

# The Economic Impact of Black Enterprises in East Greensboro



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## Executive Summary

We often hear statistics such as, “A dollar circulates for 6 hours in the Black community versus 20 days in Jewish communities.”

While this information conveys a concept, it lacks a certain concreteness. In order to create solid analysis that can be used for the economic advocacy of black enterprises, the Greensboro Business League commissioned Thompson-Mitchell Consulting to quantify the economic impact of black enterprises in East Greensboro.

This report examines how black enterprises in East Greensboro impact the economy. We used first-party data from a custom survey that we performed and an economic impact model to quantify the total economic impact of black enterprises in East Greensboro. This analysis was executed on for-profit businesses, nonprofits, and religious organization (which were broken out separately from nonprofits).

Our analysis indicates:

- ❖ East Greensboro black enterprises generated over \$247 million in economic activity in 2021.
- ❖ These enterprises also created or supported over 3,300 jobs.
- ❖ Over \$43 million in tax revenue stemmed from black enterprises.
- ❖ East Greensboro enterprises in professional services accounted for 70% of the employment impact and 75% of the economic activity impact.
- ❖ Churches and nonprofits collectively account for \$4.3 million in economic activity.

## Introduction

The Greensboro Business League is an organization that advocates for African American businesses by promoting economic development initiatives, increasing access to capital, facilitating contract opportunities, and creating wealth in Greensboro. In 2019, the Greensboro Business League (GBL) engaged Thompson-Mitchell Consulting (TMC) with the prospect of conducting an economic impact analysis of black enterprises in East Greensboro.

An economic impact analysis is a widely used tool that can be employed to assess how an economic event flows throughout the economy of a given geography. The final results of an economic impact analysis can explain the number of jobs, amount of labor income, economic activity, and tax revenue that can be attributed to an economic event. For this report, Thompson-Mitchell Consulting used IMPLAN to create the economic impact analysis results. IMPLAN is a cloud software tool that is used to perform economic impact analysis.

This report will measure the economic impact of black enterprises in East Greensboro using first party information from a custom survey and IMPLAN software to analyze the survey results.

# Survey Results

In order to obtain information on the business expenses and payroll spending from black enterprises in East Greensboro, Thompson-Mitchell Consulting conducted a survey of these enterprises. While the survey was released to all black enterprises in Greensboro, the area of analysis is East Greensboro. For this study, East Greensboro is defined as the following zip codes: 27405, 27401, 27406, 27408, 27411, 27415, 27416, 27420, 27455. This area approximately covers city Districts 1 and 2.

