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# **Economic Impact of the Co-operative Sector in Ontario (2010)**

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# Executive Summary

The co-operative sector is well-known as an economic powerhouse globally, and is increasingly recognized as significant in the Canadian economy both nationally and in specific Canadian jurisdictions. This paper demonstrates the size and economic impact of the co-operative sector in the province of Ontario.

Analysis shows that the value-added GDP impact of the co-op sector in Ontario is \$5.9 billion yearly. Furthermore, the sector injects \$3.3 billion into household income and \$1.3 billion in taxes paid at all levels of government. In terms of employment, the sector is responsible for providing over 57,000 jobs (full time equivalents) in the province. We find in the analysis that the co-operative sector in Ontario is approximately 1% of the total economy (value-add GDP). We also find in this paper that the co-operative sector in Ontario is involved in a diverse range of industries. The highest number of co-operatives are in housing and child care services and this is also where there are also many members. The insurance, finance, agriculture and wholesale industries are the economic drivers for the co-operative sector in Ontario.

In this paper we examine the trends in co-operatives and credit unions over the last seven years in Ontario and provide a profile of the sector in this province. From this data we find that the co-op sector in Ontario is diverse in nature and declining slightly in most economic indicators. This paper also draws on the relative literature to complete our understanding of co-operatives in Ontario.

Using data from the Industry Canada's Canadian Co-operative Annual Survey, the credit union system and individual co-operatives and applying economic modeling frameworks, this analysis determines the direct, indirect and induced impacts of co-operatively run enterprises in the province.

## Introduction

Co-operatives are commonly recognized for the important contributions they make to the economic and social fabric across Canada. However, to-date little empirical evidence exists to quantify the size of the economic contribution that the sector makes in Ontario. This study will provide the first in-depth analysis of the complete economic impact of co-operatives in this province.<sup>1</sup>

The economic impact analysis detailed in this report was conducted in early 2015 using 2010 data (the most current available). This analysis uses the input/output economic model, with 2010 data provided by individual co-ops, the credit union system, Industry Canada and Statistics Canada. This paper will quantify the direct, indirect and induced impacts of co-ops and credit unions in the Ontario economy. Economic impact will be measured in terms of contribution to gross domestic product (GDP), numbers of jobs created in full-time equivalents, wages and taxes paid.

It is estimated that the co-operative sector globally has approximately one billion members worldwide, with 250 million employees, and 2.2 trillion USD in global revenue (International Co-operative Alliance, 2015). Co-operatives are a form of business distinct from other types of corporations because they bring members together to operate enterprises using democratic member control and following seven internationally recognized co-op principles (Majee & Hoyt, 2011). They use economic means to pursue social goals, thereby creating businesses with a social purpose (Novkovic, 2012). Co-operatives and social enterprises often have better social and economic outcomes than conventional businesses (Borzaga, Depedri, & Tortia, 2011). The co-operative business model allows members to have control over their local economies (Fulton & Hammond Ketilson, 1992).

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1 On Co-op undertook a study of the socio-economic impact of co-ops in the city of Guelph in 2014.

# Co-operative Context in Ontario

For more than 150 years, Canadians have used co-operatives as a tool to develop local economies and improve social conditions. The earliest known interest in them was in Upper Canada (what became Ontario) in 1828; the first known co-operative in Canada was a Nova Scotia consumer co-op in 1861 (MacPherson, 2009). The first Canadian credit union, the Caisse Populaire de Levis, was formed in 1901 (Desjardins, 2015). The longest currently operating co-operative in Ontario is Vineland Growers Co-operative which was incorporated on November 20, 1913, followed by the incorporation of Guelph Campus Co-operative a week later on November 27, 1913.<sup>2</sup>

The co-operative movement started out as an agricultural movement in Ontario; but has evolved to encompass a wide range of areas of activities or industry sectors and to operate diverse enterprises that provide services to members (Heneberry & Laforest, 2011). In 2007, the Ontario Co-operative Association and partners undertook to complete a census of all the co-operatives in Ontario.<sup>3</sup> This census found that there were 1300 co-operatives in the province, 79% of which are in housing, financial and child care services, which as will be shown did not shift significantly in 2010. There were 1.4 million members, 49,000 volunteers and 15,500 employees. The assets in 2007 were \$30 billion and the annual revenues were approximately \$4.6 billion.<sup>45</sup>

