and none of them really stood for anything.”

What would Wealthsimple stand for? Hang around its office long enough and sooner or later you’ll hear some version of its grandiose mission statement: to build the most human financial services company in the world. It’s an ironic goal for a robo-advisor—an overcompensation, perhaps, for the fact that most Wealthsimple clients will rarely interact with another human being. What it really means is that the company intends to talk to people about money in a way no one has before. Signing up for an account, for instance, is a refreshingly painless experience: the mobile app asks you a number of questions about your income, why you’re saving and what level of risk you’re comfortable with, all in a string of plain-language prompts that look and feel like a text-message conversation with a friend. On Wealthsimple’s minimalist website, a glossary of investing terms—modern portfolio theory, asset allocation, compound interest—reads more like *Investing for Dummies* than an M.B.A. textbook. And the company offers socially responsible and Sharia-compliant portfolios, as if to indicate that, yes, it’s conceivable that an investor might have principles that trump the goal of making the most money possible.

The company’s shrewd marketing strategy is to convince millennials it’s okay to be clueless about investing, that they can stop ashamedly pretending to know the ins and outs of markets, futures or cryptocurrencies. Wealthsimple’s most effective ads prey on those insecurities. A minute-long spot that ran during the 2017 Super Bowl follows an apprehensive young man inundated by conflicting investing advice from friends, servers, co-workers and business TV hosts; it looked more like the trailer for a quirky indie flick than a financial services ad. On YouTube, one comment reads, “Where can I watch the full movie?”

For another series of ads, Wealthsimple hired the iconoclastic documentarian Errol Morris to interrogate dozens of people about their unspoken money anxieties. The company also poached *GQ* editorial director Devin Friedman to run its online magazine, which features frank, first-person stories: Anthony Bourdain didn’t have a savings account until he turned 44; Aubrey Plaza lived off peanut butter before breaking into Hollywood; Jen Agg opened a bar instead of buying a house. The aim is to assure clients that, just like them, celebrities and strangers everywhere have no clue what to do with their money. Then comes the sales pitch: Why not trust Wealthsimple to take care of it for them?



PHOTOGRAPHS COURTESY OF WEALTHSIMPLE

Its ad campaign preys on everyone’s insecurities about money, especially millennials’

It doesn't hurt that Katchen, the company's poster boy, inspires trust himself. He is respected by his peers (he is the third-most admired start-up founder in Toronto, according to a survey of entrepreneurs conducted by *Toronto Life*) as well as by his employees (he has a 96 per cent approval rating on the anonymous employer-review website Glassdoor). He has a certain quiet confidence. He believes in his company's mission but doesn't grandstand about it. Once, when I asked him at the end of an interview if there was anything else he wanted to add, Wealthsimple's communications director, Rachael Factor, prompted him to share the company's mission, something he'd managed not to mention outright for more than an hour. He took a stab at it—"to make financial services simple and accessible for everyone" and "help you live the life you always wanted"—and, when he had finished, turned to Factor and asked, cheekily, "How was that?"

Katchen is so affable that it's hard to imagine him striking fear into the hearts of bank execs. When he was building Wealthsimple, most of the Bay Streeters he met dismissed the company. They thought it was a neat—but harmless—idea and told him, he says, "We'll crush you or we'll buy you." Given Wealthsimple's success, had any banks made an offer? "We haven't seriously entertained any approaches like that."

So that leaves crush. As they begin to emulate Wealthsimple's technology and millennial-friendly messaging, the Big Five will become its fiercest opponents. (Canada's dozen or so other robo-advisors, including Vancouver's WealthBar and Toronto's Nest Wealth, have yet to threaten Wealthsimple's near-monopoly, and leading American companies Wealthfront and Betterment currently have no plans for Canadian expansion.) BMO launched its robo-advisor,

will comfort prospective robo-advisor clients, he says, and existing BMO investors will stick with the bank they know instead of transferring their accounts to an unfamiliar start-up. Vanguard's robo-advisor, for example, reached US\$100 billion in assets—10 times the amount managed by its decade-old competitors Betterment or Wealthfront—in just three years; 90 per cent of its users were existing Vanguard clients. CIBC, TD and Scotiabank are also reportedly mulling launching their own robo-advisors.

Pauline Shum Nolan, a professor of finance at York University's Schulich School of Business who studies ETFs and robo-advisors, says it will be easy for the banks to replicate Wealthsimple's ease of use and its passive-investing strategy, but not its image and branding. "Wealthsimple has a cool factor, but there's really no innovation," says Shum Nolan, also the co-founder of PW Portfolio Analytics, which provides portfolio risk assessments. "I wouldn't oversell the impact of robo-advice. It's not a revolution in financial services. It's just the adoption of technology." A legion of bank-backed competitors would not necessarily spell Katchen's demise—Uber continues to thrive even though established cab companies have introduced near-identical apps. But you need look no further than his past company, 1000memories, for an example of a fresh, promising business being swallowed by an industry behemoth.

If Wealthsimple can't beat the banks, it may have to join them. In November 2017, the *Globe and Mail* reported that the company was exploring a partnership with CIBC, which would encourage the bank's customers to use the robo-advisor. (Wealthsimple declined to comment.) A partnership would primarily help Wealthsimple cut down on the price of acquiring new customers. CIBC could email millions of

existing clients about a new service at no cost, whereas Wealthsimple has already spent millions for Super Bowl commercials and public transit ads to sign up 65,000 users.

For the foreseeable future, Wealthsimple will also need to compete with old-fashioned, low-tech human advisors. Even tech-savvy millennials aren't

completely convinced: in a survey conducted by American loan firm LendEDU, 69 per cent of millennials said a human advisor would get them a better return on investment, and a majority believed robo-advisors were more likely than a human to squander their money. Wealthsimple clients can call the company for assistance at any time, but as they get older and richer, they may revert to the banks and flesh-and-bone financial planners they once fled.

Katchen has a two-pronged plan to hang on to would-be defectors. The first remedy is Wealthsimple Black, a service that offers elite perks—even lower fees, one-on-one financial coaching, VIP airline lounge access—to clients with accounts of more than \$100,000. (Wealthsimple did not disclose the number of Black clients.) The second is Wealthsimple for Advisors, a platform—also available as a white-label product—for financial planners that lets them govern

THE RISK IS THAT AS CLIENTS GET OLDER AND RICHER, THEY'LL WANT A FLESH-AND-BONE ADVISOR

SmartFolio, in 2016, and RBC is currently piloting a platform called InvestEase, neither of which would disclose client or asset numbers. They require an initial investment of at least \$1,000, which could be a deal-breaker for millennial clients, but that may decrease over time; BMO already lowered its minimum from \$5,000. Both also offer a free trial period and then charge annual management fees between .4 and .7 per cent of an account's balance. By comparison, under Wealthsimple, the first \$5,000 is free for a year, after which accounts are billed either .4 or .5 per cent depending on their size. ETFs themselves also charge owners a management fee, which is typically a small fraction of one per cent.

When I asked Silvio Stroescu, head of digital investing at BMO Wealth Management, what might give SmartFolio an edge over a company like Wealthsimple, he began, "We are BMO." The bank's stability and 200-plus-year history



bigger-picture decisions while automating processes like onboarding, portfolio rebalancing and tax-loss harvesting. About 400 advisors currently use the service. “The biggest challenge is getting financial planning firms to sign on,” says Nugent, Wealthsimple’s CIO. Even if an individual advisor wants to use Wealthsimple, they often can’t do so without approval from their institutions. “And they’re an older group, so they tend to look at these things with skepticism, like, ‘Why do I need this?’”

The true test of Wealthsimple’s longevity will be how its clients, particularly first-time investors, react to a bear market. Nugent says he’s confident they’ve bought into Wealthsimple’s passive philosophy, but, since the company’s launch in 2014, there has been no financial crisis to test that faith. Clients may have a different opinion about passive investing if a quarter of their savings suddenly vanishes. “We’ve done a pretty good job of communicating with our clients to let them know what’s happening in the markets and in their portfolios, which has alleviated the kind of panic calls that advisors typically get,” says Nugent. “Of course, sometimes some hand-holding is required to keep them calm.”