**Figure 1**

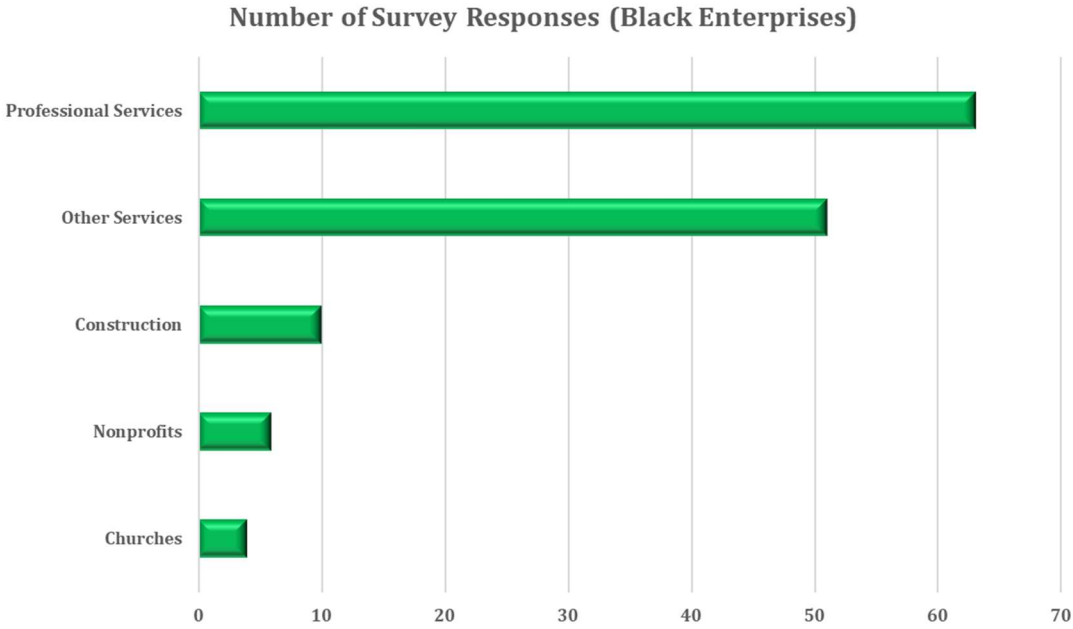
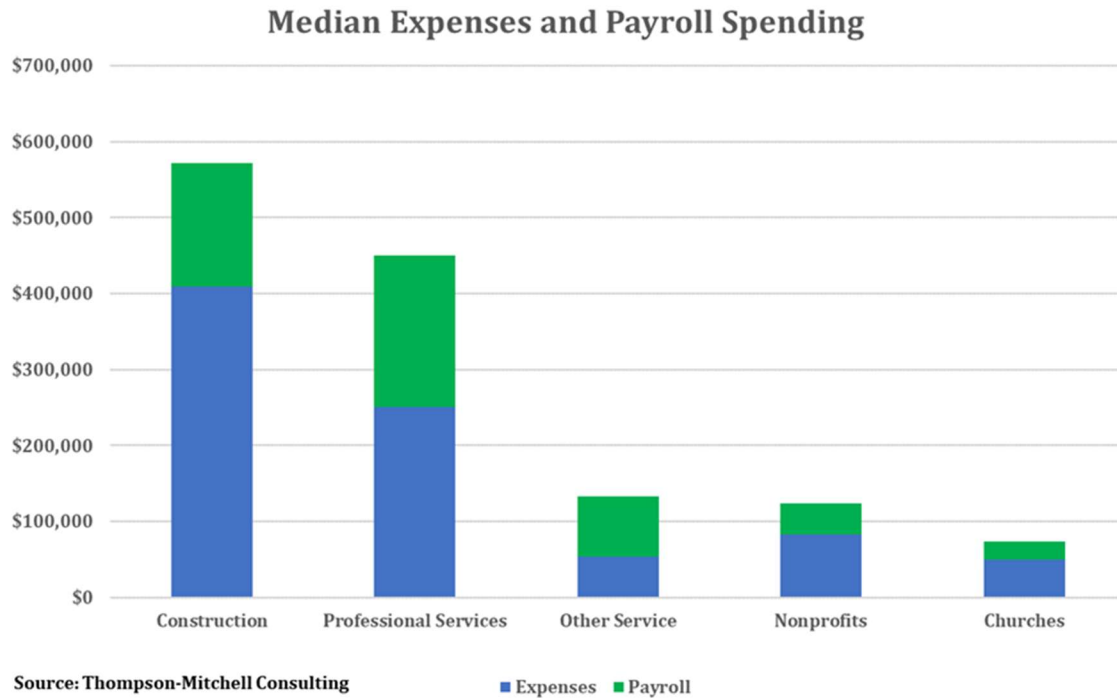


Figure 1 shows are survey responses. We received 223 total responses to the survey from black enterprises. However, of that number, 136 responses were from black enterprises located in East Greensboro. The responses from these organizations were used for this economic impact analysis. Respondents in professional services (63) were the highest number of responses. Respondents categorized as nonprofit (6) and churches (4) contributed the lowest number of responses.

**Figure 2**



The responses from the surveys yielded the results illustrated in Figure 2 above. Payroll spending is compensation paid to both full and part-time employees. Expenses are all other business expenses. It should be noted that money paid to 1099 contractors are categorized as expenses in our analysis. Additional information of note is that data from several large nonprofit organizations were excluded from this survey.

Survey respondents indicate that:

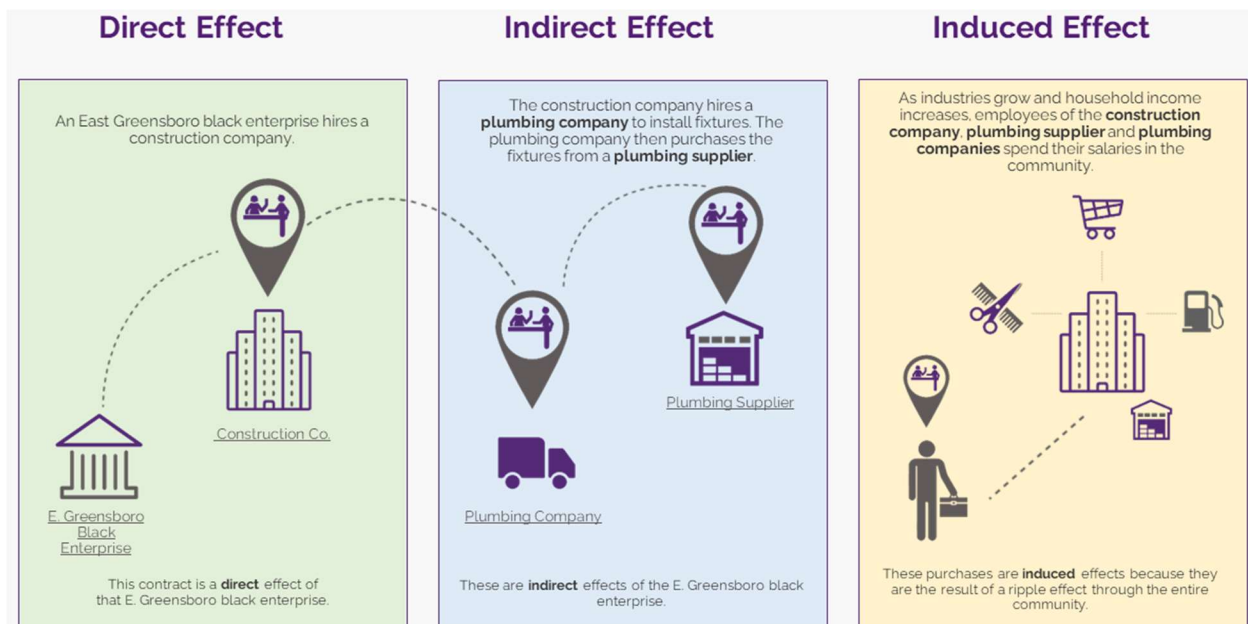
- Black enterprises in construction have median expenses of \$410,000 per year. Median construction payroll spending was calculated at \$162,500 per year.
- Median professional services expenses were \$250,000 per year. This sector also had median payroll expenses of \$200,000.
- Nonprofits had median expenses of \$83,000 per year. Median payroll spending \$40,500.

## Economic Impact Analysis Methodology

Economic impact analysis is used to estimate the overall economic activity, including spill-over and multiplier impacts, which occurs as a result of a particular business, event, or investment. The initial economic activity of this study will be the employee compensation and business expenditures flowing from black enterprises in the city of East Greensboro.

The total estimated economic impact includes direct, indirect, and induced effects. For example, the initial economic benefit from an economic event is referred to as the *direct effect* of the economic event. The *indirect effects* are generated as a result of the purchases associated with the economic event. Finally, the *induced effects* occur when employees spend their earnings in the economy on goods and services. Figure 3 is a graphical representation of these effects.

**Figure 3**



The recirculation of the original expenditures multiplies their impact through such indirect and induced effects. The extent to which the initial expenditures multiply is estimated using economic models that depict the economic relationships between industries (i.e., a department store and its suppliers) and among different economic agents (i.e., a personal services firm and its employees). The models used in this analysis were developed using software and data from the IMPLAN Group, LLC. The economic region of interest is the City of Greensboro, North Carolina.

The metrics used to determine the value of the economic impact include employment, labor income, value added, and output. Employment includes full-time, part-time, permanent, and seasonal employees and the self-employed, and is measured on a job count basis regardless

of the number of hours worked during the year. Labor income includes all income received by both payroll employees and the self-employed, including wages and benefits such as health insurance and pension plan contributions. Value added is sum of wage income and corporate profit generated in the study area. It is roughly the equivalent of Gross Domestic Product.



## Economic Impact Analysis Results

In order to calculate the economic impact of black enterprises in East Greensboro, we needed to quantify the total payroll spending and expenses for each black enterprise category in East Greensboro. Thompson-Mitchell Consulting used the payroll and expenditures information from the custom survey to calculate the initial input data into the economic impact model. The survey requested data from last year (2021), so the economic impact analysis was performed for 2021. In order to calculate the East Greensboro market size, we used the following data and employed the following calculation:

- City of Greensboro Disparity Study<sup>1</sup> calculated the relevant market share (%) of Black businesses by industry in Greensboro.
- Total number of firms in an industry from the US Census Bureau Annual Business Survey<sup>2</sup>.
- East Greensboro Business Survey Location Percentage. Of the 223 responses that our survey received from black enterprises, 136 were located in East Greensboro. We applied this percentage (61%) to our calculation to represent the East Greensboro Market share.