Ontario is home to some very large co-operatives including the Gay Lea Foods Co-op, the 8th largest co-op in Canada, and the Hensall District Co-op, the 10th largest (Industry Canada, 2013). Ontario is also home to some of the oldest student housing co-operatives, Guelph Campus Co-operative formed in 1913 (Guelph Campus Co-operative, 2015) and a student housing co-operative started at the University of Toronto in 1934 (Hulchanski, 2013). Other co-ops in Ontario in the top 50 largest co-ops list in 2010 include Integrated Grain Processors, a producer co-operative that produces fuel ethanol from corn, and La Cooperative Agricole d'embrun, which wholesales feedstock in a Francophone community in Western Ontario. There are medium-sized co-operatives in Ontario supplying transportation such as Co-op Cabs and Community CarShare, as well as Ag Energy, which offers energy strategies and solutions to agricultural producers and processors in Ontario. Ontario is also home to small but growing co-operatives such as London Brewing Co-operative and to small but stable co-operatives like the Mary Poppins Co-operative Preschool, which has been operating for 50 years.

The fastest growing co-operative sector in Ontario is in the local food movement (On Co-op, n.d.). The Local Organic Food Co-op Network has about 40 food co-op members across the province (Sumner, McMurtry, & Renglich, 2014). These co-operatives are working to create a more equitable food system based on co-operative principles and democratically chosen goals (Sumner, McMurtry, & Renglich, 2014). When compared to other co-op sectors in Ontario in 2010, these new wave food co-ops are marginal in terms of numbers of members and revenues. However, their development is indicative of the fact that co-ops continue to shift to meet new social concerns and remain relevant in social movements.

The Co-operative Corporations Act was proclaimed 1974 in Ontario and the Credit Union and Caisse Populaires Act was proclaimed in 1994 (Heneberry & Laforest, 2011). The Ontario Co-operatives Corporation Act contains a point of legislation distinct to co-operatives in Ontario, called the 50% rule.<sup>6</sup> This section states that co-operatives must do the majority of their business (50%) with their members (Shewan, 2012).<sup>7</sup> This section was instituted to ensure that co-operatives serve their members and remain distinct from other forms of business. However, this requirement has mixed support with some people believing that it gives co-operatives a disadvantage that hampers their success as businesses (Shewan, 2012).

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2 Taken from FSCO website incorporation statistics <http://www5.fSCO.gov.on.ca/co-op/default.aspx>

3 Please see Census Co-op Data Summary sheet (2008) from On Co-op.

4 Please see On Co-op General Meeting Presentation by Imagine Canada, June 2008.

5 Unless otherwise stated all number related to monetary amounts are in Canadian dollars.

6 This rule also exists in Quebec legislation.

7 As with all co-operative legislation in Canada, Ontario's Co-operative Corporation Act further defines co-operatives as operating on a co-operative basis and following principles which include: democratically participating through one member, one vote; cannot vote by proxy; paying a fixed rate of interest or dividends on share capital; and operating nearly as possibly at cost after providing for reserves, payment of interest on loan capital or dividends on share capital, and distributions to members.

# The Economic Context in Ontario in 2010

The economy in Ontario was once the mainstay of the Canadian economy. But changing economic conditions have hit Ontario harder than other provinces over the past decade; in all nine years from 2003 to 2011, Ontario's real economic growth was below that of the rest of the country (Drummond, 2012). For example, the higher Canadian dollar had a negative impact on Ontario as a manufacturing centre. Manufacturing, the once dominant industry in Ontario, has continued to decline from a high point in the 1970s at 23.2% of the overall economy to just 11.8% in 2010 (Drummond, 2012).

The challenges caused by a strong dollar were aggravated by the financial crisis of 2008, in which Ontario suffered more than any other province (Drummond, 2012). With this economic decline comes shrinkage in nominal GDP, wages and employment figures. The one-time leader in employment across the country now has rates that are lower than the national average and indicate that the economy of Ontario has lost over 200,000 jobs in a little over a ten-year period (Drummond, 2012).

The size of the Ontario economy in 2010 was approximately \$629 billion in terms of GDP (Statistics Canada, 2014). More than 6.7 million people were employed in Ontario in 2010, and the unemployment rate was 8.7% (Statistics Canada, 2014). In 2010, over 13 million people lived in the province of Ontario (Statistics Canada, 2014).

