

ASB 2014
Halifax, Nova Scotia

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ECONOMIC IMPACT OF THE NOVA SCOTIA CO-OPERATIVE SECTOR

Nova Scotia's co-op sector has a rich history going back to the 1860s but detailed knowledge of the role of the sector in the economy is limited. We estimated the economic impact of co-ops and credit unions, including GDP, income, employment, and taxes. We also examined the impact of co-ops across the Urban – Rural divide.

Introduction

This study was carried out last year and it focuses on the economic impact of the co-operative sector in Nova Scotia. It is a comprehensive study of the economic impacts of co-operatives and credit unions on all communities in the province. 2012 was the UN-proclaimed international year of cooperatives and it was marked by the co-operative sector worldwide. The Nova Scotia Co-operative Council and the researchers in the Atlantic cluster of the *Measuring the Co-operative Difference Research Network*, a SSHRC-funded CURA project, saw it as an opportunity to reflect on the qualities and contributions of co-operatives and credit unions in Nova Scotia, as viable collectively-owned democratic businesses.

Co-operatives make-up a strong, stable and resilient sector of the economy in Nova Scotia, for well over a century. The Britannia Consumers Co-operative was established by coal miners in Sydney Mines, Cape Breton in the 1860s and Nova Scotia's largest co-operative, Scotsburn, was created in 1900 by dairy farmers in Pictou County. Agricultural societies started 'feed and seed' supplier co-operatives to meet the needs of farms and later started consumer co-ops to meet the needs of households. The Government of Nova Scotia has been involved with co-operative development dating back to the early 1900s when agricultural representatives helped farmer groups send their shipments of livestock to market. In 1906, the Farmers Co-operative Associations Act was enacted as a special part of the Companies Act. (Co-ops in Nova Scotia, 2007)

The modern co-operative sector grew during the 1920s and 1930s as the Antigonish Movement, led by Cape Breton's Fr. Jimmy Tompkins and Fr. Moses Coady, assisted local fishers, farmers, forestry workers, and coal miners to start more consumer, agricultural, and financial co-operatives. The Acadian community of Cheticamp, Cape Breton, was an early adopter of the co-op model and organized a fisheries co-operative by 1915.

In 1932 the Reserve Mines Credit Union, Cape Breton, obtained the first credit union charter from the Nova Scotia government. In 1934 the first meeting of Nova Scotia credit unions was held in Sydney. Many more Nova Scotia communities started Credit Unions and the credit union systems of Nova Scotia, New Brunswick and PEI owe their origins to the Antigonish Movement, which also had an important influence across Canada.

There is some recognition that co-operatives have a long history and hold great potential for the future of Nova Scotia. Nova Scotia's recent *JobsHere* strategy and the new *One Nova Scotia Report* (Ivany Report), for example, recognize that social enterprises such as co-operatives can contribute to job creation and wealth creation. However, detailed knowledge of the role of co-operatives (including credit unions) in Nova Scotia's economy is limited. The impact of the co-operative sector in the economy has been studied in other regions, such as Wisconsin and New Brunswick, but not in Nova Scotia. This research study intends to provide a detailed evaluation of the economic impact of the sector in the province.

Background

Co-operatives pursue social goals using economic means; in other words, they operate as businesses with economic goals, but have a social purpose (Novkovic, 2012). Generally, the social goals of co-operatives are a response to a need in the communities in which they operate. The ability of co-operatives to respond to community needs has contributed to the success as well as the diversity of co-operatives in Canada (Fulton & Hammond-Ketilson, 1992).

Research indicates that co-operatives are a tool that can lift groups, not only individuals, out of poverty (Majee & Hoyt, 2011). Their ability to reduce poverty can be attributed to the fact that co-operatives provide a means for communities to come together and allow citizens to make choices based on the community rather than individual well-being (Fulton & Hammond-Ketilson, 1992).

The literature also informs us that the co-operative business model is well suited for community economic development due to the fact that they create economic, human and social capital through their operations (Majee & Hoyt, 2011). In their exploration of the use of co-operatives in community development, Majee and Hoyt, 2011, demonstrate that co-operatives are able to strengthen connections within groups, while connecting groups with outside resources simultaneously.