Katchen got his first taste of disaster in early February. As the stock market suffered its worst week in two years and the Dow Jones tumbled more than 1,000 points, he was with

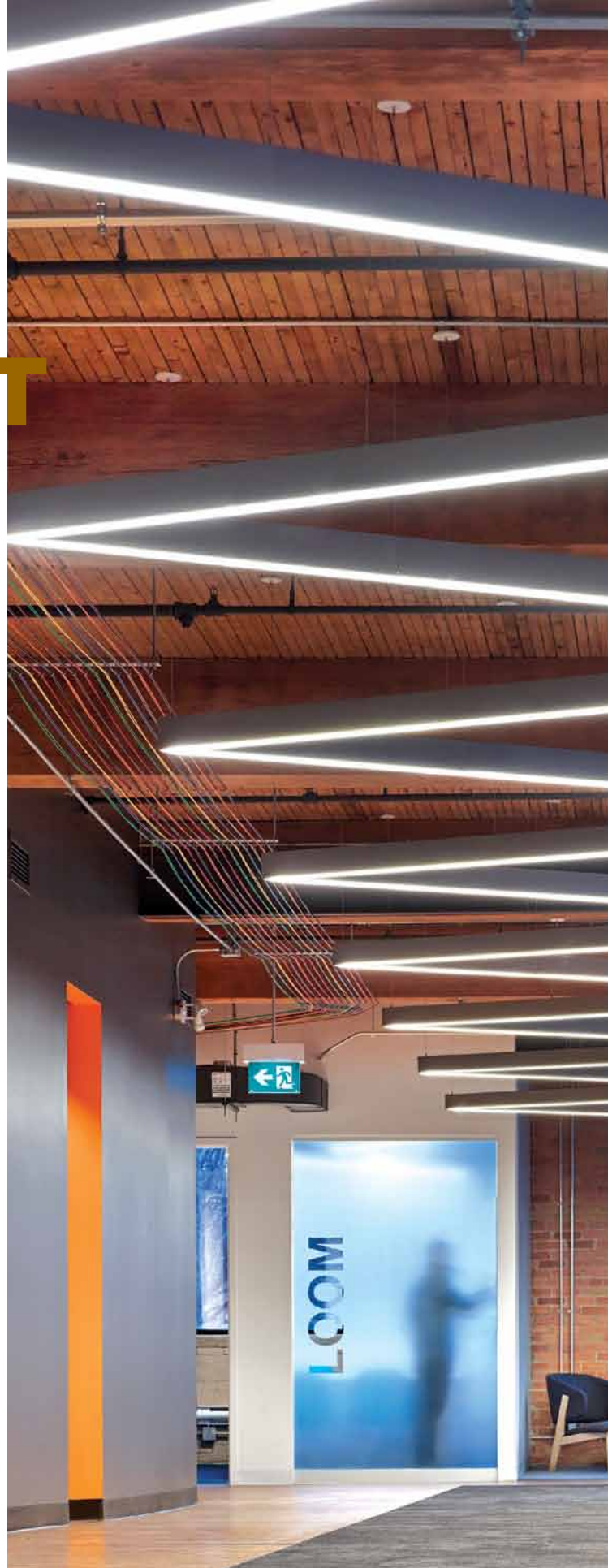
his wife, Nikki Goldberg, a doctor, doting on their newborn daughter, Ruby. He didn’t panic. “This is something we’d thought about for a long time,” he says. “We had a robust plan in place for when a market like this would come into effect.” At the office, the gears began turning. Nugent sent an email to every Wealthsimple client with the subject line, “Keep calm & carry on,” explaining what was happening (“this is normal”) and what it meant for them (“stick to your plan”). “We’re not saying it’s easy to check your portfolio balance and see the numbers go down,” the message said. “But investing based on emotion doesn’t work—sticking to your plan does... You’ll be better off for it in the long term.”

Katchen made his name as the nimble, disruptive messiah of antsy millennials, but when it comes to money, he preaches a gospel of patience. During February’s blip, his faithful listened. The company endured the would-be crisis, the market rebounded, and Wealthsimple saw no spike in alarmed phone calls or sudden domino effect of withdrawals. While traditional investors and money managers watched stock tickers with dread, Katchen and his wife were setting up an RESP for Ruby—with Wealthsimple, of course. He was, as he always seems to be, calm. Katchen is in it for the long haul. His revolution depends on whether his clients are, too. ♦

THE GREAT DIVIDE

Tech giants popularized the workplace-as-playground, a communal space where offices give way to hangout zones. But too much together time was a problem. The best new office spaces give people the freedom to roam, and places to hide out and focus.

BY ALEX BOZIKOVIC





TEAR DOWN THE WALLS. Or, maybe, put them back up again. These are the competing imperatives in office design today, as employers struggle to figure out how to accommodate shifting models of work, mobile technology, new employee preferences and that guy on the phone who just can't keep his voice down.

What's emerging is a new consensus: the open offices now in fashion won't spur creativity and productivity unless they strike a critical balance between shared and private spaces. "What we've learned is that open office space actually doesn't work," says Toronto architect Heather Dubbeldam, "without space for people to focus."

The conventions of office work have shifted since the 1960s, and the physical realities of office buildings have changed accordingly. The *Mad Men* norm of private offices for senior staff and cubicles for everyone else was rapidly altered in the 1990s by a new set of preferences among creative industries. Tech and media companies favoured less hierarchical organizations and more communication. This prompted the creation of large common spaces, where staff were meant to bump into each other and set off creative sparks.

With the rise of remote working and the growth of freelance and contract work, the office continues to evolve rapidly across sectors. Which leaves some difficult questions about office space unresolved: How do you work in a small cubicle when confidentiality is crucial? How do managers balance the competing imperatives of free-flowing collaboration and head-down productivity?

Deloitte Canada aimed to do just that when it combined seven Toronto offices into a new tower in the city's downtown core in 2016. Working with interior design firm Arney Fender Katsalidis, Deloitte planned their space around "hoteling": each staffer has a permanent locked drawer to hold possessions and is expected, each day, to find somewhere to sit. This made some nervous, says Deloitte vice-chair and FCPA Jane Kinney. "We did a certain amount of change management to prepare people for a new space and new practices." For Kinney herself, it meant saying goodbye to her permanent private office and constantly adapting to a new place to sit.

Now, she says, she loves it. For one thing, the office "is bright and beautiful," she says. "I'm happy to be here, and I'm proud to bring clients here." For another, the offices present a variety of different spaces—ranging from cubicle spaces to meeting rooms—all fully equipped with the cords and cables needed. "You choose the space that suits the work you're doing for the day," says Kinney. It's expected, even encouraged, for staffers to shift around the building daily, choosing spots to be near—or away from—colleagues, as their work demands.

Such flexibility is becoming the new norm, and was built into the plans for Dubbeldam Architecture + Design's redesign of a 23,000-square-foot office for the tech firm Slack in a downtown Toronto brick-and-beam building on John Street.

In the process, they looked at recent research and design projects, examining a number of open offices. One common problem: "The acoustics often are terrible," Dubbeldam

says. As staffers are trying to work, she says, they “are constantly distracted by people walking around, by conversation, on top of the constant distractions we’re all dealing with on our screens.”

Endless communication and a surfeit of openness can reinforce a dystopian culture. Take Amazon. The company has embraced the open office, and its new campus in Seattle includes a lush open area called “the Spheres,” a conservatory stocked with tropical species that’s meant as a breakout workspace. And yet, while employees can choose a green, lush, seemingly un-corporate environment to spend the day in, the company’s culture has been characterized as a notoriously brutal one, in which employees are encouraged to harshly criticize one another’s work and to report their colleagues for poor performance. One former employee told *The New York Times* that “his enduring image was watching people weep in the office.” When you’re dealing with constant surveillance, cubicles with walls probably look like a good deal.

A healthier balance would encourage productivity while supporting people’s comfort and confidence. Dubbeldam describes Slack as thoughtful about the culture among its staff. Because its business is all about productivity—the company’s main products are communication apps that link colleagues—it put plenty of emphasis on getting its own space right.

To do so, the designers stepped away from one tech-sector cliché: the office-as-playground. There are no slides or foosball tables here. This is a workplace, designed for productivity and also for humans.

The architects dispensed with private offices, putting staff into open workspaces in areas that share access to natural light. But Slack staff in these open spaces have library rules: phone conversations and meetings are frowned upon in these areas, which are reserved for quiet work.

Chatting, including frequent teleconferencing, happens elsewhere. Breakout spaces that resemble restaurant booths are carved out of the interior walls, perfect for one person with a laptop or two for a quiet conversation. While the “library” desk areas are furnished and finished in neutral grey, social spaces are marked by vivid colours: red, blue, orange, purple. The perimeter of the building includes a series of lounges and meeting rooms, each again dominated by a strong colour palette.

Those colours echo Slack’s branding, and they also perform an important task of adding some vibe to the place. Dubbeldam and her team developed the metaphor of “threads of communication,” expressed in rainbow-coloured networking cables that run through the ceilings of the space; long, zigzagging light fixtures; and a felt installation by the artist Kathryn Walter. The textile metaphors build on a sense of place, drawing on the loft’s history as a knitting mill.

But if a tech firm in an old loft building reflects one model of office design, what about employees in more buttoned-up sectors? They, too, are being moved around by new architectural thinking.