## 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 found that the co-op sector contributes \$799 million to GDP, while creating over 11,000 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 613,000 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.

# Methodology<sup>8</sup>

The scope of this study attempts to cover all co-operative activity in Ontario. 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” (Industry Canada, 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, 2015). For the purpose of this study, we use the definition of co-operatives as defined by Industry Canada for non-financial co-operatives. Financial co-operatives abide by the above definition but work specifically in the banking and investment industries.

The dataset for non-financial co-operatives in Canada was obtained from Industry Canada’s Annual Survey of Canadian Co-operatives. The study only uses data from co-operatives that have submitted their annual survey to Industry Canada. Data from 2010 was used for this study because they are the most recent, reliable and complete data sets available from Industry Canada. The data for financial co-operatives was obtained from Credit Union Central of Canada, Industry Canada and Statistics Canada. So while the total number of co-operatives in Ontario is usually reported to be approximately 1300, the study reflects the data from the non-financial co-operatives that have reported to the Industry Canada survey and the credit union and insurance sector data sets. Given these datasets, the response rate for the co-operative sector in Ontario is 68%. It is important to note, first, all of the financial co-operatives and all of the largest non-financial co-operatives are included in this study. This is significant because, as we will see, these co-operatives report the largest numbers of revenue despite being smaller in numbers. Second, almost all of the 32% non-responsive survey participants are co-operatives that have little revenues and employees (housing and child care co-operatives). Therefore, while they are large in number and membership, they have a smaller economic impact.

This study uses the input-output model to calculate the economic impact of the co-operative sector on the Ontarian 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).

Data from 2010 was analysed using the input-output economic model, to determine the economic impact of the co-operative sector on the Ontarian economy in terms of direct, indirect and induced impacts. These impacts can be understood as the following:

- **Direct impacts:** revenue, jobs, and taxes generated by the co-operatives.
- **Indirect impacts:** revenue, jobs, and taxes generated by enterprises that supply the co-operatives.
- **Induced impacts:** revenue, jobs, and taxes generated from spending by direct and indirect employment; spending by employees of co-operatives, employees of suppliers to the co-operatives, and their families.

The input-output model was also used because it is suitable to the diverse nature of co-operatives in Ontario. This method measures the ripples that are created in the economy by the integration of the operations of businesses. The size of these ripples is contingent upon the type of industry that is being measured. For example, an industry that depends heavily on local labour creates a larger ripple in the economy than a similar sized industry that imports goods for sale relying on overseas labour. Unlike conventional businesses, co-operatives tend to buy more of their

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<sup>8</sup> The authors of this paper have completed several economy impact studies in other jurisdictions using this methodology; therefore this section is similar to previous studies.

inputs from local sources in their communities (Zeuli & Deller, 2007), which is consistent with co-operatives' connection to community, support of a triple bottom line and being responsive to member needs.

To analyse data from co-operatives, each co-operative is coded according to the industry they operate in, using standard North American Industry Classification System (NAICS) codes. These codes are standard industry classification codes that were created by Canada, Mexico and the United States to classify industries operating in these countries. The researchers then take this coded data and aggregate it all per sector code per province. This aggregated data is then analysed using provincial multiplier tables created by Statistics Canada. These multiplier tables are based on the NAICS codes and therefore utilize individual multipliers according to the size of the economic ripple created by each industry. The economic impacts are quantified in terms of GDP, full time equivalent jobs, household income and total taxes paid.

By using a standard methodology we provide future researchers the ability to easily replicate our study using more recent data and allow for comparisons between the co-operative sector and other industries operating at provincial or national level economies.

## Findings

The following analysis will provide a thorough examination of the economic impact of co-operatives in Ontario. We first examined 2004-2010 data from Industry Canada's Annual Survey of Co-operatives in Canada to analyze changes in the numbers of non-financial co-operatives reporting, the volume of business reported, and the numbers of members and employees captured by this report (Table 1).

