

The Economic and Fiscal Impacts of Food Co-operatives in Northwestern New England

Seventeen food cooperatives funded a research project to collect and analyze data about their impact on the regional economy. The participating co-ops are located in Vermont (10), Massachusetts (4), New Hampshire (2), and Connecticut (1). They range in size from small (<10 employees and a few hundred members) to large (>300 employees and over 20,000 members). The co-ops are all well established businesses and most have been operating for more than 20 years. They have over 64,000 members, which is more than 7% of the total population of their host counties.¹

Although the co-ops are legally separate entities, they are linked by a shared vision, as well as organizational and governance structures that empower workers and members. They are also committed to buying and selling locally produced goods and services. This is a very different model than conventional food stores.

DIRECT IMPACTS

- **Sales:** The co-ops supply a substantial portion of the market. Aggregate annual sales exceeded \$161 million last year, which is equal to 9% of sales for all supermarkets in the counties in which they operate.² Median sales for the co-ops are \$3 million and the average is \$9.5 million. And they are growing fast. The median growth rate over the last three years was 14%.

- **Employees:** The co-ops employ 1,240 workers. The median number of workers per store is 37 and the average is 73. Sixty-two percent (62%) work full-time, while conventional supermarkets have only 43% full-time workers.³

Note: The Vermont total is 623, which would make those ten co-ops one of the top 25 employers in the state.⁴

- **Payroll:** Total annual wages are \$28.6 million. The average wage is \$23,049, which is 18% higher than the average for food and beverage stores in the same states.⁵

- **Buying Local:** The co-ops are dedicated to buying local goods and they make a significant contribution to the regional economy (farmers, artisan food producers, manufacturers, etc.). In the last year alone, the co-ops reported buying \$33 million worth of local products: \$10 million for fresh farm products (fruit, vegetables, eggs, meat, etc.), \$18 million for processed foods (bread, cheese, sauces, etc.), and \$5 million for other types of local products.

- **State Taxes** (personal income taxes): State income taxes paid by co-op employees cannot be estimated with precision because of the many variables (single, married filing jointly, dependents, homeowner, renter, etc.). But if we assume the 1,240 employees are single, income taxes paid on the worker's average income in CT, MA and VT totals \$434,000 (NH has no income tax).⁶

INDIRECT IMPACTS

The direct impacts are compounded because of the "multiplier effects" of money circulating in the local and regional economies. For example, the co-ops buy from farmers, wholesalers, and service providers who spend some of the money locally for their business inputs, including payroll, equipment, supplies, utilities, and taxes. These are characterized as "indirect" effects. Some of the wages paid to co-op employees and to workers down the supply chains are spent locally as well. These are called "induced" effects. Using data from the U.S. Commerce Department and input-output software (IMPLAN), we can estimate the magnitude of these multiplier effects. Here are the results.⁷

- **Output:** The co-op's \$161 million in sales generates an additional \$118 million from indirect and induced economic activity (total of \$279 million).
- **Employment** (full-time, part-time, and self-employed): Circulating money in the regional economy results in 1,049 jobs in addition to the 1,240 direct jobs at the co-ops (total of 2,289; see Appendix B for details)
- **Compensation** (wages, self-employment income, and benefits): Total compensation for the 2,263 jobs is estimated to be \$75 million.
- **Other Property Income** (corporate income, rental income, interest, and corporate transfer payments): The model estimates the total = \$28.7 million.
- **Indirect State Taxes** (sales, excise, and other taxes paid during normal operations; not including

taxes paid on net income): According to the model, the direct, indirect, and induced fiscal benefits of the co-ops equal \$13.7 million in tax revenue for the states.

- **Direct State Taxes** (personal income taxes): As with state income taxes on co-op jobs, we can only estimate the amount paid. However, if we make the same assumptions, the 1,049 jobs that result from the multiplier effect will produce approximately \$403,000 in revenue for the states.

| Economic and Fiscal Impacts | | | |
|-----------------------------|---------------|--------------------|---------------|
| | Direct | Indirect & Induced | Total |
| Output | \$161,026,662 | \$118,281,350 | \$279,308,012 |
| Employment | 1,240 | 1,049 | 2,289 |
| Compensation | \$34,339,587 | \$40,669,446 | \$75,009,033 |
| Other Property Income | \$4,929,074 | \$23,757,307 | \$28,686,381 |
| Indirect state taxes | \$7,318,935 | \$6,377,947 | \$13,696,882 |
| Direct state taxes | \$433,938 | \$402,895 | \$836,843 |

ADVANTAGES TO WORKERS

- **Wages:** Although relatively well paid, most co-op managers make less than the median wage for comparable jobs (e.g., marketing, sales, HR, finance, purchasing, etc.).⁸ In most cases, however, experienced workers in more common positions are paid well above the statewide median wage. For example, on average the co-ops pay clerks, cashiers, food prep workers, and cooks \$5,000 to \$7,000 more than the median wage. As a result, the ratio of wages for top managers to the lowest paid worker is about 3 to 1 instead of 5 to 1 (see Appendix C).