There are a variety of imperatives here. One is the desire of employers to operate out of more sustainable buildings,

Deloitte

Its space is meant for hoteling. Each staffer has a locked drawer for possessions, and is expected, each day, to find a place to sit.





**STAFFERS ARE
ENCOURAGED TO KEEP
SHIFTING AROUND
THE BUILDING, TO BE
NEAR—OR AWAY FROM—
COLLEAGUES, AS NEEDED**



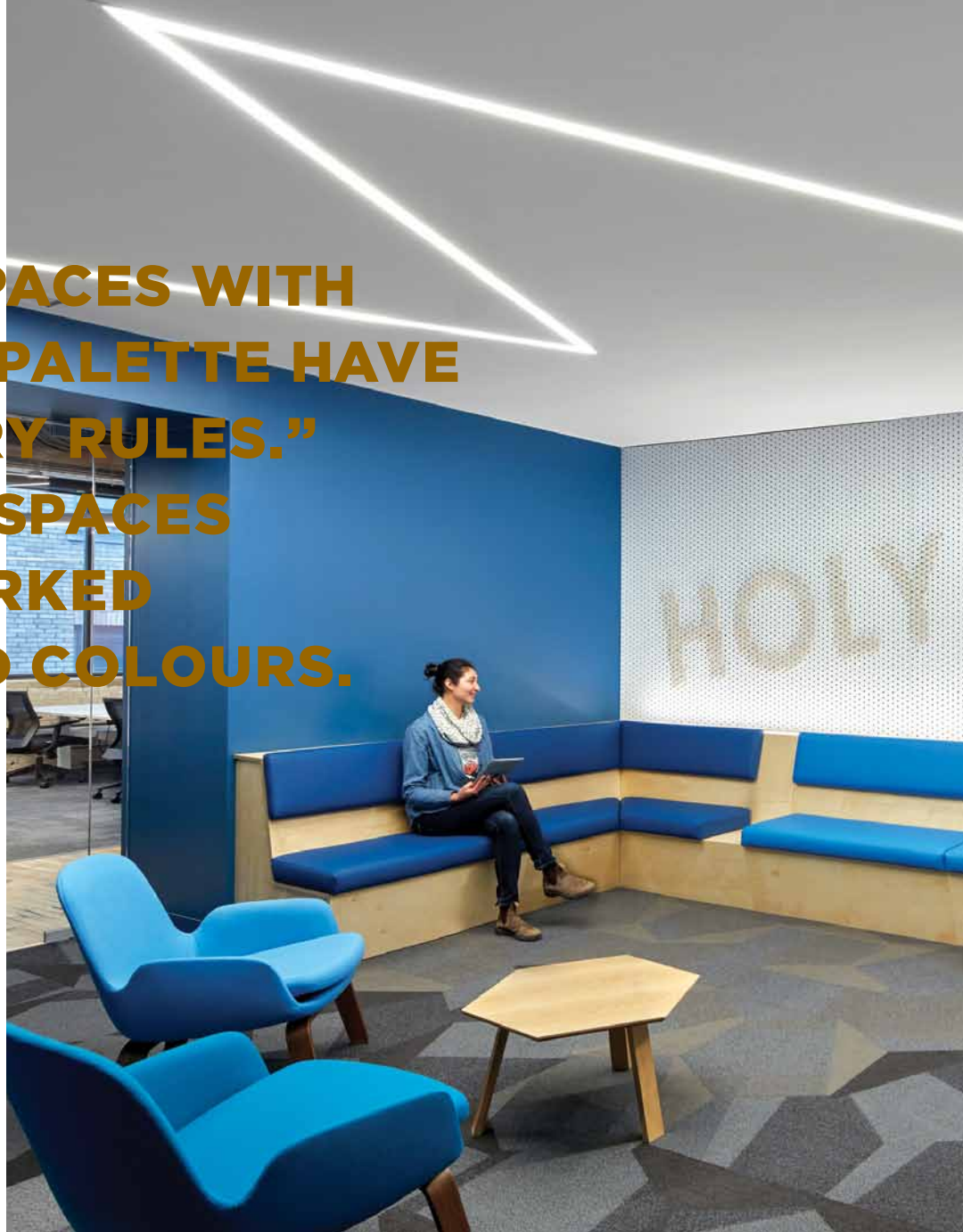


Amazon
Its new campus in Seattle includes breakout workspaces called the Spheres, conservatories stuffed with lush foliage

IT SEEMS THE ULTIMATE UN-CORPORATE ENVIRONMENT. BUT SOME SEE THE CORPORATE CULTURE AS LESS NURTURING.

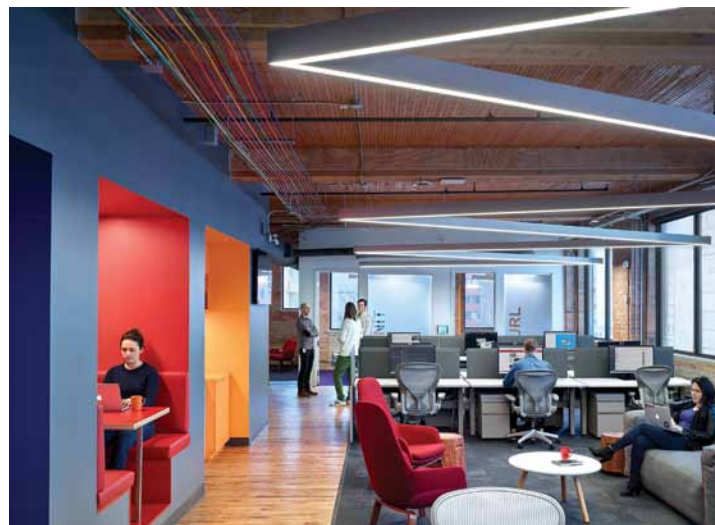


**OPEN SPACES WITH
A GREY PALETTE HAVE
“LIBRARY RULES.”
SOCIAL SPACES
ARE MARKED
BY VIVID COLOURS.**



Slack

At the communications tech firm, restaurant booths create privacy, while lounges and meeting rooms support collaboration





which offers payoffs for employee happiness too. According to a 2016 report from the World Green Building Council, “the design of an office has a significant impact on the health, well-being and productivity of its occupants” in ways that track closely with sustainability measures.

At the same time, as employers seek to reduce their environmental footprint and their costs, office workers are getting closer together. “Large employers are saying, ‘We want more people in less space,’” says the architect David Pontarini of Hariri Pontarini Architects, “and the real estate industry is being caught off guard.” The current rhetoric of “lean” and “agile” management has informed physical and organizational rethinks. Take Scotiabank’s Digital Factory, a sort of think tank devoted to tech and organizational change. For CIBC, that shift will be reshuffling head office staff into a new complex.

This means change for CIBC’s current headquarters at Commerce Court. This complex in Toronto’s central business district was designed by the architect I.M. Pei in the early ’70s. Now, with the bank moving out, its landlord QuadReal is doing a rethink of its own: it will tear down two low structures and add a new type of space—a tower with bigger, open, highly flexible floors, explains Pontarini, who is one of two architects, along with Dialog, designing Commerce Court 2.0.

Where a decade ago large employers were planning their offices with roughly 180 square feet per employee, Pontarini says, current designs account for about half that—roughly 90 square feet per person. Such tightly packed office floors put all sorts of technical demands on buildings—including the need for more elevators.

The redevelopment at Commerce Court, if approved, would include the bulky new tower, plus retail and room for some unspecified cultural programming. Already the bank tower’s lobby, designed as a pristine space for a bank branch, has been refitted with a café and casual couches. “It’s much like condo design,” Pontarini explains. “As the units get smaller, you drive people out to the cafés.”

But employers have to be smart enough to provide the cafés themselves; too much work outside the office, as a *Harvard Business Review* article argues, creates all sorts of distractions. In other words, amenity space within the office itself is critical. Lounges, kitchens, outdoor terraces or green space offer staff somewhere to work with a laptop at their own pace or simply take a breath and return to themselves.

Texture and visual detail—like Slack’s exposed brick walls, nubby felt surfaces and rainbow hues—play a similar role. These elements respond to employees’ needs as people; they engage us and give us something to hold onto. This is a need that even the world’s most valuable company, Apple, has perhaps overlooked in its new \$5-billion headquarters, known as Apple Park, designed by the architects Foster + Partners. That building bets heavily on the open-office model, and massive curved panes of glass connect the interior to the landscape. The problem: some employees found themselves walking into the glass and injuring themselves. Some boundaries are never going to disappear, as much as the most idealistic designer—or manager—might wish them away. ♦

FIGHTING THAT EMPTY FEELING

NAHEED NENSHI ON THE BUSINESS OF REBUILDING
CALGARY AFTER THE BUST



BY JEN GERSON
PHOTOGRAPH BY NORMAN WONG

From your perspective, what's happened in Calgary since you took office in 2010?