**Table 1: Ontario Non-Financial Co-operatives (2004-2010)<sup>9</sup>**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Number of co-ops reporting</b>	947	964	940	952	918	901	693
<b>Volume of Business (\$ Millions)</b>	2,233	2,393	2,415	2,355	2,390	2,478	2,429
<b>Number of members (Thousands)</b>	176	179	184	180	168	158	142
<b>Number of employees</b>	5,579	5,676	5,635	5,750	5,878	5,639	5,454

In 2010, 693 non-financial co-operatives reported to the Annual Survey of Canadian Co-operatives. These non-financial co-operatives have revenues of \$2.4 billion, membership totaling 142,000 members across the province and employed 5,454 people (full time equivalent) in the co-operative sector in Ontario. Notwithstanding the lower number of co-operatives reporting in 2010, over the seven years, the reported revenue and employee, figures indicate consistent performance, with small variations from year to year in the volume of business and number of employees. Over the seven years the volume of co-operative business increased by 9%. This is during a time when the province was seeing poor long term economic performance indicators performance, fiscal indicators showing rising debt and deficits, and declining competitiveness of the Ontario economy, standard of living and productivity growth and per capita incomes (Dimatteo, 2011).

<sup>9</sup> 2004-09 data from "Co-operatives in Canada 2009", Industry Canada, 2013. 2010 data summarized from Industry Canada co-op dataset.

The same analysis was conducted for the credit unions and caisses populaires in Ontario (Table 2) using data from the Credit Union Central of Canada.

**Table 2: Ontario Credit Unions (2004-2010)<sup>10</sup>**

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Number of Credit Unions</b>	240	227	219	208	198	206	167
<b>Number of Branches</b>	713	699	687	679	632	664	652
<b>Assets (\$ Millions)</b>	22,341	23,421	24,729	26,195	29,565	29,591	31,042
<b>Number of Members (Thousands)</b>	1,661	1,659	1,694	1,681	1,642	1,642	1,601
<b>Number of Employees</b>					5,058 <sup>T1</sup>	5,104 <sup>T2</sup>	5,210 <sup>T3</sup>

Table 2 indicates that the financial co-operative sector of Ontario has been growing considerably in terms of assets and steadily for employment.

From 2004 to 2009 there is an evenly spaced decrease in the total number of financial co-operatives. Generally, this is explained by a trend towards mergers, amalgamations and acquisitions within the credit union system, not the collapse or demutualization of credit unions. And despite this drop in number of credit unions, the number of branches does not see the same acute decrease. The membership base is fairly constant, with a drop of 2.5% in 2010. Despite the decreasing trend in the number of credit unions, the total value of assets has continually increased even during the financial crisis of 2009 - 2010. According to Birchall and Hammond Ketilson (2009), the co-operative banking systems of the world are in an unusually strong position; they have not been damaged much by the banking crisis, and are growing strongly as customers switch their business away from the discredited investor-owned banks and other enterprises to what they see as a more risk-averse and trustworthy sector (p. 4).

Table 3 presents the industries that co-operatives work in as well as their respective revenues, assets, members, employees and salaries.

10 Data summarized from “System Results” reports published by Credit Union Central of Canada.

T1 Employee counts are obtained from “Co-operatives in Canada 2008”, Industry Canada.

T2 Employee counts are obtained from “Co-operatives in Canada 2009”, Industry Canada.

T3 Data provided by Credit Union Central of Canada.

**Table 3: Profile of Ontario Co-operative Sector (2010)<sup>11</sup>**

	<b>Number of co-ops</b>	<b>Revenue (\$)</b>	<b>Total Assets (\$)</b>	<b>Number of Members</b>	<b>Number of Employees</b>	<b>Payroll (\$)</b>
<b>Administrative and support</b>	4	5,471,538	415,997	145	24	1,178,050
<b>Agriculture, forestry, fishing<sup>T4</sup></b>	22	455,546,069	271,988,044	4,938	995	24,082,996
<b>Arts, entertainment</b>	16	2,628,274	3,375,497	981	77	117,790
<b>Health &amp; social assistance<sup>T5</sup></b>	137	31,869,089	11,355,837	10,362	1,019	23,834,398
<b>Information &amp; culture</b>	8	30,933,605	121,910,132	19,584	151	4,231,010
<b>Manufacturing</b>	10	573,202,116	290,277,285	7,101	830	20,961,847
<b>Other services</b>	13	36,143,185	19,358,315	4,094	115	5,700,973
<b>Professional services</b>	10	20,109,639	16,749,588	505	99	4,033,813
<b>Real estate and rental<sup>T6</sup></b>	431	413,606,388	2,153,941,631	50,639	872	25,321,221
<b>Retail trade</b>	18	333,523,769	74,244,800	17,735	511	15,972,924
<b>Transportation &amp; warehousing</b>	3	812,631	736,491	302	9	184,712
<b>Utilities<sup>T7</sup></b>	7	42,059,959	28,710,842	1,737	24	1,909,563
<b>Wholesale trade</b>	14	482,737,504	179,219,548	24,076	728	20,485,957
<b>Total Non-financial Co-ops</b>	693	2,428,643,766	3,172,284,007	142,199	5,454	148,015,254
<b>Insurance &amp; Investment Co-ops<sup>T8</sup></b>	18	2,870,504,473	14,149,839,626	N/A	6,987	N/A
<b>Credit Unions &amp; Caisses Populaires<sup>T9</sup></b>	167	1,456,461,936	31,042,000,000	1,601,000	7,208	465,935,801
<b>TOTAL</b>	878	6,755,610,175	48,364,123,633	N/A	19,649	N/A