- **FT vs. PT:** Less than half of the employees in conventional supermarkets work full-time (43%) while almost two thirds of co-op workers are full-time (62%). Part-time work is a choice for some but most people need full-time jobs. The combination of full-time hours and higher than average wages means that most of the lowest paid workers at the co-ops earn a livable wage.⁹
- **Benefits:** Comparing benefits offered by co-ops and supermarkets is difficult because of the disparity in size (some co-ops are quite small) and the presence of unions (21% of supermarkets are unionized compared to only 2 of 17 co-ops). However, co-ops often provide good benefits. And co-ops have a higher percentage of FT employees so a higher percentage of their workers are eligible for coverage. Two areas where co-ops shine are employee discounts (which have significant monetary value to low-wage workers) and paid leave.

| Benefit | % Co-ops | % Supermarkets ¹⁰ |
|--|----------|------------------------------|
| Medical* employee contribution | 94% | 99% |
| Prescription drugs | 25% | 22% |
| Vision | 71% | 98% |
| Dental | 24% | 68% |
| Paid sick leave | 47% | 93% |
| Paid holidays | 82% | 50% |
| Paid vacation | 76% | 50% |
| Paid vacation | 100% | 81% |
| Employee discount (median discount) | 100% | 26% |
| | (15%) | (10%) |
| Short-term disability | 18% | 45% |
| Life insurance | 24% | 50% |
| Education / Tuition | 47% | 48% |

* Several small co-ops that do not provide health insurance offer cash reimbursements for certain eligible expenses.

One area with a marked difference is the response to increasing health care costs. Co-ops were much more likely to absorb the costs rather than passing them on to employees.

| Response | Co-ops | Chains |
|--------------------|--------|--------|
| Absorbed costs | 63% | 20% |
| Raised premiums | 25% | 76% |
| Raised co-pays | 31% | 38% |
| Raised deductibles | 50% | 34% |

- **Turnover:** Because of their low wages and reliance on PT workers, supermarkets have a very high rate of employee turnover (59%¹¹). In contrast, the average for the co-ops is 36%.
- **Tenure:** Many of the co-ops reported a substantial percentage of employees with more than 5 years experience. Having so many tenured FT employees is a significant advantage for the co-ops since experienced workers add value through higher productivity and better service.
- **Workplace Democracy:** Some of the smaller co-ops are managed collectively while others encourage workers to participate directly in key business decisions. This is unlike the rigid hierarchical structure of conventional chain stores and provides workers with opportunities to gain valuable skills.
- **Career Ladders:** Promotion from within is the norm at co-ops. But most do not have as many layers of management as chain stores and many managers stay for 15 - 20 years. As a result, opportunities for advancement are sometimes limited. In any case, it is clear that tenured workers are deeply committed to the values and mission of cooperatives.

COMMUNITY BENEFITS

- **Hidden Subsidies:** Although supermarket chains advertise low prices, the price at the cash register is not the whole story. Many low-wage employees of large companies receive health coverage from publicly funded programs. This is a subsidy for low-wage employers.

Many people think health care should not be tied to employment. We may well reach a point where health care is financed through broad based taxes. But until then, large employers that shed responsibility for their employee's coverage are simply shifting the burden to taxpayers (whether they shop at those stores or not).

Many states have published data on the number of employees and dependents enrolled in such programs. Since wages in retail are generally quite low, it is not surprising that supermarkets are some of the largest beneficiaries of these (previously) hidden subsidies. For example:

- ⇒ **MA:** Stop & Shop and Shaw's have 8,000 employees and dependents using publicly funded health care programs in Massachusetts. The cost to taxpayers was estimated to be \$12.2 million in Fiscal Year 2006.¹²
- ⇒ **VT:** Price Chopper, Hannaford's, and Shaw's were reported to have at least 984 employees enrolled in one or more of Vermont's Medicaid programs.¹³ Official figures are not available but the cost is likely to be about \$2 million.