Calgary has always been a boom-and-bust economy. And everyone always says, in every bust: "This one's different." This one *is* different. In a 23-month period we went from one of the lowest unemployment rates of any city to the highest. We went from essentially zero per cent downtown vacancy to nearly 25 per cent. And part of that is because a lot of the last boom wasn't so much an energy boom—it was actually a construction boom. And what people often forget is the amount by which the energy sector cut its capital spending is approximately the entire size of the Ontario auto manufacturing sector.

So Calgary is basically one giant futures market?

Yes, but a real one. Not a fake futures market, because it wasn't financial derivatives trading. It was actually making bets on the future—which includes building big office towers.

With a vacancy rate that high, what kind of opportunities does that open up?

For a long time people were really priced out of downtown Calgary. You didn't see a lot of small and medium-sized businesses setting up downtown. You didn't see a lot of businesses in new industries, just because they couldn't afford it. So number one is finding different businesses. Number two is

Fireworks and flattering speeches marked the opening of The Bow skyscraper back in the halcyon days of 2013. It was Calgary's tallest building, though that record didn't last long. (Brookfield Place now reaches higher.) Then, two years later, the oil price crashed and

Canada's most ambitious city has been struggling to fill its towers—and find jobs for the people who worked in them—ever since. Jen Gerson spoke to Mayor Naheed Nenshi about how his city is trying to turn a bust into a business advantage.

finding businesses of different sizes. It used to be that you could rent several floors at a time to one company. That trend is changing everywhere. Landlords have to be creative about how they can make smaller spaces work. There are, in fact, co-working spaces everywhere now. And we're seeing different kinds of buildings get repurposed.

Now the big, big thing that needs to happen is when we look at what people call "class C" office space—the not-great older buildings. What are the opportunities there? There are opportunities to convert those into residential. Are there opportunities to use those as spaces for creative industries in the arts? Maybe it's easier to tear down walls or create studios in older buildings. Some of them have beautiful light, for example.

Are creative industries starting to see Calgary as an opportunity?

Yes, absolutely. And we need more of that. I talk a lot about our film industry and sometimes people think of film as kind of a frivolous, nice-to-have industry. It supports over 42,000 jobs in Vancouver. With the Calgary Film Centre, and with the fact we've got these amazing crews here in Calgary, we are responsible for more Oscar, Golden Globe and Emmy winners than any other jurisdiction in Canada.

Crazy. I thought it would be Vancouver or Toronto.

We have a flight to quality. When I talk to Hollywood producers, they're always telling me, "Look, your crews are the best in the world." And, of course, the scenery is amazing. So, we've got to turn that seasonal business into a full-time business because that's when you get the post-production work.

Calgary's downtown has always struggled with a reputation for being sterile and boring. Tell me about that history.

The knock on Calgary's downtown has always been that at five o'clock everybody goes home. But in fact, Calgary has one of the most successful commercial cores of any city in North America in terms of the concentration of employment. That's why we're feeling



this vacancy rate so acutely. It's equal to about half the rentable office space of downtown Vancouver.

So how do you try to reach out to new businesses to get them into that space?

Number one is looking at entrepreneurs and homegrown businesses who need to grow into that space. Secondly, encouraging external folks to move or to expand in Calgary; saying to large Canadian companies: "Look, you're priced out of downtown Toronto and Vancouver right now. We've got tons of people available, great staff and human resources and IT and all that stuff you need. Consider moving your back offices here. Because if your choice for your employees is they've got to go to Vaughan or Aurora..."

Tough sell.

Right, it's a tough sell. It's a much easier sell to say come to downtown Calgary. Great restaurants, things to do after work, all right here.

So, what happened with Amazon? We had the cutest ad for Amazon.

It was awesome.

Were we ever really in contention or was that just about selling Calgary to other potential businesses?

Both. It really gave us an opportunity to understand what our strengths and weaknesses are. Now, was Amazon ever going to move out of the United

States? Hard to say. One of the things we learned from the Amazon bid was that while we have an enormous talent base here, we're not deep on software—software engineers and coders—and that was Amazon's specific feedback to us. That that's an area we have to build up. You take the moonshot, as we did, so that you can get all of the smaller shots as well.

When you were elected back in 2010, Calgary had the types of problems that all cities want to have—skyrocketing housing, lots of people moving into the city, explosive growth. Eight years later we're in a very different situation. What's that been like for you in terms of managing your day-to-day job?

You know when I first started, my economic development work had to be about attracting labour and talent. I was spending all my time at universities convincing people to move to Calgary because there were so many jobs. And, of course, that has shifted in tone and substance now, but I still spend time at universities telling people to come to Calgary because we still continue to need that talent pipeline here. Let's be clear. Even in the toughest times, Calgary still has the problems that other cities would love to have. It still is ranked as one of the top five cities in the world in which to live. Which, if you think about it, for a city of 1.2 million people in the middle of the frozen prairie, that's a big deal. ♦

Lessons

from

the Gig

Economy





Technology is transforming the way people work and opening new paths for professionals. But like every revolution, this one has its pitfalls.

**BY ALEC SCOTT
PHOTOGRAPHS BY NATHAN CYP RYS**

**One study found
Uber and Lyft
drivers make only
US\$8.55 an hour.
Is the gig economy
sustainable?**

Neal Pollock seemed to be on his way. In 2005, he was a twentysomething engineering graduate with a job at a software company that serviced the Canadian mutual fund industry. “I liked my colleagues, and the work was interesting enough,” he says.

But something was missing. In his off hours, he taught himself coding in order to build an app for skateboarders to create and share videos of their best moves—he’d skateboarded a bunch growing up in St. Catharines and Oakville, Ont. “The skateboarders’ app didn’t become what I’d hoped, but I enjoyed creating something,” he says. “I realized I could get paid for doing something I liked.” He thought about going out on his own, but met resistance from his parents, immigrants to Canada from Ireland. “The move was actively discouraged.”

Nevertheless, he persisted. Pollock eventually quit his job and offered his services as a freelance Web developer. He didn’t have much of a network when

he started, so he built one, founding his own Meetup group. “That’s been good for keeping up with new developments and, well, for meeting people.”

It’s gone well. He’s built Web presences for the likes of furniture retailer Klaus by Nienkämper (suitably modernist), and the pro-exercise non-profit ParticipACTION (suitably peppy). Pollock got his big break, when, in 2015, the Super Bowl asked him to do its app. “It fell into my lap,” he says. “There was a sports marketing firm working in the same building as I was, and that gig came through them.”

A few years in, his brother joined him, and now he has two others working with him in a small office in west-end Toronto. When he's had overflow, he's found other freelancers to help him, often members of the software developers Meetup group. That group has grown to 1,400 strong. Many are just like him: young professionals leaving behind what their parents' generation would have called a career, for this eat-what-you-kill, gig-to-gig existence.

Pollock was a relatively early adopter of what is now a major trend—a mass migration toward freelancing.

One recent study, commissioned by the Ontario government, found jobs outside the traditional mold, such as freelance jobs, to be growing at nearly twice the rate of more conventional ones. The term “gig,” of course, was first popularized to describe the session-to-session, club-to-club work done by musicians. Writers and actors have long worked this way, hopping from one assignment to the next. But this way of working is rapidly moving out of bohemia and into the mainstream. Increasing numbers of eminently employable individuals in professional lines of work—IT, human resources, marketing, finance, accounting—are moving from gig to gig, untethered to a traditional employer.

In 2016, the human resources consulting firm Randstad surveyed Canadian workers, finding that just over one in four of them worked independently, with IT professionals and engineers like Pollock identified as those most likely to work this way. Based on a recent survey conducted in the U.S., Randstad said most employers and workers anticipated that, by 2025, more than half of us would be working in what it called an “agile” capacity—as contractors, consultants, temps or freelancers. The professional networking site LinkedIn estimated that some 43 per cent of the American workforce now does at least some freelancing.

Many have this relatively precarious gig-to-gig existence thrust on them, as, over the last three decades, employers have continually outsourced work that used to be done exclusively by employees. Last year, Statistics Canada reported that there are 11 per cent fewer Canadian men, and nearly six per cent fewer women, in full-time jobs—or “job jobs,” as freelancers call them—than a decade before.

Not only that, the way young people break into their chosen industries has profoundly changed. According to a recent StatsCan study, in 2016 employers structured nearly half of their entry-level positions as part-time work (less than 30 hours a week) while one in three entry-level jobs were temporary contracts, with set end dates. And in a climate of flatlining salaries, potential freelancers are actually expecting to be better off on their own. In a survey by the cloud-based accounting software company FreshBooks, 67 per cent of individuals from a cross-section of professions who plan to leave salaried work for self-employment expect to earn more by freelancing.