11 Data for non-financial co-ops is summarized from 2010 Industry Canada co-op dataset.

T4 This is the NAICS code where local food co-operatives and farmer's markets are housed.

T5 This is the NAICS code where child care co-operatives are housed.

T6 This is the NAICS code where housing co-operatives are housed.

T7 This is the NAICS code where renewable energy generation is housed.

T8 Data from Financial Co-op data in Industry Canada 2010 co-op dataset, plus data from annual reports of The Co-operators Group Ltd and The Economical Insurance.

T9 Data summarized from Credit Union Central of Canada, System Results Report - 4th Quarter 2010, and additional data on employment and payroll provided by Credit Union Central of Canada. It includes results of affiliated, federated, and non-affiliated credit unions.

As is seen in Table 3, the revenues and numbers of employees vary widely depending on the industry. The sector with the highest number of co-operatives is housing, accounting for 62% of the number of co-operatives in Ontario. Although co-operatives in other sectors have higher revenues and numbers of employees, housing co-operatives are the most numerous. Another industry high in co-operative numbers and membership is health and social assistance. These, for the most part, are non-profit child care co-operatives. Co-operative sectors such as manufacturing have higher densities of revenues and numbers of employees; however, there are low numbers of co-operatives in this sector.

Sensitive to the point that we should consider only the Ontario activity of the Ontario-based co-ops, the numbers in Table 3 for insurance and investment co-operatives are estimates of their revenues within the province. This includes 44% of The Co-operators Group Ltd and 58% of The Economical Insurance total revenues. Additionally, the total numbers for insurance and investment co-operatives are conservative estimates as they do not include The Desjardins Group insurance and investment sales within Ontario.

Next we employed the input/output model to estimate the economic spinoff effects of 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 annual “System Results” reports, published by Credit Union Central, and “Co-operatives in Canada”, Industry Canada reports. Revenue amounts were summarized by their NAICS industry code and economic multipliers (Statistics Canada, Table 15F0046XDB) were applied to the revenue amounts to estimate the economic impact of each sector. By using the Input-output model we were able to estimate 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 impact of Ontario Co-operative Sector, 2010**

	<b>Direct</b>	<b>Spinoff</b> <sup>T10</sup>	<b>Total</b>
<b>Economic Value Add (GDP, \$ Million )</b>			
Non-financial Co-operatives	706	774	1,480
Insurance & Investment Co-operatives	1,394	1,494	2,888
Credit Unions and Caisses Populaires	789	814	1,603
			<b>5,971</b>
<b>Jobs (FTEs, Person-Years)</b>			
Non-financial Co-operatives	6,766	9,566	16,332
Insurance & Investment Co-operatives	5,406	15,438	20,844
Credit Unions and Caisses Populaires	10,382	9,531	19,913
			<b>57,089</b>
<b>Household Income (\$ Million)</b>			
Non-financial Co-operatives	315	449	764
Insurance & Investment Co-operatives	487	937	1,424
Credit Unions and Caisses Populaires	665	455	1,120
			<b>3,308</b>
<b>Taxes (\$ Million)</b> <sup>T11</sup>			
Production Taxes			373
Product Taxes			201
Household Income Taxes			555
Household HST			142
Household Property Taxes			35
			<b>1,306</b>

T10 Spinoff impact is the total of indirect and induced economic impacts

T11 The household income tax, sales tax, and property taxes are estimates of the taxes paid by the co-operatives' employees and by the employees of suppliers of co-operatives.

