

**THE ECONOMIC IMPACT OF SOCIAL ENTERPRISES
IN NEW BRUNSWICK**

SUMMARY REPORT

PREPARED FOR THE Co-OPERATIVE ENTERPRISE COUNCIL OF NEW BRUNSWICK

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Background

This study focuses on the economic impact of the social enterprise sector in New Brunswick. It is a comprehensive study of the economic impacts of social enterprises such as community corporations, co-operatives, businesses operated by Not for Profits, and social firms operating in the province of New Brunswick.

For the purposes of this study, a social enterprise was defined as a Not-for-profit, co-operative, or other community organization that:

- *earn some, or all, of their revenues from the sale of goods and services; and*
- *invest the majority of their surpluses/profits into social, cultural or environmental goals*

Social Enterprises make-up a strong, stable and resilient sector of the economy in New Brunswick, for well over a century. The modern social enterprise sector has its roots in the co-operative movement that grew during the 1920s and 1930s, as European immigrants brought the model co-operative enterprises of their homelands with them. The Antigonish Movement, led by Fr. Jimmy Tompkins and Fr. Moses Coady, assisted local fishers, farmers, forestry workers, and miners to start more consumer, agricultural, and financial co-operatives. New Brunswick's social enterprise sector is now mature and diverse with an estimated 700+ organizations operating across the province in a variety of sectors¹.

There is some recognition that social enterprises have a long history and hold great potential for the future of New Brunswick. However, detailed knowledge of the role of social enterprises in New Brunswick's economy is limited, with only one report on the impact of general and financial co-operatives on employment and taxes².

This research study intends to provide a detailed evaluation of the economic impact of the social enterprise sector in the province; including social enterprises of all legal forms and not only co-operatives.

Scope

The study aims to complete a comprehensive analysis of the economic impact of all social enterprises in New Brunswick, including co-operatives, NFPs, and social businesses that reported sales. We have used the financial data in the recent survey of New Brunswick’s Social Enterprise sector³ and the most recent financial data of co-operatives collected by The Rural and Co-operatives Secretariat of Agriculture and Agri-Food Canada⁴: we have made an effort to construct a census of the economic activity of the broader Social Enterprise sector by analyzing the revenue of all organizations that have self-identified as co-ops and registered with the Co-operatives Secretariat (now with Industry Canada), community organizations who responded to the recent New Brunswick Social Enterprise survey and are not co-ops, and credit unions and caisse populaires as per New Brunswick Credit Union Deposit Insurance Corporation’s reports.

It is estimated that 700 social enterprises operate in New Brunswick and 129 responded to the recent Social Enterprise survey, including 27 Co-Ops. There are approximately 175 registered Co-Operatives in the province and 133 of them filed their annual report with the Co-Operatives Secretariat: the majority of large co-operatives filed annual reports with the Co-Operatives Secretariat. Table 1 provides trend data of the non-financial Co-operative Social Enterprises in New Brunswick.

Table 1⁴

Co-operative Social Enterprises in NEW BRUNSWICK						
	2004	2005	2006	2007	2008	2009
Number of co-ops reporting	141	139	140	138	135	134
Volume of Business (in millions of dollars)	1,088	1,171	1,091	1,035	1,043	1,085

Table 1 indicates that the general co-op social sector in New Brunswick is fairly stable and although there has been some amalgamation and consolidation, the total volume of business has remained unchanged over recent years. We are therefore confident the volume of business transacted by co-operatives in the province has not changed significantly and the latest reported sales figures reflect the present level of activity: the latest reported sales figures of 2009 can be used as input for the economic impact calculations.

For the purposes of this report, we have carefully examined both datasets, the *Social Enterprise Survey* and the Co-Op Secretariat’s *Annual Survey of Co-operatives*, removed duplicates (the co-ops

included in the Social Enterprise Survey), removed financial co-ops, and endeavored to estimate the economic impact of the resulting broader dataset of 207 non-financial social enterprises. We have also used data of the financial co-ops (10 Credit Unions and 15 Caisse Populaire systems, 81 locations) and estimated the economic impact of 25 financial social enterprises. This report therefore estimates the economic impact of 232 New Brunswick social enterprises: because they include the largest co-operative social enterprise, we believe the report reflects the majority of the economic activity of the broader sector in the province.

The Co-operatives Secretariat breaks down reporting co-operatives into 8 categories by activity, corresponding to economy subsectors, and we coded the social enterprises that responded to the Social Enterprise Survey in the same manner. Table 2 provides a summary of the reporting social enterprises in New Brunswick.