FreshBooks, like its competitors Xero, Sage and others, has skin in the game. They're part of an entire category of tech products that allows self-employed individuals to do their own accounting, while also giving freelance accountants inexpensive tools to manage clients. Technological advances have enabled this type of work in other ways. With greater connectivity, it's possible to work with clients from all over,

to substitute virtual FaceTime sessions for actual face-to-face time. A proliferation of apps like TaskRabbit, Uber and Lyft speedily match workers possessing certain skills and assets with consumers in need of them. Have a few extra hours in your week? Have an apartment that often sits vacant? Want to start a weekend bookkeeping business? You can register on one of these sites, or buy an off-the-shelf piece of software, and develop a side-hustle—another suddenly ubiquitous term.

Initially, many observers and commentators tended to speak of these apps as contributing to the sharing economy, but since the bulk of these tech-facilitated exchanges involve payment, some other terms—the “platform economy,” the “on-demand economy”—have also become common.

These new terms all aim to describe aspects of this explosion in freelancing. Surveys typically show that more than half of all respondents prefer to work this way, even if the jobs and monetary rewards are less predictable. (The British academic Guy Standing coined a term to describe these workers: the precariat.)

Maybe they're making a virtue of necessity but, certainly, a significant chunk of those working this way say it's been their call. They're going solo, they say, for the freedom to plan their own days, their own course, for the chance to do a combination of work that is tailored to them, something that speaks to who they are—even more than their Twitter profiles do.

An English graduate based in Oakland, Calif., Sarah Gerber works from the Bay Area offices of an office-space company oriented toward freelancers and start-ups, WeWork. She shoots long-form ads using documentary film techniques. “I didn't train in filmmaking,” she says, “But I was a photographer, and when I tried my first digital SLR that could take video, I had an aha moment. The dynamic image is for me. And so I work with start-ups, some larger organizations, to tell their stories.”

She also co-founded a non-profit that brings men and women together to discuss gender issues. “There is a value shift happening,” she says. “I don't have the perks of a traditional job, but those would be decided on by someone else. My perk is that I've got balance, some sense of purpose, in my work life. I'm not just waiting to find happiness when I'm not working.”

Her words echo those of one of the big books to come out of 1960s America, Charles A. Reich's *The Greening of America*. He wrote: “For most Americans, work is mindless, exhausting, boring, servile, and hateful, something to be endured while ‘life’ is confined to ‘time off.’” And so some see this as the belated realization of one of the dreams of the 1960s—not working for the Man.

This out-of-nowhere multinational WeWork—it started in New York in 2010 and now has offices all around the globe—certainly wraps itself up in that free-to-be-you-and-me spirit. WeWork's two founders, Adam Neumann and Miguel McKelvey, both lived in communal situations, one on a kibbutz in Israel, the other on a commune in the Pacific Northwest. In one of its San Francisco spaces, high up a skyscraper, there is a big glass urn of water full of citrus on a bar, self-serve coffee from the trendy La Colombe roastery, hip wallpaper in the conference rooms, and a big mural anatomizing an iconic Mexican



with an independent operative. “The thing is you can have as good a Web presence as a bigger firm, often better, and the best software is now often available at less cost, without these long-term contracts. It didn’t used to be the case that big firms would work with small outfits, but now they will. They know they’re going to get to work with you, not have the work farmed out to someone else in-house.”

Sekandi says he simply couldn’t work with clients across North America without the connectivity and other tools his software and devices afford him. Like many people in their 30s, when he needs something in his personal or professional life, he also makes copious use of the apps that have set up online marketplaces for goods and services. “I was using Uber when it just came to Toronto, when all they had were black town cars.”

A recent Pew Research Center study found that 72 per cent of Americans had used on-demand services via such platforms as these, and that one-third of those under 45 had used four or more. In the Bay Area, where I live, and from which many of these apps emanate, you can use Handy for home repairs, Postmates for deliveries and Fiverr for, really, almost any odd jobs, seemingly the odder the better. In a recent ad, Fiverr pictured one of their workers so keen to get onto her next gig that she keeps checking her phone while she’s canoodling with someone.

I decided I didn’t want anyone quite that keen to help me give my kitchen a good, deep scrub before a particularly fastidious friend visited from Toronto—who’d said she wanted to cook with me. And so I ordered someone up through TaskRabbit, an app that sends out “taskers” to assist people in whittling down their to-do lists. It was recently

purchased by Ikea for an undisclosed sum, and some U.S. and U.K. stores offer taskers’ help in assembling the furniture customers take home. (The nearest Canadian equivalent to TaskRabbit is AskforTask.)

The cleaner I hired, Kristen Carranza, had a nearly 100 per cent satisfaction rating from past clients. Her rate was average among the others listed: \$42 per hour, of which roughly 30 per cent goes to the company, and 70 per cent into her pocket. She arrived on the appointed day, bucket in hand, and went at my fridge and freezer with a vengeance.

restaurant’s special burrito. The glamour of the offices, the prettiness of the space and its mainly young occupants, certainly valorize this mode of work—but these occupants are, of course, paying for the privilege of being here.

In Canada, WeWork has similarly high-design, open-concept offices in Montreal, Vancouver and Toronto, right in the thick of each city’s action. I speak to several who use one of the two Toronto offices as a base. Among them is Brian Sekandi, who left a major executive-placement firm to go out on his own, and has since moved from one retainer to the next, often working with companies helping to figure out their personnel needs after a merger or other major change. He says he’s been surprised at how many big corporations—his clients have included Kraft Heinz Canada and McDonald’s Canada—are willing to work

FreshBooks found that 67 per cent of professionals planning a move to freelance expect to earn more



TaskRabbit's Happiness Pledge denies liability if a worker using their service is injured on the job

cases. It states that, in order to keep its customers happy, it has put in place a procedure for claims to be submitted in the event that homeowner's insurance and other legal options don't cover the loss—to a maximum of \$10,000.

There's something else that bothers me. With just a slender digital connection between us, Carranza came into my house, bearing only her bucket and her good attitude for protection. Slightly more than half of TaskRabbit's workers are women—so are most of those who participate in the gig economy according to surveys.

For women especially, risk is endemic to this relatively unregulated, unscripted mode of work. A former English professor based in Indianapolis, Tyra Seldon left academia to set up her own writing and editing business, going from one project to the next. Early on, she agreed to meet at a restaurant with a writer about editing his manuscript. He kept asking her personal questions, while she tried to turn the conversation to business matters, like the contract and the deposit. He suggested another dinner, one where he'd cook, while they discussed his writing but added, "It's going to be hard to focus on work." She says he then reached across the table to toy with her scarf. She left and turned down the work, then received a nasty text in return. "You weren't that good anyway. I planned to hire someone else," she recalled it said.

"I was concerned that if I said anything, it would prevent me from getting other freelance contracts, especially since I was just starting," she says. "I decided to leave it. There was no HR department I could talk to."

After getting her bachelor's degree from San Francisco State University, Carranza worked for six years in San Diego with a record label, whose artists included Eric Clapton and Glen Campbell. "You meet them and you're just in awe," she says. She decided to strike out on her own, setting up a music promotion and artist management business nearer to where she grew up, in the Bay Area. Although she works with some of Northern California's top young bands—she reps not one, but two popular sister acts—it's not enough to make ends meet, and she sets aside a few hours per week to do these tasks.

She does a great job, and the pay seems fair, but something bothers me about our interaction. In a conversation with a TaskRabbit spokeswoman, I ask her what happens if someone gets injured when they're doing jobs they've booked under the app.

The spokeswoman sends me an email with a link to the company's Happiness Pledge, which denies liability in such

A recent study published by the MIT Center for Energy and Environmental Policy found that Uber and Lyft drivers were earning an average of US\$8.55 an hour, taking into account the depreciation in value of the cars they used to do their work. A spokesperson for Lyft's relatively new Canadian operation disputes this figure and the methodology behind the study. Another recent survey found drivers reporting earnings of just over US\$17 an hour.

Either way, a big question regarding the gig economy at this point is whether it's a sustainable proposition for those who do the work, or just a stopgap. This is a question that Andrew Cash has spent a lot of time pondering, both personally and professionally. He has worn many hats in his 56 years: he's been a rock musician, a freelance journalist and a federal MP. "There were so many things I wanted to do," he says, "and it didn't seem possible to do them all in a nine-to-five set-up."

He currently runs a Toronto-based national non-profit called the Urban Worker Project, which aims to help, in various ways, the growing numbers of us who work outside the traditional employer-employee relationship. “It’s a sea-change in the employment market that we’re witnessing,” he says. “Forty years ago, independent workers occupied such a small portion of the labour market that policy-makers, government, labour, academia—they could all ignore it really as being an anomaly. No more.”