The follow equations show how we used the information above to calculate total payroll and total expenses for each sector in the defined East Greensboro area:

Total Payroll By Sector = Sector Median Payroll x Market Relevance (%) x Sector Market Size (Total Number of Firms By Sector) x East Greensboro Survey Location Percentage (%)

Total Expenses By Sector = Sector Median Expenses x Market Relevance (%) x Sector Market Size (Total Number of Firms By Sector) x East Greensboro Survey Location Percentage (%)

Here is actual data to illustrate this calculation. For construction sector expenses:

- Median Expenses = \$410,000
- Black Business Relevant Market Share = 11.5%
- Total number of construction firms = 430
- East Greensboro Survey location percentage = 61%

Using this calculation, Construction Sector Payroll = \$410,000 x 11.5% x 430 x 61%, which is a total expenses figure of \$12.4 million in 2021. This figure is then inputted into the economic impact model to calculate the total economic impact.

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<sup>1</sup> <https://www.greensboro-nc.gov/home/showpublisheddocument/42152/636911820995870000>

<sup>2</sup> <https://www2.census.gov/programs-surveys/economic-census/data/2017/abs>

**Table 1****Black Enterprise Economic Impact Summary**

<b>Enterprise Category</b>	<b>Employment</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>County and State Taxes</b>	<b>Federal Taxes</b>
Professional Services	2,317	\$143,200	\$187,001	\$8,625	\$23,545
Construction	470	\$28,550	\$37,177	\$1,493	\$6,269
Other Services	470	\$15,000	\$19,022	\$210	\$2,496
Nonprofits	50	\$2,151	\$2,850	\$174	\$333
Churches	35	\$1,166	\$1,545	\$63	\$192
<b>Total Economic Impact</b>	<b>3,342</b>	<b>\$190,067</b>	<b>\$247,595</b>	<b>\$10,565</b>	<b>\$32,836</b>

Note: Dollar values are in thousands

Table 1 above summarizes the total economic impact of black enterprises in East Greensboro. In total, East Greensboro black enterprises created or supported 3,342 jobs in 2021. They also generated over \$190 million in labor income. Black enterprises also contributed nearly \$248 million in economic activity (or value added) to the Greensboro economy. And finally, they generated \$10.6 million in local and state tax revenue and another \$33.8 million in federal tax revenue.

**Table 2**

<b>East Greensboro Economic Impact (Professional Services)</b>					
	<b>Employment</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>County and State Taxes</b>	<b>Federal Taxes</b>
<b>Direct</b>	1,049	\$77,806	\$79,138	\$1,894	\$13,380
<b>Indirect</b>	847	\$44,592	\$70,967	\$3,368	\$7,365
<b>Induced</b>	421	\$20,802	\$36,897	\$3,363	\$2,800
<b>Total Impacts</b>	<b>2,317</b>	<b>\$143,200</b>	<b>\$187,001</b>	<b>\$8,625</b>	<b>\$23,545</b>

Note: Dollar values are in thousands

Black enterprises in the professional services sector had the largest economic impact of any sector East Greensboro (see Table 2). This sector created or supported 2,317 jobs in 2021. In addition, the sector generated \$143.2 million in labor income. Black enterprises in professional services also contributed over \$187 million in value added to the Greensboro economy. Finally, this sector is also responsible for \$8.6 million in local and state tax revenue and another \$23.6 million in federal tax revenue.

**Table 3**

<b>East Greensboro Economic Impact (Construction)</b>					
	<b>Employment</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>County and State Taxes</b>	<b>Federal Taxes</b>
<b>Direct</b>	255	\$16,111	\$16,822	(\$748)	\$2,502
<b>Indirect</b>	129	\$8,167	\$12,779	\$1,550	\$2,502
<b>Induced</b>	86	\$4,272	\$7,576	\$691	\$1,266
<b>Total Impacts</b>	<b>470</b>	<b>\$28,550</b>	<b>\$37,177</b>	<b>\$1,493</b>	<b>\$6,269</b>

Note: Dollar values are in thousands

The construction sector (see Table 3) had the second-largest economic impact of the sectors we analyzed in East Greensboro. This sector created or supported 470 jobs in 2021. In addition, the sector generated \$28.6 million in labor income. Black enterprises in construction also contributed over \$37 million in value added to the Greensboro economy. Finally, this sector is also responsible for \$1.5 million in local and state tax revenue and another \$6.3 million in federal tax revenue.