Table 2. New Brunswick Social Enterprises summary

	Number of Co-Operative Social Enterprises Reporting ³	Number of Other Social Enterprises Reporting ⁴	Revenue of Co-Operative Social Enterprises ³	Revenue of Other Social Enterprises ⁴
Agriculture	28	2	\$ 94,774,040	\$ 1,213,323
Arts, Culture & Communication	8	19	2,481,376	12,911,378
Health & Social Services	2	30	501,014	22,362,164
Housing	26	1	8,705,502	2,501,000
Natural Resources & Manufacturing	21	7	47,935,504	3,956,000
Other Services	12	10	3,483,322	2,960,025
Recreation, Accom'm'n & Food Services	15	3	639,418	725,949
Wholesale & Retail Trade	22	0	926,095,865	0
Financial ⁵	25	1	262,015,371	9,388,000
	159	73	\$ 1,346,631,412	\$ 56,017,839

One observes that a number of co-operative social enterprises are in agriculture, natural resources, wholesale/retail trade, and financial services whereas the other forms of social enterprise

concentrate on delivering health/personal services. Considering that economic impact calculations rely on economic sectoral data, we had to further code every enterprise by the North American Industrial Classification system (NAICS), using the derived IOIC codes used by Statistics Canada at the detailed level (234 industries): we ended up using codes for 40 different sub-sectors (industries) to categorize all New Brunswick social enterprises and provide sufficient granularity for economic impact calculations.

Methodology

Operating an enterprise, that uses capital and labor to produce goods and services, creates economic activity. This economic activity generates jobs, wages, and taxes and ripples through the economy; as suppliers to the enterprise generate more revenue and more jobs, and as their employees spend their earnings on goods and services within the province. Typically the impact is measured in terms of value-added Gross Domestic Product (GDP), labour income, employment (number of jobs), and tax revenue to all levels of government.

Economists use a couple different methods in order to estimate these figures for ventures or policies, with the “Input-Output Analysis” being the most commonly used. This method is built on the observation that one industry’s output becomes an input for other industries: it analyzes how the direct impact of a venture affects other industries, to generate “indirect” and “induced” impacts. It also recognizes that different industries have different levels of material, capital, and labour inputs and have different levels of effect on other industries; thus using different coefficients/multipliers. A pulp and paper mill, for example, uses primarily local materials and labour and it has a bigger multiplier effect on the provincial economy than a comparable size manufacturing project that is less labour intense and uses imported input materials, or a service organization that only uses labour inputs.

The “Input-output” method has been popularized by American economist Wassily Leontief, Nobel laureate, and it is widely used by economists and governments throughout the world. Statistics Canada has developed Input-Output tables for the national and provincial economies and updates them approximately every five years. Using these tables, we can use the given coefficients/multipliers to estimate the effects of co-ops on GDP, employment income, number of jobs, and taxes. This approach was used for estimating the economic impacts of co-ops in New Brunswick for jobs and taxes, as mentioned above. For each type of industry the co-ops participate in, the economic impacts are estimated as:

- a) Direct impacts: revenue, jobs, and taxes generated by the social enterprises themselves
- b) Indirect impacts: revenue, jobs, and taxes generated by businesses that supply the social enterprises
- c) Induced impacts: revenue, jobs, and taxes generated from spending by direct and indirect employment; spending by employees of social enterprises, employees of suppliers to social enterprises, and their families.

Input-Output tables issued by Statistics Canada now include multipliers not just for direct and indirect, but also for induced impacts for GDP, employment, jobs, and taxes for 234 industries. It should be noted that New Brunswick is a small open economy and coefficients used for induced impacts in larger, more self-sufficient economies would produce unrealistically high estimates of induced impacts for New Brunswick. We have exercised caution and used strictly Provincial multiplier specific for New Brunswick in producing conservative estimates of impacts: we did not use a general Induced coefficient, but relied on the Provincial multipliers.

We proceeded with coding all social enterprises, including co-operatives, using the NAICS and Statistics Canada IOIC codes and we were able to obtain revenue subtotals for each of the 40 NAICS industry codes used:

- we obtained the revenue subtotals by subsector for the New Brunswick co-operative social enterprises, from the Co-operatives Secretariat dataset: for the 134 co-operatives that submitted full financials.
- we obtained the revenue subtotals by subsector for 73 more New Brunswick social enterprises, from the New Brunswick Social Enterprise Survey dataset; the social enterprises that provided financial data in the survey.

We summarized sales revenue data by NAICS/IOIC industry code and we run our input data through the Statistics Canada multiplier tables, and we calculated direct and spinoff economic impact estimates. We recognize that consumer co-operatives source some of their material inputs from central / federated co-operatives and we treated these sales figures separately to avoid duplication. There is no easy method to accurately adjust for these intermediary sales, but we have reduced the economic impact figures adequately by separating their revenue figures and omitting the indirect impact of the consumer co-operatives. The final figures impact figures are significantly lower as a result of these adjustments

To estimate the impact of social enterprises on taxes, we used Statistics Canada Input-Output multipliers to estimate the production and product taxes and we used Statistics Canada data series on household expenditures to estimate the Induced impact on taxes: income taxes, HST, and property taxes paid by the impacted households⁶. All economic impacts are calculated at the provincial level, though direct impacts (employment, household income) will be more pronounced at local levels.

