

Economic Impact of the Co-operative Sector in Manitoba (2010)

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Executive Summary

Co-operatives are recognized as important economic actors in the social economy in Canadian jurisdictions and throughout the world. In Manitoba co-operatives are well-recognized for their contributions to the social and economic fabric of the province, and as such, governments and other stakeholders are interested in investing in the growth of this sector.

The following paper presents an analysis of the economic impact of the sector using the input/output economic model and data collected from various sources. This paper will demonstrate that the total impact of the sector in Manitoba is equal to \$1.7 billion in value-added GDP, or 3.25% of the total economy. It also creates employment for almost 20,000 people in the province and contributes over \$830 million in household income and over \$530 million in total taxes paid.

In this paper we also demonstrate that the co-operative model has been used in Manitoba to promote self-sufficiency for over a century and we draw from relevant literature examining the sector more broadly. Using longitudinal data we are able to analyze key data points in the sector over a seven year period to explore not only the changes the sector has undergone but also the stability that it presents in terms of revenues and numbers of employees. This paper fills in gaps in the knowledge of the co-op sector in Manitoba and provides policy makers and other key stakeholders' important evidence to support their future work and research.

Introduction

Co-operatives are well-known actors in the social economy. However, little empirical evidence exists to quantify their economic impact in Canadian jurisdictions. This report provides a comprehensive overview of the economic impact of the co-operative and credit union sectors in the Canadian province of Manitoba.

By using the input-output economic model, this paper demonstrates the direct, indirect and induced economic impacts that co-operative enterprises contribute to the economy of Manitoba. In this paper economic impact is quantified in terms of total jobs (full-time equivalents), household incomes, taxes paid and value added gross domestic product.

The economic impact analysis detailed in this report was conducted in early 2015 using 2010 data. Data used for this study was provided by Industry Canada, the credit union sector and co-operatives themselves. This is the first study of its kind conducted on the economic impact of the co-operative sector in Manitoba.

Co-operatives are a form of business distinct from their mainstream counterparts because they use economic means to pursue social goals, thereby creating businesses with a social purpose (Novkovic, 2012). They bring members together to operate enterprises using democratic member control and following seven internationally recognized co-op principles (Majee & Hoyt, 2011). Co-operatives play a major role in economies around the globe by preventing market failures and dispersing inequalities in market power (Zeuli & Deller, 2007). The co-operative business model allows members to have control over their local economies (Fulton & Hammond Ketilson, 1992). The literature demonstrates that the co-operative business form is an important tool in community economic development, because co-ops strengthen the connections between members and facilitate their connection to other resources (Majee and Hoyt, 2011).

This business model is commonly mentioned in the literature as being particularly relevant to rural economies (see Fulton & Hammond Ketilson (1992), Leclerc (2010) and Novkovic (2012). Co-operatives are complimentary not only to economic aspects but also to the environmental and social aspects of the agriculture sector (Novkovic, 2012). MacPherson informs us that the creative application of this business model improves on-farm work, creates employment in local communities and stabilizes rural areas (MacPherson, 2009).

Co-operatives in Manitoba

The co-operative movement in Canada was spearheaded by rural and marginalized people across the country that used the co-operative model as a means to improve their social and economic prospects. As in the rest of the country, co-operatives played an important role in the early development of the Manitoban economy.

In Manitoba, co-operatives were particularly important in the agriculture sector as farmers began to engage in economic activities and collaborative marketing practices. The earliest of these co-operatives included agricultural societies starting around 1872; and a co-operative store that opened in Winnipeg in 1883 (MacPherson, 2010). Marketing co-operatives were established in the early 1900s to ensure fair prices for commodities, while later co-operatives helped farmers' access farm equipment through the establishment of the Canadian Co-operative Implements Limited (MacPherson, 1987).

Today over 400 co-operatives can be found in a host of different sectors across the province (Manitoba Cooperative Association Inc., 2013). These co-operatives range from car share co-operatives such as the Peg City Car Co-op, to fitness co-ops like the Physique Plus Fitness Co-op, and retailers such as the Natural Cycle Co-op. Manitoba is also home to about 40 housing co-operatives, including the Willow Park Co-op in Winnipeg, which was built in the mid-1960s, and was the first housing co-operative in Canada (Hulchanski, 2013).

A report by Federated Co-operatives Limited indicates that their retailers are significant players in the merchandising environment of Manitoba. This report shows that there are over three hundred federated co-ops with approximately 384,200 members located across the province in over a hundred communities. (Federated Co-operatives Limited, nd). This means that one third of Manitobans are members of a retail co-operative. Federated co-ops also employ about 4,500 Manitobans, and provide economic benefits to their communities by preventing market failures and distributing millions of dollars yearly in member dividends and investing in facilities and infrastructure according to this document.