His fledgling organization connects these workers with one another, while also advocating with law- and policy-makers to put in place new protections for freelancers. “There are a lot of freelance workers who embrace working this way and they love it. But they still don’t think their work should be so precarious.”

In one way or another, I ask all of those I’ve interviewed about this. How do they manage the insecurity that currently comes with this territory?

The executive search consultant Sekandi says, “You know you’re only as good as your last placement.” The website developer Pollock agrees: “Even when the work is coming in, you worry, will it dry up?”

And so, after ten years of going gig to gig with a fair amount of success, Pollock and his small shop have come up with an app, Audiogram, that pairs video to podcast sound bites. “They can feature clips on social media easily. With software as a service, you can count on a solid monthly payment.”

When he was freelancing, Cash’s then-five-year-old son, Charlie, developed a bone condition that required him to wear a body cast for some time. Cash had to stop work. At present, he doesn’t like what he sees in this sphere. “These freelancers generally have no sick leave, no pension, no backup. They’re one bike accident away from the abyss.”

In an interview after she’s made my kitchen gleam, I ask Carranza what she has for backup. “I feel like I’ll always be able to make it happen,” she says. “I’m blessed to have a good family and support system, if things go south. But I’m optimistic, and doing this enables me to pursue my passion—in an almost reckless, but still, I hope, mindful manner.” ♦

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LAST OUT

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EXTRAORDINARY ITEM

FREE SPIRIT

Here's a bold idea: selling booze-loving Canadians on a zero-alcohol spirit by playing hard to get **BY MATTHEW HAGUE**

THE GAMBLE: Seedlip is a zero-alcohol, zero-calorie, zero-sugar distilled spirit from England that costs as much or more than its boozy counterparts—\$45 for a 750-ml bottle. It's breaking into Canada, a market that likes its booze: almost 80 per cent of us drink, imbibing 50 per cent more than the global average. The challenge, beyond its novelty, is cracking a consolidated grocery market where shelf space is at a premium.

THE PLAN: "Canada was always high on our list," says Ben Branson, who founded Seedlip in 2015, because we have a "forward thinking" desire for non-alcoholic beverages. (It's a \$4.4-billion segment growing at a healthy 15.6 per cent per year.) Exclusivity is the marketing hook. Due to the price and the limited production runs—it's made on Branson's family farm in small batches, using hand-picked, organically grown ingredients (peas, hay, mint) and distilled in copper pots for six weeks at a time—the strategy has been to focus on high-end retailers like Toronto's Pusateri's (likely Canada's only grocer with a champagne bar) and tony haunts like Montreal's Atwater Cocktail Club.

THE RESULT: After launching here in 2017, Seedlip has won 20 bar and restaurant accounts, and 55 retailers. (Branson offers no sales numbers, though.) Jacqueline McAskill, who runs BevPro Canada, a beverage alcohol consulting company, sees real potential: "No- and low-[alcohol] wine and beer are well-established. But in spirits, there really aren't any offerings." It bridges a number of trends, she says, including a growing love of craft cocktails, a desire for natural ingredients and a push for healthier living. It works well in faux-tinis, placebo G&Ts, or straight up, says Robin Goodfellow, co-owner at Toronto's Pretty Ugly. The flavour profile is "savoury, earthy and fresh," he says, "and you can drink it then get up and go to yoga the next morning, which people care about these days." ♦



OUTWARDS

NO MORE THUMBS AND FOREHEADS

Vacation photos are often disappointing. A B.C. start-up has a unique solution. It's a good gig for photographers. Is it worth it for you? **BY PETER SHAWN TAYLOR**

"The light is fabulous right now," Francesca eagerly informs us. So my son Daniel and I quickly hoist ourselves up onto a massive stone ledge in front of a statue of emperor Marcus Aurelius and gaze out at the innumerable visual pleasures of Rome. "But remember," she advises, "don't look at the camera."

Later, Francesca wants us to walk along the ancient flagstones of the Via Sacra, one of the most storied roads in Rome, which connects the famous Colosseum with the equally famous Forum. "Nice," she says in that gentle tone photographers use when the results really aren't that nice. "But let's do it again slower." We do it again. Slower.

After that, there's a water fight at one of the ubiquitous Roman drinking fountains, a trot down some massive steps, a stroll along another ancient street and plenty more gazing at the remains of one of the world's greatest civilizations. All as Francesca's camera clicks incessantly.

My 22-year-old son and I are definitely not models, judging by looks or talent. Neither is this a magazine photo shoot. Rather, we're on a father-son trip to Rome to indulge in a shared passion for ancient history. And to make sure we bring home photographs equal to the experience, we're having our pictures taken by a real photographer.

We met Francesca through Flytographer, a Canadian company that connects travellers with professional photographers in tourist destinations around the world. The company's founder is Nicole Smith, a former Microsoft marketing manager, and her origin story speaks to the concept's



broad and intuitive appeal. "I was in Paris with my best friend," Smith recalls. "It was a glorious two days and I wanted to remember it with something other than selfies and terrible pictures taken by strangers. So I gave my iPhone to another friend and he spent 20 minutes shooting pictures of us walking through the streets of Paris. When I saw the pictures afterwards, I got goosebumps—they just totally captured the spirit of the holiday I wanted to remember."

Founded in 2013 and based in Victoria, B.C., Flytographer has garnered plenty of recognition for its innovative online business model and high-flying growth. The company is currently part of the prestigious Lazaridis Scale-Up Program, a sort of gifted class for entrepreneurs run by the Lazaridis School of Business and Economics at Wilfrid Laurier University in Waterloo, Ont., that selects 10 promising Canadian technology

PHOTOGRAPH BY FRANCESCA VITULANO



GROWTH IS VITAL. “WE’RE OUT FRONT RIGHT NOW, AND I WANT TO TAKE ADVANTAGE BEFORE A BIG GORILLA GETS INTO OUR MARKETPLACE.”



focus. Plus, she knew the best nooks and crannies for pictures that showed off the glories of ancient Rome without any annoying strangers crowding the shot. There’s one of us dwarfed by a colossal statue of the Roman god Tiberinus that I know I’ll treasure. (On the same trip, Daniel and I were sitting in an ancient church and happened to look over the shoulder of a couple as they scrolled through pictures on their tablet. Among the countless selfies, the most prominent feature was nearly always someone’s dome-shaped forehead blocking the view. Or a thumb. The rest were mostly out of focus. It seems a sad way to remember the trip of a lifetime.)

Flytographer offers connections with hundreds of photographers in more than 200 tourist-friendly locations worldwide. Booking is a simple process: a couple of weeks prior to departure, you select the destination and your

preferred local photographer (based on portfolios posted on the website), then pick a package. An online concierge team helps with the arrangements. The cheapest package, at US\$250, provides half an hour with the photographer at one location and 15 pictures, delivered by email. More expensive packages offer more time, multiple locations and more shots to keep.

A few words of advice, though. If you are self-conscious in front of the camera, or if you like vacation pictures that are a bit grainy and off-center—that look like you took them yourself, in other words—this is not for you. And many Flytographers are also wedding photographers—proposals and honeymoons are a big part of the company’s business—so if you don’t want glossy, wedding-album-type pictures, don’t be afraid to make that clear. Oh, and if you want to look at the camera, go ahead. They’re your memories. ♦

start-ups every year and provides them with expert advice, mentorship and other support in hopes of helping them become global high-tech superpowers.

But as an upstart seeking to create an entirely new business niche, Flytographer faces some significant challenges. Smith needs to convince tourists this is a service they want to pay for, and growing as fast as possible is vital. The company is now building relationships with hotel chains and travel agencies,

trying to create brand recognition and establish market dominance. “We’re out in front right now, and I want to take advantage of that before a big gorilla gets into our marketplace,” Smith says. “We want to change the way the world remembers their vacations.”

Of course, a professional photo shoot really can change the way you look at take-home souvenirs. The photos Francesca took during our session are properly lit, brilliantly arranged and always in

BOOK VALUE

IT PAYS TO PUNCH THE CLOCK

Business thinker Daniel H. Pink says science proves that, when in pursuit of peak performance, timing really is everything **BY BRIAN BETHUNE**

Western civilization's obsession with time has been building for a long, uh, time now. The mere fact that the thing we all used to wear on our wrists, back before smartphones started ticking down the minutes, has been called a "watch" for two centuries shows just how long we've been staring at it. Our fixation has produced groaning shelves of books on how we can utilize and control time to our benefit. Few of them deliver answers as intuitively practical and easily achievable as those in Daniel H. Pink's *When*, a book more about timing than time, a when- to rather than a how-to advice manual.