Local control is another important aspect of co-operatives because it allows members to react to local conditions and also gives them a sense of power over their circumstances (Fulton &

Hammond Ketilson, 1992). As locally owned and controlled enterprises co-operatives are place-based businesses that are able to provide goods and services as well as employment and other positive contributions to their communities (Majee & Hoyt, 2011). In this manner, co-operatives are able to prevent market failures, and are considered valuable economic and social resources in communities across Canada.

Although co-operatives are found across the country in both urban centers and rural communities, the literature indicates that co-operatives may be more significant in rural areas; for example, Novkovic, Leclerc, and Fulton & Hammond – Ketilson. Leclerc, 2010, informs us that many co-operatives operate points of service despite the fact that these local operations may have a negative impact on their balance sheets. Novkovic, 2008, emphasizes that co-operatives often mitigate market failures by operating in less-profitable locations than other firms may be willing to operate in. The literature further informs us that co-operatives allow people in small communities to have control over their own economies (Fulton & Hammond- Ketilson, 1992).

It is recognized that co-operatives and social enterprises often achieve better economic and social outcomes than their conventional counterparts (Borzaga, Depedri, & Tortia, 2011). The practitioner based literature confirms that co-operatives have the ability to enhance the social fabric of their communities by ensuring jobs, promoting entrepreneurship and improving quality of life (Lotti, Mensing, & Valenti, 2006).

The literature informs us that the impact of co-operatives and social enterprises is often left unrecognized by predominant economic theory (Borzaga, Depedri, & Tortia, 2011). The practitioner based literature suggests that co-operatives, “tend to operate with little fanfare and are often unrecognized by the financial press...” (Lotti, Mensing, & Valenti, 2006). International co-operative organizations also recognize the lack of knowledge and awareness about the co-op sector in common discourse around the world (World Co-operative Monitor, 2011).

The lack of awareness of the economic significance of this sector can be partially explained by the lack of extant literature that measures the economic impact of this sector. In conducting the review of literature relevant to this paper the researchers found few previous economic impact studies on the co-operative sector in Canada or elsewhere, and very few that have been peer-reviewed and published in recognized journals. However, in this review we will discuss the corresponding technical reports that we have found in the co-operative sector literature.

In a study of the economic impact of the co-operative sector in New Brunswick, Leclerc looked at the direct, indirect and the induced impacts of the sector as well as the tax revenues generated through the activities of co-operatives and their employees (Leclerc, 2010). Leclerc used the input-output model, finding it more suitable due to the varied nature of co-operatives in that province (Leclerc, 2010). He estimated the contribution of the co-operative sector in New Brunswick to equal 3.4% of the total jobs in that province, provides \$117.4 million in total tax revenue

In the United States a team of researchers from the University of Wisconsin conducted an analysis of the economic impact of the co-operative sector across that country. In this study,

Deller et al, 2009, also used the input-output model to calculate direct, indirect and induced impacts of economic activity in the co-operative sector. They measured the value of revenue, wages and income as well as the number of jobs to determine the total economic impact (Deller et al, 2009).

This study has identified 29,284 co-operatives operating in the United States, and surveyed 16,151 of these to collect data. Deller et al, found that 66% of all co-operatives in the United States are in the social services sector, 19% are found in sales or marketing, 11% are in the utilities sector and 4% are in the financial services sector. Their analysis indicated that co-operatives in the United States own 3 trillion in assets, account for 654 billion in total revenue, 75 billion in wages and benefits, and create two million jobs by their direct, indirect and induced impact (Deller et al, 2009). The study did not include effect on GNP and taxes.

Globally, the World Co-operative Monitor has begun developing extensive yearly reports in an attempt to raise the profile of co-operatives and demonstrate their economic and social importance while providing more opportunities for co-operation among co-operatives. Using data from 2011 this organization has been able to identify the three hundred largest co-operatives operating around the world and values their contribution to the economy in the trillions of dollars (World Co-operative Monitor, 2011).

Scope

The study aims to complete a comprehensive analysis of the economic impact of general and financial co-operatives in Nova Scotia. We have made an effort to conduct a census of the economic activity of the co-operative sector by collecting and analyzing the revenue and employment of all organizations that have self-identified as co-ops and registered with the Co-operatives Branch of Service Nova Scotia or with the Credit Union Central. The table below provides a sample of types of co-operative ventures operating in the province:

Airports (ex. Waterville/Cambridge)	Farmer's markets	Investment funds (CEDIFs)
Art galleries	Fishing/Trawlersmen	Marina operators
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