The first credit union in Manitoba was established in 1937 in the French community of St. Malo (Credit Union Central of Manitoba, nd). Credit unions expanded rapidly in Manitoba, and by 1939 there were 19 credit unions in the province. Today, the credit union sector in Manitoba continues to thrive, offering members access to modern banking services including internet banking and a network of ATMs, with branches located in many parts of the province, (Credit Union Central of Manitoba, nd). Credit Unions are the only financial institutions that operate in 68 rural communities throughout the province (Manitoba Cooperative Association Inc., 2013).

Long before the establishment of formal co-operative enterprises, co-operative approaches were part of society in Manitoba. The spirit of co-operation in this region started with the indigenous peoples who used collaborative practices to hunt, fish and for trade (MacPherson, 2010). These collective ideals can be seen in the presence of First Nation and Inuit co-ops today, such as the Neechi Foods Co-op and the Northern Star Worker Co-op (MacPherson, 2010).

Co-operatives in Manitoba have had a supportive policy framework from the provincial government and are provided some financial resources as well. The government of Manitoba instituted a Community Economic Development policy in 1997, which has led to capacity building in the co-operative sector and has legitimized the role of the sector in the provincial economy (Heneberry and Laforest, 2011).

In 2008, the provincial government partnered with the Manitoba Cooperative Association (MCA) and Le conseil de développement économique des municipalités bilingues du Manitoba (CDEM) to develop a strategy for the increased development and support of co-ops in Manitoba. The first stage of this strategy created changes in co-op legislation to more readily support co-ops and in particular worker co-ops, developed a model for co-op by-laws, created tax incentives, and a co-op research fund and also increased co-operative education and awareness and increased resources and grants for co-operatives (Hoffman, 2014). The second stage of this strategy promises to support and expand upon the accomplishments of the first stage, while securing resources and engaging members and stakeholders.

It is reiterated in the literature that the provincial government of Manitoba recognizes the significance of community economic development by providing in 2008 a 30% tax credit to investors to assist community-based enterprises to raise capital (Juardez - Adeler, 2009). This was increased to 45% in 2014.

The co-operative sector is well-recognized in Manitoba as a contributor to the provincial economy. According to a survey conducted in 2009 with over 800 respondents, nine out of ten Manitobans believe that co-operatives are at least somewhat important to the economy, and 41% of respondents report that the sector is very important to the economy (PRA Inc. Research and Consulting, 2009). Nine out of ten respondents believe that co-operatives provide local employment, pay dividends and keep money in local communities (PRA Inc. Research and Consulting, 2009).

Six out of ten people who responded to this survey are members of a co-operative¹. Most of these members cite financial benefits as the motivating factor for becoming members of co-operative enterprises. By the same token, many members report that the main advantage of being a co-operative member involves financial benefits. Being an owner and having a say in the management of the co-op is another advantage to co-operative membership identified in this study (PRA Inc. Research and Consulting, 2009).

A similar study surveyed a total of 240 co-operatives in Manitoba representing the diverse co-op sector in the province including housing co-ops, credit unions, retail co-ops and daycares and others in the recreational, community, agriculture, etc. (PRA Inc. Research and Consulting, 2009). Findings from this survey indicated that the co-operatives in Manitoba are well-established, with six out of ten being in operation for 20 years or more (PRA Inc. Research and Consulting, 2009). Co-operatives operating in Manitoba tend to be small businesses with most reporting annual revenue of less than half a million dollars, and three out of four co-operatives in Manitoba are found in one location only (PRA Inc. Research and Consulting, 2009).

Manitoba is also home to some larger co-operatives. Industry Canada reports that of the top 50 non-financial co-operatives in Canada in 2012, seven of these are headquartered in Manitoba (Industry Canada, 2015). These include: Red River Co-operative, Hams Marketing Services Co-operative, Arctic Co-operatives, Granny's Poultry Co-operative, Ste. Anne Co-operative Oil, Pembina Consumers Co-operative and Winkler Consumers Co-operative. Additionally, there are co-operatives that do large volumes of business but are not headquartered in Manitoba such as Federated Co-operatives, Mountain Equipment Co-operative and The Co-operators. And there is a large financial co-operative sector with Assiniboine Credit Union leading the way.