Pink, 54, the author of such previous bestsellers as *Drive: The Surprising Truth About What Motivates Us*, is a prominent figure in popularizing the

workplace findings of behavioural science. This time around, aware of how much worry and stress people pour into the big "when" decisions of their lives—when to switch jobs, ask for a raise, pop the question—Pink argues timing is not a matter of luck or even art. It is, or can be, a science.

In the era of Big Data, Pink points out, social scientists can observe in action, over huge population distributions, the daily behavioural implications of what physical scientists have long known. Humans of whatever age, sex, country and ethnicity live their lives by circadian rhythms that powerfully affect emotions and cognition. Twitter, of all things, provides a window into what that means to the collective global mood. Almost a billion people

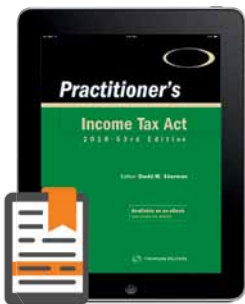
post 6,000 tweets per second, and two American sociologists ran 500 million of them, sent over two years, through software that analyzed each word for its emotional feel. The results, replicated in other studies among mountains of newly available data, form the spine of *When*: timing is everything.

We start our days positive and focused, grow increasingly so until mid-day, slide into sluggish negativity over the afternoon and recover somewhat in the early evening. (That pattern holds true whether an individual wakes with the dawn or is a night owl: we all race to our peak performance over the first half of our day, whether we arise at 6 a.m. or noon, and hit the trough around eight hours later.) The key point, writes Pink, is that everyone is sharper and smarter before the inevitable afternoon trough. So keep your analytic decisions—the ones that need to be based on logic, numbers, hard facts—to the morning. And any medical procedures, too: while mistakes of all kinds spike, the odds of a medical error *quadruple* over the hours of 9 a.m. and 4 p.m.

What matters individually also affects us collectively. Consider the quarterly corporate-earnings call between a publicly traded company's CEO and stock analysts. Pink cites a study of 26,000 of these over six years: the later in the day the hour-long conference calls were held, the "more negative, irritable and combative" the exchanges were, with real, harmful effects on share prices. Something else to do in the morning: explaining your business plans, rallying your own troops and winning over crucial outsiders.

Then cut them loose—your troops, that is, and yourself. The afternoon slough can't be beaten, but its effects can be mitigated. (Nor is it all bad. The same natural focus that keeps our attention from wandering before lunch can also hamper our intuitive understanding, which opens up later in the day: schedule art classes for the afternoon.) Make sure lunch break is a real break: workers need to get out of the office and stop thinking about the job. Go for a walk in the park or to the art gallery; talk to fellow employees about

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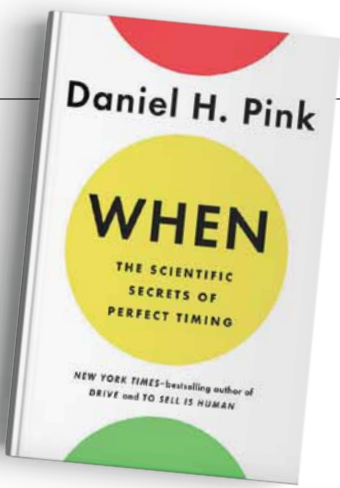
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anything other than work. Studies show that workers, as individuals and as team members, will perform much better afterwards. In Toronto, notes Pink, the large commercial real estate firm CBRE has banned the desk lunch.

But nothing beats a nap. The good side of napping is essentially endless, from increased ability to learn afterwards to reducing the odds of heart disease by more than a third; its main downside—waking up groggy—is why Pink used to hate naps. But that, he learned, was because he was doing it all wrong: 10 to 20 minutes mid-afternoon is optimal, especially in the workplace, and start it off with a coffee. Yes, with caffeine—because it won't enter your bloodstream for about 25 minutes, meaning the so-called “nappuccino” provides a double boost while you are re-engaging with the world: the benefits of sleep and of liquefied anti-sleep, together at last.

Pink clearly wrote this book in the morning, because he rarely meanders off point and he's happy to provide detailed advice when the science allows. Studies show we are all innate numerologists—that's why Y2K was such a big deal—and we are energized (or depressed) by beginnings, mid-points and endings. Pink provides a list of 86 good days in the year for a fresh start, times that resonate with us psychologically and keep us committed, from the first day of the month to an anniversary or religious feast day. But he can't say which of these is best for any individual seeking a new beginning, or identify which is tops when it comes to asking for a raise. The best plan, *When* essentially argues, is to refresh your mind and the better angels of your nature with a nappuccino, and then see what you think. ♦

DENOMINATOR

WARDROBE DISRUPTION

Lululemon Athletica essentially created the athleisure apparel business. Now the Gap, Nike, Adidas and even Beyoncé are in the game, but the Vancouver trailblazer keeps stretching its lead. **BY STEVE BREARTON**

42

Age at which Chip Wilson founded Lululemon in Vancouver in 1998; the company designs clothing by day and teaches yoga at night.



80%

Share of respondents to a 2016 poll who said they wear athleisure clothing on “occasions other than working out.” That same year, Merriam-Webster adds the word to its dictionary.

Beyoncé launches her Ivy Park activewear line in 50 countries in 2016. Frenzy ensues.



\$314 BILLION

Estimated global sales of athleisure wear in 2017, up 32 per cent from 2012.

30 SECONDS

How long dozens of Vancouverites stood naked in front of a new outlet, in return for free clothing, in 2002.

30,000 DAYS

How long Lululemon customers can expect to live, according to reusable bags it designed in 2008. (That's 82 years.)

\$150 MILLION

Price the Gap paid to buy Athleta, a California activewear company, in 2008.

\$4 BILLION

Lululemon's prediction for its sales in 2020, up from \$711 million in 2010. It recently posted an 18 per cent increase in fourth quarter revenue.

\$40 MILLION

Estimated cost of the 2013 recall of Lululemon's “see-through” yoga wear.

47%

Share of consumers who say they want their favourite athleisure brands to offer new styles at least once per month. Online retail and social media drive demand for fast fashion.



8%

Fall in U.S. denim sales in 2014. “For every pair of jeans [consumers are] not buying,” said one analyst, “they're buying two pairs of leggings.”

35%

Jump in Lululemon's share price in the year ending April 2018. Analysts credit a revamped website and soaring online sales.

23%

In 2017, activewear accounted for nearly one-quarter of all clothing sales in Canada.



\$176 MILLION

Decline in global annual net income for jeans maker Levi Strauss between 2007 and 2017, a 40 per cent drop. In 2014, Nike CEO Mark Parker noted “leggings are the new denim.”

4%

Decline in “non-active” apparel sales in Canada in 2017.

HUMAN RESOURCES

BIG DATA NEVER SLEEPS

More and more high-tech sleep aids are keeping watch over dreamland, leaving the sleep-deprived to obsess over numbers for a better night's rest **BY NICHOLAS KÖHLER**

Some years ago, James MacFarlane, the director of education and quality with the MedSleep network of clinics, received a visit from a male patient whose wife insisted that he snored. The man, for his part, insisted he didn't—until his wife recorded the noise with his smartphone one night and, because she managed all his electronic devices, turned his snore into the most shameful ultimatum. "She made it my ring tone," the man told MacFarlane, "and she refused to change it until I came for this appointment." The man gave MacFarlane his number and instructed him to dial it. The very ground shook.

For the man there was no refuting the evidence: "What was once a rumour," MacFarlane says, "was now a fact."

Today the digital revolution has rendered the need for vengeful bed partners obsolete: we are now able to direct our own sleep surveillance. Smartphones, wearable technology like the Fitbit and Apple Watch, and nifty monitors installed under sheets or at bedside are stripping the rumour and mystery from our slumbers. Accelerometers measure our nighttime movements, microphones the sound of dreams, low-energy radio waves our heartbeats. Proprietary algorithms translate this data into spreadsheets and graphs designed to illuminate what hitherto we could only guess at, via the most subjective judgments about the quality of our shuteye. These at-home devices can't yet replace the electrodes and wires of the clinical sleep lab, but just give them a few years. "Hopefully not too soon," MacFarlane says, "because I don't want to lose my job."



They call it sleep tracking, and it's big business—part of a burgeoning, increasingly high-tech sleep-aid market valued at US\$21 billion globally in 2017, and set to hit US\$31 billion by 2025, according to a recent Persistence Market Research report. In January, for the second year in a row, the Consumer Electronics Show (CES) in Las Vegas featured a sleep-tech marketplace showcasing gizmos like the Somnox sleep robot, a soft, bean-shaped automaton meant to induce sleep with simulated breathing, and the Dreem headband, which collects brain-wave data and uses "special bone conduction technology" to send soothing noise directly through your skull. Driving this industry is an epidemic of sleeplessness: both Statistics Canada and the U.S. Centers for Disease Control and Prevention say a third of us are sleep-deprived.

