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**Latino Policy &  
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# 10 Facts about Latino-Owned Businesses in California

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August 17, 2023



# Acknowledgments

This data brief series was made possible with the generous support of Wells Fargo Small Business Philanthropy, the JP Morgan Chase Foundation, and the James Irvine Foundation. Core operating support for the UCLA Latino Policy and Politics Institute is also provided by the California Latino Legislative Caucus.

The research team acknowledges its longstanding partnership with the UCLA Center for Neighborhood Knowledge, specifically the research contributions of Chhandara Pech and Dr. Paul M. Ong. The author is also grateful for the data insights of Misael Galdamez, Dr. Silvia R. Gonzalez, and Rosario Majano.

The Latino Policy and Politics Institute at UCLA acknowledges the Gabrielino Tongva peoples as the traditional land caretakers of Tovaangar (the Los Angeles basin and So. Channel Islands). As a land grant institution, we pay our respects to the Honuukvetam (Ancestors), 'Ahihirom (Elders), and 'Eyoohiinkem (our relatives relations) past, qpresent, and emerging.

## About LPPI

The UCLA Latino Policy and Politics Institute addresses the most critical domestic policy challenges facing Latinos and other communities of color through research, advocacy, mobilization, and leadership development to expand genuine opportunity for all Americans.

## Disclaimer

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# Introduction

California is home to about 764,000 employer firms—or businesses with at least one employee—of which roughly 85,000 are Latino-owned businesses (LOBs).<sup>1</sup> In addition to contributing more than 670,000 jobs and generating more than \$25 billion in payroll income for the state,<sup>2</sup> these businesses provide their Latino owners<sup>3</sup> with livelihoods and a means of wealth often passed down through families to children, grandchildren, and beyond. LOBs in major metro areas such as Los Angeles, Riverside, and San Francisco are more likely than white-owned businesses to report that their primary entrepreneurial goal is to operate a business that can be inherited by their family.<sup>4</sup>

This data brief examines the state of California's Latino-owned employer businesses at the onset of

the COVID-19 pandemic using data from the 2021 Annual Business Survey (ABS), conducted jointly by the U.S. Census Bureau and the National Center for Science and Engineering Statistics within the National Science Foundation. We draw attention to the inequities in business ownership rates and performance compared to non-Hispanic white businesses. In addition, we examine the instances in which California Latino-owned firms outperform Latino businesses nationally. As recent LPPI research has demonstrated, Latinos were the fastest-growing demographic in the state between 2000 and 2020,<sup>5</sup> and their importance to the economy will only continue to grow.



## Data

This report examines the state of all Latino-owned employer businesses in California using the 2021 Annual Business Survey. The 2021 ABS has a reference year of 2020, and data reflect the pay period that includes March 12, 2020, during the onset of the COVID-19 pandemic.<sup>6</sup> The Annual Business Survey defines employer firms as businesses with at least one employee, other than the owner, and with receipts of \$1,000 or more.<sup>7</sup> We compare the economic and demographic characteristics of employer businesses and business owners by sex, ethnicity, and race for all firms with demographic data in California. The data include the overall number of employer firms, sales and receipts, annual payroll, and total firm employment in California.



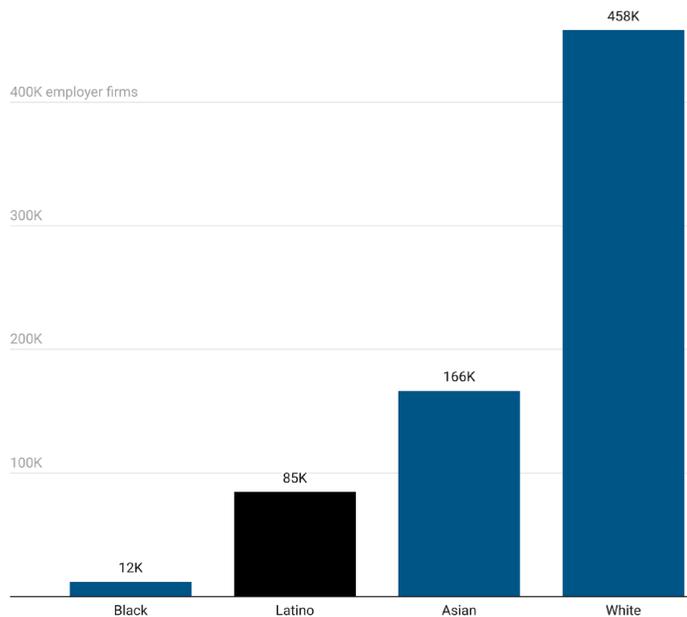
# Key Findings

1

**In 2020, Latinos owned 85,000 employer businesses in California.**

However, there were about 458,000 white-owned businesses, five times the number of LOBs. Figure 1 shows the deep disparity between the number of Black-, Asian-, and Latino-owned businesses and businesses owned by white Californians.