The Red River Co-op is ranked the 7th largest co-op in Canada by Industry Canada in 2012 (Industry Canada, 2015). This retail giant was founded in 1937, and continues to grow with the addition of 4 new grocery locations in Winnipeg in 2014, and a gas bar in Dryden Ontario in the same year (Red River Co-op, 2015). The new grocery store locations in Winnipeg are a result of an agreement with Federated Co-ops and Sobeys, after Sobeys was forced to sell four Safeway stores during an expansion. By Red River taking over the operations of these stores the community benefited because the co-operative retained the employees and kept wages, benefits and pensions unchanged (CBC, 2014). The Winkler Co-op operates a number of co-operative enterprises in various locations in Southern Manitoba. This is one of the largest retail co-operatives in Manitoba with 13,000 members, 230 employees and approximately 100 million in annual sales (Winkler Co-op, 2013-2015).

1 This is less than the percentage of co-op members in the general population as indicated by the number of members in financial and non-financial co-ops across the province.

The Economic Context in Manitoba in 2010

The size of the Manitoban economy in 2010 was approximately \$52 billion in terms of GDP, with approximately 620,000 people in the province working (Province of Manitoba, 2015). The unemployment rate in Manitoba is typically just over 5% (Province of Manitoba, 2015). The population of Manitoba is approximately 1.2 million people.

According to a report commissioned by the Canadian Centre for Policy Alternatives, Manitoba weathered the financial crisis of 2008-2009 better than many other Canadian provinces and better than the country as a whole (Baragar, 2011). In illustration of this fact, Baragar explains that in 2009 although the GDP of Manitoba had a zero percent growth rate, the GDP of Canada had shrunk by nearly 2.8% (Baragar, 2011). According to Baragar, the economy of Manitoba tends to have less pronounced fluctuations than is typical of other provinces (2011).

Existing Economic Impact Studies of the Co-operative Sector

A small number of Canadian and United States studies of the economic impact of the co-operative sector in various jurisdictions have been conducted (Uzea, 2014). The economic impact of the co-operative sector proved significant in all of these studies.

In Canada several provincial jurisdictions have been studied. In one study, Leclerc measured the impact of the sector in New Brunswick and found that 3.4% of jobs in that province are in the co-op sector and it contributes \$464 million in wages and \$117 million in total collected taxes (Leclerc, 2010). In Nova Scotia, Karaphillis and Lake found that the co-op sector contributes \$799 million to GDP, while creating over 11 thousand full time equivalent jobs and \$469 million in wages and a total tax contribution of \$142 million (Karaphillis and Lake, 2015).

In a study of the co-operative sector in the United States, Deller et al., found that co-operatives in the United States create 654 billion USD in total revenue, own 3 trillion USD in assets, account for 75 billion USD in wages and benefits, and create two million jobs by their direct, indirect and induced impact (Deller et al, 2009). To obtain this data, researchers in this study identified 29,284 co-operatives in the United States, and collected data from 16,151 of these. The study did not include the impact on Gross National Product or taxes paid.

A Canadian study conducted by Karaphillis, Duguid and Lake, found that the co-operative sector accounted for approximately 3.5% of the nation's GDP, and created over 3% of the total jobs in Canada (forthcoming). This equates to a total value –added GDP contribution of \$54.3 billion, and 613 thousand full-time equivalent jobs. Additionally, this study found that co-operatives are responsible for \$33 billion in wages and \$11 billion in total tax revenue in Canada (Karaphillis, Duguid and Lake, forthcoming).

Economic impact is only one aspect of the co-operative business model that is examined in the literature. In fact, much of the extant literature focuses on the social impacts of co-operatives. It is noted in the literature that the social and economic impacts of co-operatives are examined separately in most research, although the social and economic outcomes are intrinsically linked (Novkovic, 2012). We recognize that co-operatives may be equally important to member's social needs as their economic needs. However, this review of the literature focused primarily on economic impact because of the nature of this study, and not to diminish the social impacts of this sector.

Methodology2

This study uses the input-output model to calculate the economic impact of the co-operative sector on the Manitoban economy. The reason that this method was used for these calculations is that the input-output model is the most commonly used methodology in economic assessments (Zeuli & Deller, 2007). It is also an appropriate assessment tool due to the variety of industries co-operative enterprises are operating in Manitoba.

Furthermore, the input-output method was used in similar studies in the United States and Canada, specifically in both Nova Scotia and New Brunswick. This methodology is also used by government and business to determine the economic impact of other sectors and financial activities. Using a consistent methodology allows researchers and practitioners to draw comparisons between studies in various jurisdictions.

