Research of the Economic Impact of Cooperatives

Project Purpose
The cooperative ownership model is used in a wide variety of contexts in the U.S., ranging from the production and distribution of energy to delivery of home health care services for the elderly. Although cooperative businesses have been responsible for many market innovations and corrections of market imperfections, little is known about their impact as an economic sector. Until this project, no comprehensive set of national-level statistics had been compiled about U.S. cooperative businesses, their importance to the economy, or their impact on the lives and businesses of U.S. citizens.

This research quantifies the magnitude of economic activity accounted for by U.S. cooperative businesses. It describes the legal and economic characteristics that were used to define cooperative firms and provides a census of cooperatives. It summarizes the extent of their activity by economic sector, and measures their impact on aggregate income and employment.

Figure 1: Distribution of U.S. Cooperatives

Impacts on U.S. Economy
Nearly 30,000 cooperatives account for:
- >$3T in Assets,
- >$653B in revenue
- >2M jobs
- >$75B in wages

For more information, please go to: www.reic.uwcc.wisc.edu or www.uwcc.wisc.edu
Methodology

When businesses use capital, labor, and other inputs to create and sell a product or service, they create economic activity. The direct impact of this activity for the cooperatives in this study is measured by examining the revenue generated by selling output; income paid to owners and workers (wages, benefits, patronage refunds, and dividends); and number of jobs. The study uses input-output analysis to examine how these direct economic impacts ripple through the economy to generate additional indirect and induced impacts. Conceptually, indirect impacts measure the ripple effect that results from connections with other businesses; induced impacts measure spending by the cooperative’s labor force and its owners with the wages and dividends (or “patronage refunds”) they earn. The study uses IMPLAN, an input-output modeling system, to measure these secondary impacts.

Results

Figure 1 displays the distribution of cooperative business activity across the U.S., and across four aggregate economic sectors: Commercial Sales and Marketing, Social and Public Services, Financial Services, and Utilities. Nearly 30,000 U.S. cooperatives operate at 73,000 places of business throughout the U.S. These cooperatives own >$3T in assets, and generate >$500B in revenue and >$25B in wages.

Table 1 summarizes the indirect and induced impact of cooperative business activity. The study estimates that cooperatives account for nearly $653B in revenue, $154B in income, >2M jobs and $75B in wages and benefits paid.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Revenue (million dollars)</th>
<th>Income (million dollars)</th>
<th>Wages (million dollars)</th>
<th>Employment (jobs)</th>
<th>Firms</th>
<th>Estab.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Sales and Marketing</td>
<td>201,207</td>
<td>37,737</td>
<td>13,810</td>
<td>422,505</td>
<td>3,463</td>
<td>5,695</td>
</tr>
<tr>
<td>Social and Public Services</td>
<td>7,525</td>
<td>2,213</td>
<td>1,690</td>
<td>424,505</td>
<td>11,311</td>
<td>11,311</td>
</tr>
<tr>
<td>Financial Services</td>
<td>394,363</td>
<td>100,661</td>
<td>51,176</td>
<td>1,133,353</td>
<td>9,964</td>
<td>50,330</td>
</tr>
<tr>
<td>Utilities</td>
<td>49,808</td>
<td>13,392</td>
<td>8,292</td>
<td>162,873</td>
<td>4,546</td>
<td>5,657</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>652,903</strong></td>
<td><strong>154,002</strong></td>
<td><strong>74,969</strong></td>
<td><strong>2,143,236</strong></td>
<td><strong>29,284</strong></td>
<td><strong>72,993</strong></td>
</tr>
</tbody>
</table>