Results

The study suggests that the impact of the reporting social enterprises in New Brunswick's economy is substantial, with value-added economic output (GDP) of \$551 million, 8,612 jobs (full-time equivalent) and employment income of \$361 million; for the reporting 232 social enterprises. Considering there were 302,678 jobs in the province⁷, the reporting social enterprises are responsible for 2.8% of all jobs in New Brunswick. In addition, they contribute \$167 million annually in taxes. The results are summarized on Table 3 below:

Table 3. Economic Impacts of reporting New Brunswick Social Enterprises, 2013

	Direct	Spinoff	Total
Economic Value Add (GDP , in \$000s)⁸			
General Co-Operative Social Enterprises	188,054	88,204	\$ 276,258
Financial Co-operative Social Enterprises	86,405	137,993	224,398
Other Social Enterprises	27,393	22,860	50,253
			\$ 550,909
Jobs (FTEs, person-years)⁹			
General Co-Operative Social Enterprises	4,028	1,059	5,087
Financial Co-operative Social Enterprises	1,227	1,250	2,477
Other Social Enterprises	779	269	1,048
			8,612
Household Income (\$000s)¹⁰			
General Co-Operative Social Enterprises	130,055	41,162	\$ 171,217
Financial Co-operative Social Enterprises	82,940	74,088	157,028
Other Social Enterprises	20,660	11,768	32,428
			\$ 360,673
Taxes (\$000s)			
Production taxes ¹¹	\$ 36,161	24,292	\$ 60,453
Product taxes ¹²	3,908	20,140	24,048
Household Income Taxes ¹³		52,228	52,228
Household HST ¹⁴		26,942	26,942
Household Property ¹⁵		3,679	3,679
			\$ 167,350

Note: Special thanks to Dr. Peter Elson and Dr Peter Hall for sharing the New Brunswick Social Enterprise Survey database and the Co-Operatives Secretariat of Industry Canada for providing access to the Co-Operatives CASS annual survey microdata

References:

- ¹ Elson, P., Hall, P., and Wamucii, P., “New Brunswick Social Enterprise Sector Survey Report”, July 2014 and Tarr, A. and Karaphillis, G. , “Research Findings: Social Enterprise in New Brunswick”, 2012
- ² Leclerc, A. , “ The Socio-economic Impact of The Co-operative Sector in New Brunswick”, Universite de Moncton, June 2010, p.1
- ³ Figures for general co-operative social enterprises are derived from the microdata collected in latest annual survey of the Co-Operatives Secretariat, Industry Canada: revenue of general co-operatives have been stable and one can assume the 2013 revenues are at the same level. See note 5 below for data of financial co-operative social enterprises.
- ⁴ Data summarized from New Brunswick Social Enterprise Survey dataset, 2013. Original report by Elson, P., Hall, P., and Wamucii, P., “New Brunswick Social Enterprise Sector Survey Report”.
- ⁵ Revenue of financial social enterprises, primarily credit unions and caisse populaires. Derived from data in latest Annual report of New Brunswick Credit Union Deposit Insurance Corporation 2014, and from data in the Co-Operative Secretariat’s latest “Co-Operatives in Canada” report, Industry Canada.
- ⁶ Statistics Canada, National Current Account tables, CANSIM Table 384-0040
- ⁷ Statistics Canada, CANSIM Table 281-0024
- ⁸ Using GDP Basic Price multipliers for NB, Statistics Canada Provincial Multipliers table, catalogue 15F0046XDB. Applied to revenue figures of Table 2.
- ⁹ Using Jobs multipliers for NB, Statistics Canada Provincial Multipliers table, on revenue figures of Table 2.
- ¹⁰ Using Employment multipliers for NB, Statistics Canada Provincial Multipliers table, on revenue figures of Table 2
- ¹¹ Taxes on production paid by social enterprises and their suppliers: property taxes, permits and licenses, etc. Using Production Tax multipliers for NB, Statistics Canada Provincial Multipliers – GDP Components table
- ¹² Taxes on Product paid by social enterprises and their suppliers, for example value-add sales taxes and duties. Calculated using Product Tax multipliers for NB, Statistics Canada Provincial Multipliers – GDP Components table
- ¹³ Income Tax paid by employees of social enterprises, their suppliers, and spinoff employment. Calculated by using average rate derived from Statistics Canada CANSIM Table 384-0040, Current Accounts – Households Provincial, for New Brunswick, and household income figures presented above
- ¹⁴ Using average HST rate for New Brunswick, derived from Input-Output Final Demand -Total taxes on Product Margins table, Statistics Canada , and household income figures presented above.
- ¹⁵ Property taxes paid by employees of social enterprises, their suppliers, and spinoff employment. Calculated by using average rate derived from Statistics Canada CANSIM Table 384-0040, Current Accounts – Households Provincial, for New Brunswick, and household income figures presented above.