To understand the input-output model, one must first take into account that all sectors in the economy are impacted by each other; therefore the financial activity of any sector creates a ripple effect on the whole economy. However, each sector has a different impact on the economy based on how integrated their business is in the surrounding economy (Leclerc, 2010). For example, companies that depend heavily on labour and local input materials will have a greater economic impact than companies of a similar size operating in sectors that are highly mechanized or use imported input materials. Each sector is classified using a North American Industry Classification Standard code based.

By using the input-output method the authors of this paper were able to measure the direct, indirect and induced impacts of the co-operative sector in Manitoba. Direct impacts are the revenues, jobs and taxes that are generated directly by the operations of the co-operatives. The indirect impacts are the revenues, jobs and taxes that the suppliers to the co-operatives generate. While induced impacts are a result of spending by co-op employees and their suppliers which creates an impact in terms of revenue, jobs and taxes generated.

In order to calculate the direct, indirect and induced impacts we used the Statistics Canada provincial multiplier tables. These tables assign input-output multiplier figures to 234 standard (NAICS) codes that represent the different types of businesses in Canada. Separate codes for regular co-operatives have not been created; therefore co-operatives are classified with their counterparts in conventional business forms. However, credit unions have their own NAICS and their own unique multipliers.

Statistics Canada also creates separate multiplier tables for each province per industry. Each set of multipliers will be different depending on the type of industry and how integrated its operations are. By using these tables we are able to determine the impact of each co-operative sector on the economy of Manitoba. The data we used in this study is revenue data for each co-operative sector in 2010, and was provided by Industry Canada. Jobs figures in this study are calculated as full-time equivalents.

The scope of this study covers all registered co-operatives in Manitoba that report revenue to Industry Canada. Industry Canada defines co-operatives as, “a legally incorporated corporation that is owned by an association of persons seeking to satisfy common needs such as access to products or services, sale of their products or services, or employment” (2015). In Canada, a co-operative must incorporate pursuant to a specific statute law at the provincial, territorial or federal level. These Acts govern all types of co-operatives, with the exception of financial co-operatives, which are governed by separate legislation. The nature of the co-operative business model and how they operate is largely defined by these Acts (Industry Canada, 2010). For the purpose of this study, we use the definition of co-operatives as defined by Industry Canada.

2 The authors of this paper have completed several economic impact studies in other jurisdictions using this methodology; hence the similarity of this section to previous studies.

We recognize that there are enterprises that function as co-operatives although they are not formally incorporated as such; however, they are not included in this study. For example, mutuals are not included in this study because they do not fall under the Industry Canada definition, nor are they incorporated under a Co-operative Act.

Although the study uses data only from the co-operatives who submitted their annual survey to Industry Canada, these reporting co-operatives are the biggest co-operatives and the reported revenue total is close to the actual sector total. Data from and 2010 was used for this study because they are the most recent, reliable and complete data sets available from Industry Canada. The dataset for non-financial co-operatives in Canada was obtained from Industry Canada's Annual Survey of Canadian Co-operatives. The data for financial co-operatives was obtained from Credit Union Central of Canada, Industry Canada and Statistics Canada.

Findings

The following analysis will provide a thorough examination of the economic impact of the co-operatives in Manitoba. We first examined 2004-2009 data from the Industry Canada report, "Co-operatives in Canada 2009", to analyze changes in the numbers of co-ops reporting, the volume of business reported, and the numbers of members and employees captured by this report (Table 1) (2013). We summarized 2010 numbers from the 2010 Industry Canada dataset (Industry Canada, 2015). We found that the numbers of co-operatives completing this survey has decreased since 2004, with the largest decrease happening between 2009 and 2010. However, the volume of business and the numbers of employees has remained relatively stable during this time and the numbers of members has increased.

Table 1: Manitoba Non-Financial Co-operatives (2004-2010)

	2004	2005	2006	2007	2008	2009	2010
Number Of Co-operatives Reporting	277	267	263	270	264	255	224
Volume Of Business Of (millions Of Dollars)	1,639	1,712	1,799	1,861	2,142	2,082	1,971 ²
Number Of Members (Thousands)	314	328	345	385	413	433	426
Number Of Employees	4,047	4,027	3,837	3,617	3,826	4,149	4,119 ³

We used the same method, also including reports by the credit union sector to analyze the financial co-operative sector in Manitoba during the period between 2004 and 2010 (Table 2). In this case we found that although the numbers of credit unions decreased during that time period, the numbers of branches increased slightly while assets showed significant increases. The number of financial co-op members is increasing while the number of employees has decreased somewhat since 2008, the earliest data point we were able to access. The reason for these changes is that credit unions are merging and shifting to serve their member's needs, particularly in rural areas that are facing increasing challenges where credit unions tend to be more prevalent (Kristensen et al., 2010).