**Table 4**

<b>East Greensboro Economic Impact (Other Services)</b>					
	<b>Employment</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>County and State Taxes</b>	<b>Federal Taxes</b>
<b>Direct</b>	375	\$10,269	\$10,835	(\$47)	\$1,803
<b>Indirect</b>	46	\$2,329	\$3,927	\$83	\$370
<b>Induced</b>	49	\$2,402	\$4,259	\$174	\$323
<b>Total Impacts</b>	<b>470</b>	<b>\$15,000</b>	<b>\$19,022</b>	<b>\$210</b>	<b>\$2,496</b>

Note: Dollar values are in thousands

The other services sector (Table 4) created or supported 470 jobs in 2021. In addition, the sector generated \$15.0 million in labor income. Black enterprises in other services also contributed over \$19 million in value added to the Greensboro economy. Finally, this sector is also responsible for \$210,000 in local and state tax revenue and another \$2.5 million in federal tax revenue.

**Table 5**

<b>East Greensboro Economic Impact (Nonprofits)</b>					
	<b>Employment</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>County and State Taxes</b>	<b>Federal Taxes</b>
<b>Direct</b>	28	\$1,042	\$1,007	\$40	\$169
<b>Indirect</b>	16	\$803	\$1,300	\$84	\$123
<b>Induced</b>	6	\$306	\$544	\$50	\$41
<b>Total Impacts</b>	<b>50</b>	<b>\$2,151</b>	<b>\$2,850</b>	<b>\$174</b>	<b>\$333</b>

Note: Dollar values are in thousands

Black nonprofits (Table 5) in East Greensboro created or supported 50 jobs in 2021. In addition, the sector generated \$2.2 million in labor income. Black nonprofits also contributed

over \$2.8 million in value added to the Greensboro economy. Finally, this sector is also responsible for \$174,000 in local and state tax revenue and another \$333,000 in federal tax revenue.

**Table 6**

<b>East Greensboro Economic Impact (Churches)</b>					
	<b>Employment</b>	<b>Labor Income</b>	<b>Value Added</b>	<b>County and State Taxes</b>	<b>Federal Taxes</b>
<b>Direct</b>	25	\$693	\$731	\$6	\$122
<b>Indirect</b>	6	\$288	\$487	\$27	\$46
<b>Induced</b>	4	\$185	\$328	\$30	\$25
<b>Total Impacts</b>	<b>35</b>	<b>\$1,166</b>	<b>\$1,545</b>	<b>\$63</b>	<b>\$192</b>

Note: Dollar values are in thousands

Black churches (Table 6) in East Greensboro created or supported 35 jobs in 2021. In addition, churches generated \$1.2 million in labor income. Black churches also contributed over \$1.5 million in value added to the Greensboro economy. Finally, this sector is also responsible for \$63,000 in local and state tax revenue and another \$192,000 in federal tax revenue.

## Conclusion

Figure 4



Black enterprises in East Greensboro generate an economic impact that significantly contributes to the area's economy. Our analysis indicates that Black organizations are supporting over 3,300 jobs and contributing \$247 million in economic activity. This economic impact is despite the well-documented headwinds that are discussed in disparity studies.

This report is a cog in the Greensboro Business League's ongoing advocacy for Black businesses and organizations in Greensboro. Some potential steps for advocacy:

- ❖ **Public Private Partnerships:** Receiving additional bandwidth via a public private partnership may be an excellent vehicle for facilitating an economic infrastructure for black enterprises.
- ❖ **Fiscal Return-On-Investment:** Black enterprises in East Greensboro generate tax revenue and contribute to the area's tax base via substantial fiscal impacts. This means that there is a fiscal return-on-investment of tax dollars (government loans, grants, etc.) that would justify public investment in the community.
- ❖ **Capital Investment:** Advocating for capital investment in Black-owned business/industries with high "economic multipliers" means that there will be a greater economic impact and benefit. Business incubators could be an additional avenue to leverage capital investment.