The table above indicates the contributions of the co-op sector to the economy of Ontario. The co-operative sector accounts for almost \$6 billion of the GDP, for 57,000 jobs (full time equivalent), \$3.3 billion in employment income, and \$1.3 billion in taxes to all levels of government. According to Table 4, the insurance and investment co-operatives are out pacing the non-financial co-operatives and credit unions and caisses populaires in all economic indicators: besides high revenue figures on a continuous basis, the job multipliers are fairly high for credit unions and insurance companies. Credit unions and insurance co-ops are also very rich in human and financial resources – at the end of 2010 they had nearly \$50 billion in assets and more than 1.6 million members.

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**

	<b>Direct</b>	<b>Spinoff</b>	<b>Total</b>
<b>Economic Value Add (GDP, \$Million)</b>			
Non-financial Co-operatives	7,408	10,851	18,259
Co-op Insurance & Investments	6,767	10,075	16,842
Credit Unions and Caisses Populaires	8,333	11,218	19,551
			<b>54,631</b>
<b>Jobs (FTEs, person-years)</b>			
Non-financial Co-operatives	130,774	123,183	253,957
Co-op Insurance & Investments	29,451	107,988	137,439
Credit Unions and Caisses Populaires	109,596	111,912	221,508
			<b>613,840</b>
<b>Household Income (\$Million)</b>			
Non-financial Co-operatives	5,384	5,685	11,069
Co-op Insurance & Investments	2,463	6,180	8,643
Credit Unions and Caisses Populaires	6,924	6,198	13,122
			<b>32,789</b>
<b>Taxes (\$Million)</b>			
Co-op Production Taxes <sup>T12</sup>			2,686
Co-op Product Taxes <sup>T13</sup>			635
Household Income Taxes <sup>T14</sup>			5,481
Household Sales Taxes <sup>T15</sup>			2,432
Household Property Taxes <sup>T16</sup>			449
			<b>11,683</b>

Table 6, brings the Ontario and Canadian numbers from tables 4 and 5 together to show the impact of the Ontario co-operative sector as it relates to the Canada co-operative sector.

T12 Taxes on production paid by social enterprises and their suppliers (i.e. property taxes, permits and licences etc.) calculated using Statistics Canada Provincial Multipliers – GDP Components table.

T13 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.

T14 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.

T15 Using average sales rate, derived from Input-Output Final Demand -Total taxes on Product Margins table, Statistics Canada.

T16 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.

**Table 6: Comparison of Economic Impact of Co-operatives, Ontario to Canada, 2010**

Indicator	Ontario Co-ops	Canada Co-ops	% of Canada
<b>GDP (Millions)</b>	5,971	54,631	10.9%
<b>Total Jobs</b>	57,089	613,840	9.3%
<b>Total Household Income (Millions)</b>	3,308	32,789	10.1%
<b>Total Taxes Paid (Millions)</b>	1,306	11,683	11.2%

Considering that Ontario is Canada's most populous and industrial province, with population of more than 13 million<sup>12</sup> and GDP of \$630 billion<sup>13</sup>, Ontario accounts for nearly 40% of both the population and GDP of Canada. However, its co-operative sector accounts for only 10% of the national co-operative activity. Ontario's co-operative sector is certainly significant, as it added \$5.9 billion to the GDP in 2010, but it has not kept pace with the growth of the co-op sector nationally: if Ontario's co-operative sector had grown at the national average, it would have been four times as large as it was in 2010.

The following table (Table 7) compares the Ontario co-operative sector to other provinces that have had economic impacts analysis. These include Nova Scotia, Manitoba<sup>14</sup> and New Brunswick.

**Table 7: Comparison of Economic Impact of Co-operatives (Ontario, Manitoba, Nova Scotia and New Brunswick)**

	Ontario (2010)	Manitoba (2010)	Nova Scotia (2011)	New Brunswick (2009)
<b>GDP (\$ Millions)</b>	5,971	1,701	799	501
<b>Total Jobs</b>	57,089	19,728	11,359	7,564
<b>Total Household Income (\$ Millions)</b>	3,308	861	469	328
<b>Total Taxes Paid (\$ Millions)</b>	1,306	536	142	160

As shown in Table 7, 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 8, the Ontario co-operative sector is not out performing in terms of a key indicator – percentage of jobs.