Table 2: Manitoba Credit Unions (2004-2010)

	2004	2005	2006	2007	2008	2009	2010
Number Of Credit Unions	64	64	62	57	53	49	42
Number Of Branches	203	206	209	208	210	210	210
Assets (\$ millions)	9,704	10,782	12,120	13,596	15,212	16,667	18,240
Number Of Members (thousands)	533	545	568	589	585	596	605
Number Of Employees					2,903	2,676	2,785

To gain a clearer perspective of the profile of the co-operative sector in Manitoba we examined data from Industry Canada obtained by co-ops that responded to the Annual Survey of Canadian Co-operatives (2010) with additional data from Federated Co-operatives Limited and Arctic Co-operatives Limited regarding their Manitoba activity (table 3).

Table 3: Profile Of Manitoba Co-operative Sector (2010)

	Number of Co-ops	Revenue (\$)	Total Assets (\$)	Number of Members	Number of Employees	Payroll (\$)
Accommodations	2	(308,912)	603,335	175	1	3,000
Administrative And Support	1	121,402	160,055	9	3	56,088
Agriculture, Forestry, Fishing	17	303,326,572	72,174,179	4,800	805	3,327,384
Arts, Entertainment	29	1,546,344	2,497,984	3,161	33	292,871
Health Care And Social Assistance	42	15,556,628	7,992,175	5,093	417	11,214,955
Information And Cultural Industries	3	26,333,561	32,377,439	35,240	108	3,108,150
Other Services	1	41,947	12,584	4	4	
Professional, Scientific And Technical Services	2	300,188	571,553	361	4	111,172
Real Estate And Rental	42	27,027,940	108,799,127	3,496	83	1,081,382
Retail Trade	38	2,839,554,995	679,826,376	365,571	2,929	75,181,637
Transportation And Warehousing	2	324,041	262,834	22	5	144,219
Utilities	31	8,249,996	45,037,968	1,791	40	1,130,144
Wholesale Trade	5	99,945,740	55,930,567	6,205	115	3,303,595
Total Non-Financial Co-ops	215	3,322,020,442	1,006,246,176	425,928	4,547	98,954,597
Financial Co-Ops	51	901,494,654			5,311	168,096,696

Data Source: Industry Canada, Federated Co-operatives Limited and Arctic Co-operatives Limited

Table 3 indicates that the co-operative sector, especially the financial co-operatives, has been growing fairly consistently in terms of revenues, assets and number of members. The non-financial co-operatives have revenues of \$3.3 billion, assets of \$1 billion, and 426 thousand members. Credit unions and insurance co-ops are rich in assets: they have assets of more than \$24 billion, 575 thousand members and revenues of \$901 million. It also shows what industries the co-operative sector is doing business in including healthcare, real estate, retail trade, utilities and arts and entertainment with the most co-operative businesses. However in terms of revenues, the retail sector followed by agriculture and wholesale trade, far exceed other industries. Retail trade and wholesale also are at the top for numbers of members and employees. This speaks to the literature referenced earlier regarding the importance of Federated Co-operatives in the province.

Next we employed the input/output model to gain economic revenue figures for non-financial and financial co-operatives (Table 4). The non-financial co-op data are derived from the micro-data collected in the Annual Survey of Co-operatives in Canada by Industry Canada, while the financial figures are summarized from “System Results” reports, published by Credit Union Central, and “Co-operatives in Canada”, Industry Canada reports. Multipliers are from Statistics Canada Table 15F0046XDB. All of these figures are calculated using NAICS industry coding. By using this model we can see the direct, indirect and induced impacts that the co-operative sector has in the economy in any given year, as is demonstrated with 2010 figures below.