We do not know the number of co-op employees who receive publicly funded health care, but the availability (for most) of coverage at work and higher wages makes it unlikely that the co-ops are receiving these hidden subsidies (or at least not to the extent of the chains).

- **Local Taxes:** Eleven of the seventeen co-ops own their stores. These co-ops paid almost \$500,000 in local property taxes last year.
- **Buying Local:** The co-ops reported buying \$33 million worth of local products last year. In addition to sales figures, we asked the co-ops to tell us a little bit of the story behind the numbers. Their comments make it clear that buying local is much more than a response to the desire of co-op customers for fresh wholesome food; it is a powerful economic development strategy and an important (but often unrecognized) tool for protecting and enhancing the health, beauty, and productive value of open land in the face of growing development pressures. It offers hope for existing farmers seeking to diversify and for those who want to enter this challenging but rewarding field. In the end, it's about building community and increasing self-reliance at a time when powerful economic forces are limiting our options. Here are some sample comments.

Making Connections: *"We recently we had a 'meet your local vendors day' in which 61 local vendors set up booths and were introduced to 2,500 shoppers."*

Growth: *"We are carrying 1,400 Vermont products and that's higher in the summer. During the growing season, we sell about 85% locally grown produce."*

"Our sales have increased to the point that we can buy the same item from more farms. We used to have one lettuce person, now we have several. We can buy more than local farmers can produce, which offers encouragement to newer farmers."

Synergy: *"It's great that a vendor is making significant capital investment in part because of the co-op. For example, our garlic supplier is building a storage facility so that he can supply us year round."*

"We built a commercial kitchen and many start-up processors have successfully launched their businesses using the facility."

Flexibility: *"We pass on a 6% lower profit margin on local products delivered directly from the producer. This gives vendors a higher wholesale price, but keeps prices attractive for customers."*

Collaboration: *"Each year we meet with local growers to solve problems. The first was to designate specific farmers for specific crops. Previously, they competed against each other. Now they can focus on certain crops and know they have a market."*

Scale: *"Because we are small and very flexible, we're able to accommodate the schedules and idiosyncrasies of local producers. This allows us to support local farmers in our community. This is especially important in a rural area, where jobs are scarce and large markets don't readily exist."*

Quality of Life: *"Our support of local farmers allows farms to continue as open space because they are providing goods and not being developed. This adds to the aesthetics of our community."*

Variety: Local vendors provide eggs, milk, cheese, yogurt, flour, chicken, beef, turkey, fruit, beer, wine, soy, dressings, salsa, coffee, baked goods, tomatoes, jams/jellies, and many other products. A sampling:

| | |
|--|--|
| Annie's Blue Ledge | Longwind Maple Meadow |
| Bud's Beans Butterworks Farm | Misty Knoll Farm Monument Dairy |
| Caroline's Dream Champlain Orchards | New England Natural Bakers Orb Weaver Farm |
| Chase Hill Farm Dancing Cow Farm | Otter Creek / Wolover's Pomonan Pectin |
| Deans Beans EOS Botanicals | Red Door Bakery Red Fire Farm |
| Gleason Grains Golden Russet Farm | Royal Butcher Seeds of Solidarity Farm |
| Good Companion Bakery Hillsboro Sugarworks | Shelburne Vineyards Stonewood Farms |
| Hot Mamas Salsa Just Soap | The Benson Place Vermont Soapworks |
| Katalyst Kombucha Light Life Foods | VT Soy Co Wise Ways Herbals |

- **Philanthropy:** Most businesses contribute to the community in one way or another beyond providing goods and services, hiring workers, and paying taxes. Not surprisingly, co-op charity reflects the nature of the business: supplying food.

All the co-ops surveyed support local food shelves and / or Meals on Wheels. In addition to direct contributions of money, product, and volunteer time, many co-ops offer educational programs at child care centers, public schools, and senior centers. Programs address nutrition, healthy living, environmentally friendly shopping, sustainable agriculture, Fair Trade, and the values and mission of cooperatives. Some co-ops offer discounts to schools, non-profits, seniors, and the disabled.