12 Statistics Canada CANSIM Table 051-0001. In 2010, Canada's population was 34 million and Ontario's was 13.1 million.

13 Statistics Canada CANSIM Table 384-0038. In 2010, Canada's GDP was \$1.67 trillion and Ontario's GDP was \$630 billion.

14 See Duguid, Karaphillis and Lake (forthcoming) *Economic impact of the co-operative sector in Manitoba (2010)*.

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

	Ontario Total	Ontario Co-ops	Manitoba Total	Manitoba Co-ops	Nova Scotia Total	Nova Scotia Co-ops	New Brunswick Total	New Brunswick Co-ops
<b>Jobs</b>	6,735,890	57,089	650,015	19,728	465,135	11,359	360,685	7,564
<b>Percentage</b>	.85%		3.035%		2.44%		2.09%	

In fact, Table 8 shows that Ontario lags behind the two Maritime provinces and the Prairie province in terms of full time equivalents jobs.

Table 9, below, displays the co-operative sector’s economic impact within the province in terms of GDP and jobs.

**Table 9: Comparison Of Economic Impact Of the Co-operative Sector To Ontario Total Economy, 2010**

Indicator	Co-operative sector	Ontario	% of Ontario economy
<b>Economic Value Add GDP (\$ Millions)</b>	5,971	629,500 <sup>T17</sup>	.95
<b>Total Jobs</b>	57,089	6,735,890	.85

Table 9 shows that the Ontario co-operative sector accounts for nearly 1% of the overall Ontario economy. Within the Ontario economy, the 57,000 jobs accounted by the co-operative sector is comparable to the number of jobs in two other big sectors– the provincial government and the automotive industry: the automotive industry employed 94,750 within Ontario in 2010 and the provincial government employed 62,015.<sup>15</sup>

## Limitations of the study

The limitations of this study are also present in other economic impact studies of the co-operative sector. For example, economic impact studies can only provide analysis on the co-operatives that report income to Industry Canada. In Ontario this is approximately 68% of the sector. Needless to say the findings of the 2010 impact study are conservative. This is a similar situation for other economic impact studies of the co-operative sector (e.g. Karaphillis et al, forthcoming). From Industry Canada representatives, the authors of this paper understand that the co-operatives that do not respond to the Annual Survey are typically smaller co-operatives with little or no income to report, and that all of the large co-operatives are reporting and almost all of the medium sized co-operatives. Although we obtained jobs and wages figures specific to Ontario, isolating the operations of large co-operatives to one province is a difficult task. Another limitation present in this study is the possibility that the actual Ontario jobs and wages figures of the co-ops operating across Canada may be slightly off.

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

<sup>15</sup> Statistics Canada CANSIM Table 383-0031

<sup>T17</sup> Statistics Canada CANSIM Table 384-0038

## Conclusion

This paper provides empirical evidence as to the economic impact of the co-operative sector in Ontario and its role in the provincial economy. Analysis shows that the value-added GDP impact of the co-op sector in Ontario is \$5.9 billion yearly. Furthermore, the sector injects \$3.3 billion into household income and \$1.3 billion in taxes paid at all levels of government. In terms of employment, the sector is responsible for providing over 57,000 jobs (full time equivalents) in the province. We find in the analysis that the Ontario co-operative sector contributes about 1% to the province's total economy (value-add GDP). We also find in this paper that the co-operative sector in Ontario is involved in a diverse range of industries, the most co-operatives being in housing and child care services, where there are also many members. It is especially strong economically in insurance, finance, agriculture and wholesale industries.

Overall, we see a sector that is held up by the sheer number of housing co-operatives and the economic weight of insurance and credit unions. However, we do see many opportunities for the sector to be revitalized in the province. For example, the development of new wave food co-operatives, farmer's markets, new immigrant services and renewable energy co-operatives all demonstrate that there still lies interest in using the co-operative model to address social concerns.

Economic impact studies are becoming the norm for sector analysis. They allow for benchmarking, comparisons with other sectors and similar industries, as well trending and forecasting. While 68% representation of the Ontario co-operative sector is good and allows for conservative, methodologically sound findings, if the Annual Survey response rate was higher the findings would be even closer to the actual economic impact of the co-operative sector. And finally, because this study only looks at the economic impact of the co-operative sector, the opportunities for deeper exploration into the social and environmental indicators of co-operatives is key to fully understand the impact of co-operatives.

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