Table 4: Economic Impacts of Manitoba Co-operative Sector, 2010

	Direct	Spinoff	Total
Economic Value Add (GDP, \$ million)			
Non-financial Co-operatives	487.6	323.1	810.7
Financial Co-operatives	482.5	408.0	890.5
			1,701.2
Jobs (FTEs, person-years)			
Non-financial Co-operatives	8,567	4,544	13,111
Financial Co-operatives	5,961	656	6,617
			19,728
Household Income (\$ million)			
Non-financial Co-operatives	282.6	162.1	444.7
Financial Co-operatives	382.4	33.9	416.3
			861.0
Taxes (\$ million)			
Production taxes			275.4
Product Taxes			78.5
Household Income Taxes			142.3
Household HST			32.3
Household Property Taxes			7.8
			536.3

By using this form of analysis, the findings show the large contribution of the direct and spin-off impacts of the co-operative sector in the economy of Manitoba. Findings indicate that co-operatives in Manitoba generate \$1.7 billion in value-add to the GDP, create nearly 20,000 jobs (full time equivalent), contribute \$861 million in employment income, and \$563 million in taxes to all levels of government. In each case the non-financial sector and the financial sectors are similar in numbers, except the total jobs where non-financial co-operatives are a head of financial co-operatives. Table 5 shows the economic impact of co-operatives in Canada using the input/output model.

Table 5: Economic Impacts of The Co-operative Sector In Canada, 2010

	Direct	Spinoff	Total
Economic Value Add (GDP, \$ million)			
General Co-operatives	7,408	10,851	18,259
Credit Unions and Caisses Populaires	8,333	11,218	19,551
Co-op Insurance & Investments	6,767	10,075	16,842
			54,631
Jobs (FTEs, person-years)			
General Co-operatives	130,774	123,183	253,957
Credit Unions and Caisses Populaires	109,596	111,912	221,508
Co-op Insurance & Investments	29,451	107,988	137,439
			613,840
Household Income (\$ million)			
General Co-operatives	5,384	5,685	11,069
Credit Unions and Caisses Populaires	6,924	6,198	13,122
Co-op Insurance & Investments	2,463	6,180	8,643
			32,789
Taxes (\$ million)			
Co-op Production Taxes			2,686
Co-op Product Taxes			635
Household Income Taxes			5,481
Household Sales Taxes			2,432
Household Property Taxes			449
			11,683

Table 6, brings the Manitoba and Canadian numbers together to show the impact of Manitoba co-operatives to Canada.

Table 6: Comparison of Economic Impact of Co-operatives, Manitoba To Canada, 2010

Indicator	Manitoba	All of Canada	% of Canada
Economic Value Add GDP (millions)	1,701.2	54,631	3.1%
Total Jobs	19,728	613,840	3.2%
Total Household Income (millions)	861	32,789	2.6%
Total Taxes Paid (millions)	536.3	11,683	4.6%

Table 6 shows that the Manitoba co-operative sector plays a small, but relative to its size, role in the overall Canadian co-operative economy. Table 7 represents the co-operative sector's economic impact in the province in terms of GDP and jobs.

Table 7: Comparison of Economic Impact of The Co-operative Sector To Manitoba Total Economy, 2010

Indicator	Co-operative sector	Manitoba	% of Manitoba economy
Economic Value Add GDP (millions)	1,701.2	52,896	3.2%
Total Jobs	19,728	650,015	3.0%

Table 7 shows that the Manitoba co-operative sector plays a small, but relative to its size, role in the overall Manitoba economy.

The following table (Table 8) compares the Manitoba co-operative sector to other provinces that have had economic impacts analysis. These include Ontario, Nova Scotia and New Brunswick.

Table 8: Comparison of Economic Impact of Co-operatives (Manitoba, Ontario, Nova Scotia and New Brunswick)

	Manitoba (2010)	Ontario (2010)	Nova Scotia (2011)	New Brunswick (2009)
GDP (millions)	1,701.2	5,971	799	501
Total Jobs	19,728	57,089	11,359	7,564
Total Household Income (millions)	861	3,308	469	328
Total Taxes Paid (millions)	536.3	1,306	142	160

As shown in Table 8, the province of Ontario's co-operative sector out performs Manitoba, Nova Scotia and New Brunswick in absolute terms of all economic indicators. However, as shown in Table 9, the Manitoba co-operative sector is out-performing the provinces in terms of a key indicator – percentage of jobs.

Table 8: Comparison of Jobs Supplied By The Co-operative Sector (Manitoba, Ontario, Nova Scotia and New Brunswick), 2010

	Manitoba Total	Manitoba Co-ops	Ontario Total	Ontario Co-ops	Nova Scotia Total	Nova Scotia Co-ops	NB Total	NB Co-ops
Jobs	650,015	19,728	6,735,890	57,089	465,135	11,359	360,685	7,564
Percentage	3.035%		0.85%		2.44%		2.09%	

In fact, Table 8 shows that Manitoba is considerably ahead of the two Maritime provinces and Canada's largest province in terms of full time equivalents jobs.