As if we didn't already have enough to worry about, most sleep-tracking systems assess the quality of your sleep each morning with a numerical grade, much like a judge scoring the performance of a figure skater or high diver. Although such analysis has its benefits—

such as promoting sleep literacy and better sleep hygiene—it may also be worry-making. Do we really need data-gathering machines to tell us to maintain a regular sleep routine, or to limit caffeine and avoid alcohol before bed (all the sort of truths these systems tend to offer and that we already tend to ignore)? In their quests to achieve a high sleep score, some tracking enthusiasts, especially those with pre-existing disorders like insomnia, "actually make themselves more anxious," says Jeff Mann, founder and editor of Sleep Junkies, a website dedicated to the pursuit of sleep. "It's that idea that when you observe something, you change the outcome." Mann notes this sleep pitfall already has a name: orthosomnia—the misguided hunt for perfection in the zzz's department.

There is also good reason to worry that by deploying these data-collecting devices, we're inviting Big Brother into our beds. Consider SleepScore Max, a non-contact sleep monitor developed by SleepScore Labs, a joint venture between TV's Dr. Mehmet Oz, Pegasus Capital Advisors L.P. and the sleep-equipment

giant ResMed. Retailing for US\$150, it uses radio waves to detect sleep metrics such as deep sleep and REM sleep, the time it takes you to fall asleep and how often you wake up. As its name suggests, it gives you a “sleep score” each morning—a number out of 100—letting you know how you made out.

“Sleep is the only area in which the average consumer has no single metric to assess how he or she is doing,” Colin Lawlor, the company’s CEO, has said. “Food has calories, exercise has steps, but SleepScore Labs has made it easier for the average person to measure how they sleep.” If the system suspects something in the bedroom is preventing you from achieving sleep excellence, you may receive advice about lighting (pull the blinds down) or noise (wear earplugs). If its algorithm picks up hints of a serious disorder, like sleep apnea, it will ask you a series of screener questions that may prompt it to advise a visit to a specialist (SleepScore has doctors available for virtual consultations). And if it finds your sleep may benefit from one of the sleep aids the company keeps in stock at its online store, it may suggest a purchase.

Less prominently advertised is the fact that SleepScore Labs owns the data collected by its proprietary hardware, representing some three million nights of its users’ sleep, and that the company’s long-term growth plan includes making this aggregated information available to healthcare providers. While that big data play will harness the slumber of SleepScore Max users for profit—potentially unsavoury to some—it may also grow the science of sleep.

“We know a lot about sleep disorders and about sleep in non-home, lab environments,” says Roy Raymann, VP of sleep science at SleepScore Labs. “But one of the things big data will reveal is sleep as we see it in a bedroom, night after night—and it may be totally different to the sleep reported in scientific journals.”

Then again, with the arrival of bean-shaped sleep robots and the advent of monitors X-raying our unconscious snoozings, sleep may never be the same again. ♦

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CALLING THE SHOTS

By day, Alban “Al” Leung is a senior accountant at Starline Windows in Surrey, B.C. But on Saturdays, he’s the voice of Elite Canadian Championship Wrestling. BY MICAH TOUB

I’d done voice-over commentary, but the first time I called a live match I wasn’t prepared at all. **They just threw me in there.** Luckily, I was working with a colour commentator, so the audience wasn’t listening just to me.

When the show starts, the room goes dark and people start cheering. A hype video comes on, setting up the feud, telling the story behind the fight. By the middle of the match, the room **smells like a locker room**—like sweat, and sometimes like blood.

In accounting, anyone at the company could ask a question at any time and you have to think quickly. **In wrestling, if something happens in the ring you have to call it right away.** If you wait more than a second, you’re already too late.

I got my designation in 2008 but I thought, **“I have plenty of time to be an accountant.”** So I went to Hong Kong to pursue acting. My first gig was a commercial for a cold herbal tea, about how refreshing it was. It was filmed outside during the winter, I was in a tank top, and for one of the shots they threw water at my face.

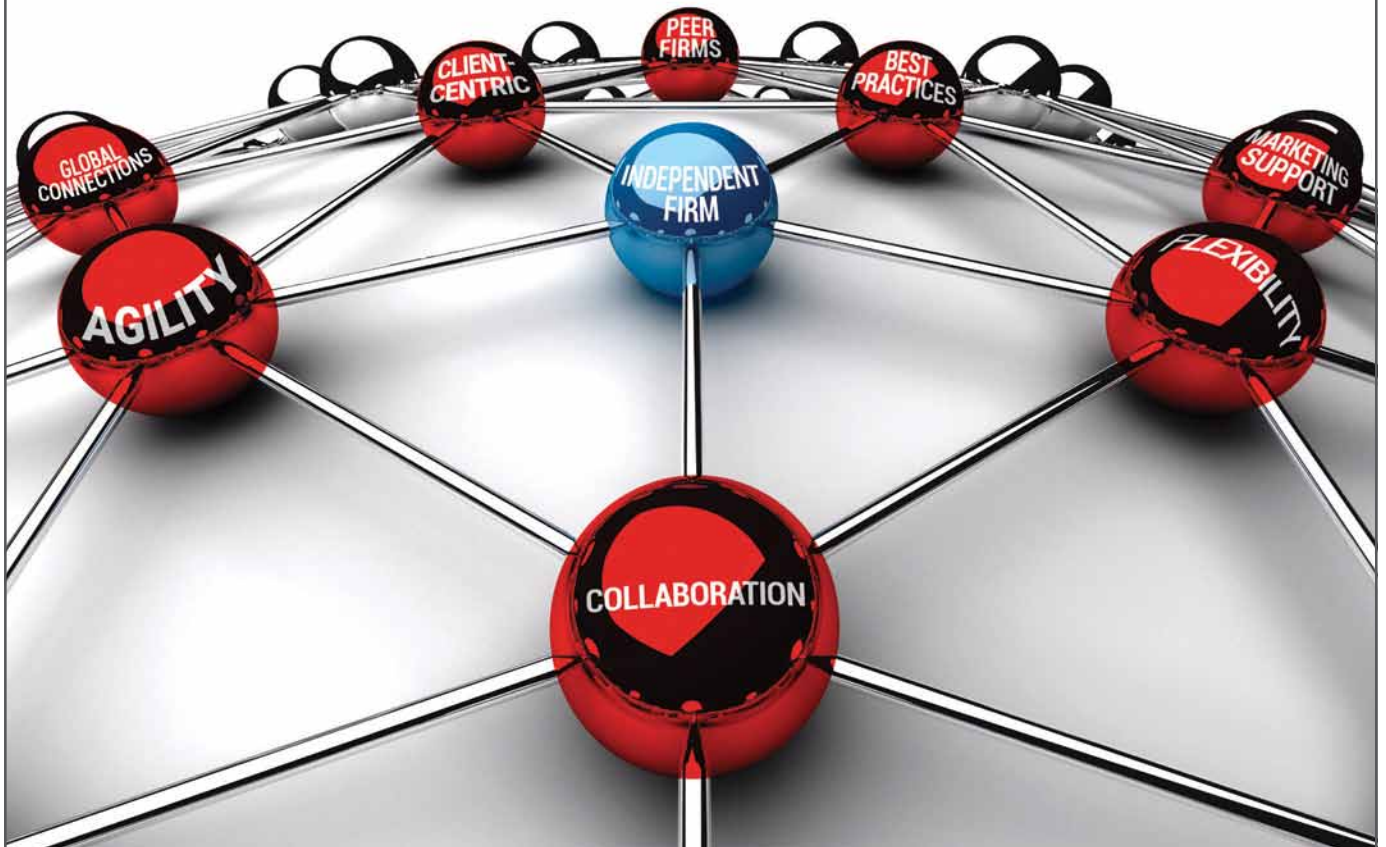
I started watching wrestling when I was seven. **Everyone liked Hulk Hogan and so did I.** If you were Canadian, you also loved Bret Hart. They both turned bad eventually, but back then they were the good guys.

I change my voice, giving it more bass, and when exciting things happen, I amp it up. Some commentators have catchphrases. I haven’t really figured out mine yet, but it might be, **“Oh my goodness!”**

During on-camera interviews, I’m getting abused by the wrestlers, so I better take it seriously. If I mess up, they have to do another take, and **I don’t want to get slapped four or five times.** Once is enough.

There’s usually a good-guy commentator and a bad-guy commentator. **Being an accountant, I’m the good one.**

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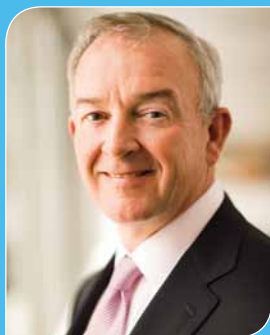
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