APPENDIX A

SUMMARY OF SURVEY DATA

| | Total | Median | Average |
|----------------------|----------------------|-------------|-------------|
| Annual sales | \$161,026,662 | \$3,000,000 | \$9,472,157 |
| Number of members | 64,118 | 2,100 | 3,772 |
| Avg. sales growth | --- | 14% | 14% |
| Square feet | 176,135 | 5,300 | 10,361 |
| Annual property tax | \$469,947 | \$8,937 | \$39,162 |
| FT employees | 766 | 17 | 45 |
| PT employees | 474 | 20 | 28 |
| Total employees | 1,240 | 37 | 73 |
| Payroll | \$28,580,652 | \$546,000 | \$1,681,215 |
| Benefits | \$6,379,935 | \$153,399 | \$375,290 |
| Local produce | \$10,196,631 | \$260,597 | \$637,289 |
| Local processed food | \$17,868,356 | \$161,015 | \$1,116,772 |
| Local "all other" | \$4,905,949 | \$156,820 | \$408,829 |

APPENDIX B

MULTIPLIER EFFECT ESTIMATED NUMBER OF JOBS CREATED FROM INDIRECT AND INDUCED ECONOMIC ACTIVITY

| Business Sector | # jobs |
|--|---------------|
| Real estate | 117 |
| Food services and drinking places | 72 |
| Employment services | 49 |
| Management of companies and enterprises | 30 |
| Services to buildings and dwellings | 29 |
| Hospitals | 28 |
| Advertising and related services | 27 |
| Couriers and messengers | 24 |
| Offices of physicians, dentists, and other health care providers | 24 |
| Hotels and motels, including casino hotels | 21 |
| Accounting and bookkeeping services | 20 |
| Postal service | 20 |
| Management consulting services | 19 |
| Wholesale trade | 18 |
| Warehousing and storage | 17 |
| Newspaper publishers | 17 |
| General merchandise stores | 16 |
| Legal services | 16 |
| Maintenance and repair of nonresidential buildings | 15 |
| Motor vehicle and parts dealers | 15 |
| Colleges, universities, and junior colleges | 15 |
| Nursing and residential care facilities | 14 |
| Civic, social, professional and similar organizations | 14 |
| Business support services | 14 |
| Social assistance- except child day care services | 14 |
| Clothing and clothing accessories stores | 12 |
| Miscellaneous store retailers | 12 |
| Non-depository credit intermediation and related a | 11 |
| Investigation and security services | 11 |
| Private households | 11 |
| Monetary authorities and depository credit intermediaries | 10 |
| Commercial printing | 10 |
| Food and beverage stores | 10 |
| Building material and garden supply stores | 10 |
| Telecommunications | 9 |
| Other support services | 9 |
| Spectator sports | 9 |
| Radio and television broadcasting | 9 |
| Automotive repair and maintenance- except car wash | 8 |
| Health and personal care stores | 8 |
| Other State and local government enterprises | 8 |
| Truck transportation | 8 |
| Insurance carriers | 8 |
| All other | 214 |
| Total | 1049 |

APPENDIX C

WAGE COMPARISONS (Full-time only)

| Occupational Title ¹ | # FT Co-op jobs ² | Annual Median Wage | | |
|---|------------------------------|--------------------|---|-------------------|
| | | Co-ops | Multi-state industry average ³ | Difference |
| Stock Clerks & Order Fillers | 197 | \$27,040 | \$21,963 | \$5,077 |
| Cashiers | 118 | \$26,031 | \$18,382 | \$7,650 |
| General & Operations Mgrs | 53 | \$53,770 | \$88,049 | (\$34,279) |
| Chefs & Head Cooks | 48 | \$32,770 | \$35,953 | (\$3,182) |
| Food Prep Workers | 47 | \$26,062 | \$19,612 | \$6,451 |
| First-Line Supervisors of Retail Sales Workers | 33 | \$32,157 | \$36,386 | (\$4,229) |
| First-Line Supervisors of Food Prep & Serving Workers | 30 | \$34,861 | \$32,865 | \$1,996 |
| Purchasing Mgrs | 17 | \$30,160 | \$84,833 | (\$54,673) |
| Cooks, Short Order | 17 | \$26,520 | \$21,078 | \$5,442 |
| Wholesale & Retail Buyers, Except Farm Products | 14 | \$28,371 | \$45,121 | (\$16,750) |
| Food Service Mgrs | 13 | \$45,302 | \$47,948 | (\$2,646) |
| Shipping, Receiving, & Traffic Clerks | 13 | \$28,642 | \$28,947 | (\$305) |
| Purchasing Agents & Buyers, Farm Products | 12 | \$29,266 | NA | NA |
| Merchandise Displayers & Window Trimmers | 11 | \$44,273 | \$27,582 | \$16,691 |
| Bookkeeping, Accounting, & Auditing Clerks | 10 | \$33,800 | \$33,195 | \$605 |
| Customer Service Representatives | 10 | \$30,472 | \$31,348 | (\$876) |
| Human Resources Mgrs, All Other | 9 | \$71,240 | \$90,792 | (\$19,552) |
| Chief Executives | 8 | \$85,000 | \$85,980 | (\$980) |
| Financial Mgrs | 8 | \$61,620 | \$85,537 | (\$23,917) |
| Sales Mgrs | 7 | \$45,760 | \$99,774 | (\$54,014) |
| Advertising and Promotions Mgrs | 6 | \$38,480 | \$77,331 | (\$38,851) |
| Marketing Mgrs | 6 | \$68,120 | \$93,042 | (\$24,922) |