The following analysis sheds light on the Manitoba co-operative economic impact in comparison to another sector that has a large impact in the province – provincial government. Table 9, shows a comparison between the Manitoba co-operative sector and Manitoba provincial government in terms of jobs.

Table 9: Comparison Between Co-operative Sector And Government In Manitoba, 2010

Indicator	Provincial Government	Co-operative Sector
Total Jobs	8,655	19,728

The number of jobs in the co-operative sector including direct and spin off is more than double the number of provincial government jobs.

Discussion

The findings of this paper validate the perspective of the Manitoban co-operative sector community, the government of Manitoba and Manitoban citizens: The co-operative sector in Manitoba plays a small but important role in the economy of the province.

Although the co-operative sector is well supported and appreciated by both government and citizens as indicated in reports by both PRA Inc. Research and Consulting (2009), and Ken Hoffman (2014), this paper is the first to use an economic model to quantify the size of the impact of the sector in Manitoba. Therefore this paper fills an important gap in the knowledge about co-ops operating in the province and potentially could help to inform policy and practices surrounding the co-op sector in Manitoba.

The numbers clearly indicate that the sector has significance in terms of contribution to GDP, jobs, household income and taxes. With a \$1.7 billion contribution to the total provincial GDP of \$52 billion, the co-op sector is responsible for approximately 3.2% of the GDP in Manitoba. Furthermore, 3% of all jobs in Manitoba are created by the co-op sector. Additionally, household incomes in Manitoba are increased by \$836 million due to the co-op sector and \$536 million is contributed in total taxes paid, including property taxes, HST and income taxes.

Also identified from the data, there are more non-financial co-operatives than financial co-operatives. The number of financial co-operatives is decreasing, with mergers and acquisitions; however, the number of branches is increasing. The financial co-operative sector has 179,000 more members than the non-financial co-operative sector despite the lower total co-operatives. Yet non-financial co-operatives employ 67% more people than financial co-operatives. In terms of trends, for non-financial co-operatives that reported to the Industry Canada survey, there is a slight decrease in co-operatives that reported, volume of business, numbers of members and numbers of employees from 2004 to 2010. In terms of financial co-operatives, there is a slight decrease in reporting co-operatives, but increases in assets, numbers of members and employees. This during a time of financial crises, thus suggesting the co-operative model's stability.

The percentages of the Manitoba co-operative sector to the Canadian co-operative sector and to the Manitoba overall economy hover around 3.1% on average. While small, the co-operative sector's economic impact is relative to its size. It is speculated that if economic impact studies were completed based on industry, the co-operative sector in the fields of retail, wholesale and agriculture would have good representation for volume of business, assets and employees. Additionally, Manitoba out-performs other provinces that have had economic impact assessments in terms of job creation.

Limitations

This economic impact analysis has several limitations. The limitations of this study are also present in other economic impact studies of the co-operative sector. For example, the data in this study represents only the co-operatives that report income to Industry Canada, which is approximately 72% of the sector in Manitoba. However, as in other studies (i.e. Karaphillis, Duguid and Lake, forthcoming; Duguid, Karaphillis and Lake, forthcoming; Karaphillis and Lake, 2015), the authors believe that the co-operatives that do not report revenue to Industry Canada are in fact the smaller co-operatives with little or no income to report, and that the largest contributors are reporting. However, this limitation means that 2010 impacts are conservative estimates. This constraint also means that we are not able to weigh the data because we do not know which industries those not reporting fall within.

Co-operatives are generally owned by members in the communities in which they operate and therefore are more likely to purchase local inputs to support their local economies (Zeuli & Deller, 2007; Fulton & Hammond Ketilson, 1992). This propensity toward local purchasing is not reflected in the multiplier tables and means that co-operatives have a greater impact on the economies in their local communities than the economic models indicate. Due to this limitation of the input-output model, studies of this nature should be considered a low estimate of the economic impact of co-operatives.

Another limitation in this study is that it is difficult to isolate the provincial impact in terms of jobs and wages for the large co-ops that operate across the country. Although we obtained figures specific to Manitoba, there may be slight variations in the jobs and wage figures used in this study.

And finally, counterfactually, this model is not able to tell us what local economies would look like in the absence of the co-operatives which prevent market failures in over one hundred Manitoban communities. The economic impact figures provided in this paper should be considered minimum estimates of the actual impact that co-operatives have on the Manitoban economy.

Conclusion

This paper provides empirical evidence to support the conviction of the importance of the co-op sector in the province of Manitoba. With a value added GDP impact of \$1.7 billion yearly, or 3.25% of the total GDP output of Manitoba, the sector is clearly an important aspect to the provincial economy. Also, in terms of employment the sector is responsible for providing almost 20,000 jobs (full time equivalents) in the province. Additionally the contribution to total taxes paid in the province is over \$530 million and the sector is providing over \$830 in household income.

Given the size of the economic impact of the co-operative sector in Manitoba, the provincial government along with partners at MCA and CDEM, is wise to invest in a strategy to create a growing and thriving co-operative sector with a leadership role in social and economic development in the province. Investments in this sector have the potential to contribute to a more self-sufficient economy that allows citizens to exercise control over their own local economies, while pursuing social goals with economic means and preventing market failures.

The co-operative sector in Manitoba can promote community economic development while leveling inequalities in market power and enabling citizens to practice self-help as the early pioneers of the co-op movement in Manitoba were able to do over a hundred years ago. With good data and concrete evidence, such as was presented in this paper, the co-operative sector is poised to usher in a new wave of economic stability and self-sufficiency in Manitoba and beyond.

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Footnotes

- 1 2004-09 data from “Co-operatives in Canada 2009”, Industry Canada report, 2013. 2010 data summarized from Industry Canada co-operative dataset (includes revenue of Arctic and Federated co-operatives in the province).
- 2 Volume of business for 2010 is \$3,322 Million when the Manitoba revenues of Federated and Arctic co-operatives are included. The \$3,322 Million revenue figure is used for all economic impact calculations in this document.
- 3 Number of employees for 2010 is 4,543 when the Manitoba-based employees of Federated and Arctic co-operatives are included.
- 4 Data summarized from Financial Co-op data in Industry Canada 2010 co-op dataset, plus Credit Union Central, System Results Report - 4th Quarter 2010, Wawanesa Insurance 2010 Annual Report and additional data on employment and payroll provided by Credit Union Central.
- 5 Includes payroll for non-financial co-operatives, investment co-ops and credit unions but not insurance co-operatives.
- 6 Using GDP Basic Price multipliers for MB, Statistics Canada Provincial Multipliers table, catalogue 15F0046XDB. Applied to revenue figures of Table 3.
- 7 Using Jobs multipliers for MB, Statistics Canada Provincial Multipliers table, on revenue figures of Table 2.
- 8 Using employment multipliers for MB, Statistics Canada Provincial Multipliers table, on revenue figures of Table 2.
- 9 Taxes on production paid by co-operatives and their suppliers (i.e. property taxes, permits and licenses etc.). Using Production Tax multipliers for MB, Statistics Canada Provincial Multipliers – GDP Components table.
- 10 Taxes on product paid by co-operatives and their suppliers, for example value-add sales taxes and duties. Calculated using Product Tax multipliers for MB, Statistics Canada Provincial Multipliers – GDP Components table.
- 11 Income Tax paid by employees of co-operatives, their suppliers, and spinoff employment. Calculated by using average rate derived from Statistics Canada CANSIM Table 384-0040, Current Accounts – Households Provincial, for Manitoba, and household income figures presented above.
- 12 Using average HST rate for Manitoba, derived from Manitoba Finance budget documents.
- 13 Property taxes paid by employees of co-operatives, their suppliers, and spinoff employment. Calculated by using average rate derived from Statistics Canada CANSIM Table 384-0040, Current Accounts – Households Provincial, for Manitoba, and household income figures calculated above.
- 14 Taxes on production paid by social enterprises and their suppliers (i.e. property taxes, permits and licenses etc.) calculated using Statistics Canada Provincial Multipliers – GDP Components table.
- 15 Taxes on product paid by co-operatives and their suppliers, for example value-add sales taxes and Duties calculated using product tax multipliers, Statistics Canada Provincial Multipliers – GDP Components table.
- 16 Income tax paid by employees of co-operatives, their suppliers, and spinoff employment calculated by using average rate derived from Statistics Canada CANSIM Table 384-0040, Current Accounts – Households.
- 17 Using average sales rate, derived from Input-Output Final Demand -Total taxes on Product Margins table, Statistics Canada.
- 18 Property taxes paid by employees of co-operatives, their suppliers, and spinoff employment. Calculated by using average rate derived from Statistics Canada CANSIM Table 384-0040, Current Accounts – Households, Statistics Canada.
- 19 Statistics Canada, CANSIM Table 384-0038
- 20 Statistics Canada, CANSIM Table 383-0031
- 21 Manitoba provincial government numbers from Stats Canada CANSIM Table 383-0031.