Notes:

1. Many of these occupations are specific to retail food operations, while the management occupations are for all industries. Therefore, the multi-state average median wages for management jobs do not necessarily reflect wages for those positions in the retail sector.
2. The co-ops reported data for twelve additional occupations but there were not enough jobholders in each to ensure a good sample.
3. Sources: MA, NH, and VT departments of labor; Occupational Employment & Wage Survey (OES).

ENDNOTES

- ¹ U.S. Census Bureau, 2007 Population Estimates.
- ² U.S. Census Bureau, 2002 Economic Census.
- ³ Food Marketing Institute, 2003 Employee Benefits Study, p.5.
- ⁴ Vermont Business Roundtable, Annual Book of Lists.
- ⁵ State Labor Market Information, Covered Employment & Wages (ES-202): MA (\$21,060), NH (\$18,820), and VT (\$18,542). Unweighted average = \$19,474.
- ⁶ Author's calculations based on current state tax rates, brackets, and personal exemptions. We assumed all income is from wages.
- ⁷ The IMPLAN model was modified to reflect the sales and payroll per worker for the co-ops.
- ⁸ State Labor Market Information, Occupational Employment & Wage Survey (OES).
- ⁹ The "livable wage" is the amount of money needed to meet basic needs, including taxes. The VT Legislature's Joint Fiscal Office (JFO) calculates and publishes livable wage figures each year (<http://www.leg.state.vt.us/jfo/Reports/2007%20Basic%20Needs%20Budgets%20REVISED%203-2007.pdf>). JFO calculates livable wages for several different family configurations but many advocates focus on the livable wage for a single person. While this is an understandable "default" position, it does not reflect common social and demographic realities. That is, for a variety of reasons, a small minority of households are single persons (especially those earning low wages). Therefore, it makes sense to use the JFO figures for a household with two adults and no children because the adults can share the cost of housing and other necessities. The most recent livable wage for this family unit is estimated to be \$11.57 / hour or \$24,055 / year (urban-rural average and assuming employer assisted health care). Although a few small co-ops do not pay this much for the lowest paid FT jobs, most do. Entry level wages are somewhat lower but most FT workers have some tenure and have moved up the wage scale.
MA and NH do not have "official" livable wages but non-governmental groups have published figures in recent years (*The Self-Sufficiency Standard for Massachusetts*, Citizen's Housing and Planning Association, and *New Hampshire Basic Needs and Livable Wage*, UNH Office of Economic Initiatives, North Country Council and D.A. Kenyon Associates).
Note: Both MA and NH livable wage methodologies are different from the approach used in VT. As a result, the estimated livable wages are lower than VT. In this author's opinion, some of the choices made are not optimal and the published figures should be used with caution.
- ¹⁰ Food Marketing Institute, 2007 Annual State of the Industry Review and 2003 Employee Benefits Study.
- ¹¹ Food Marketing Institute, 2007 Annual State of the Industry Review, p.42
- ¹² MA Office of Health & Human Services, Division of Health Care Finance and Policy, "Employers with 50 or More Employees Using Public Health Assistance in FY06 (7/1/05-6/30/06): Breakdown by MassHealth and Uncompensated Care Pool" (<http://www.mass.gov/Eeohhs2/docs/dhcfp/r/pubs/07/50+ ee 2007 table.pdf>).
- ¹³ Although the State of VT does not publish official figures, a journalist obtained partial data in 2005 that was published in the weekly publication *Vermont Guardian* (now closed).