**FIGURE 1: CALIFORNIA EMPLOYER BUSINESS OWNERSHIP BY RACE AND ETHNICITY, 2020**



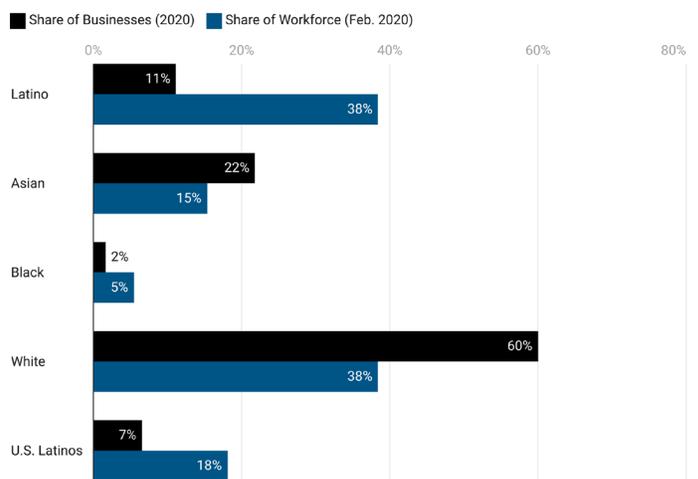
Source: 2021 Annual Business Survey, [available online](#).  
 Note: In 2020, there were 764,000 total employer businesses in California, of which 28,000 were unclassifiable by race and ethnicity. In addition to the 85,000 Latino firms identified above, an additional 12,000 firms were equally owned by Latinos and non-Latinos.

2

**In 2020, Latinos owned 11% of all California employer businesses but formed 38% of the state's workforce.**

Similarly, Black Californians owned only 2% of employer businesses despite making up 5% of the state's workforce. In contrast, white Californians accounted for 38% of California's workforce and owned 60% of all employer firms. However, Latinos in California were 5 percentage points more likely to own businesses than Latinos nationally (Figure 2).

**FIGURE 2: CALIFORNIA EMPLOYER BUSINESS OWNERSHIP RATES AND WORKFORCE SHARES BY RACE AND ETHNICITY, 2020**



Source: 2021 Annual Business Survey, [available online](#); LPPi analysis of February 2020 Current Population Survey basic monthly microdata.

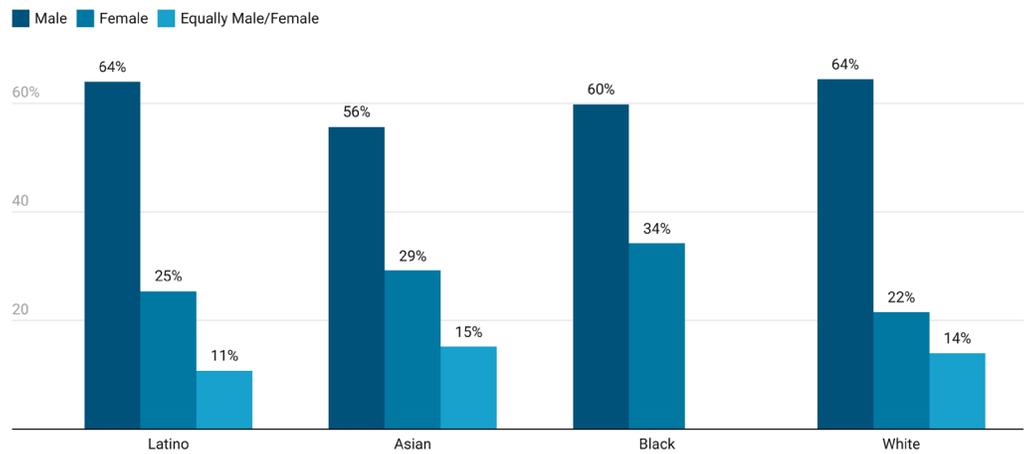


### 3

## Latino-owned employer businesses in California were more than twice as likely to be male-owned than female-owned.

However, LOBs were as likely to be owned by males as white-owned businesses in 2020. Similarly, LOBs were 3 percentage points more likely to be owned by women than white-owned businesses (Figure 3). Only 36% of both Latino- and white-owned businesses in California were owned or co-owned by women. Notably, Asian women were only 6 percentage points behind true gender parity, with 44% of Asian employer businesses being owned or co-owned by a woman.

**FIGURE 3: CALIFORNIA EMPLOYER BUSINESSES BY RACE, ETHNICITY, AND SEX OF OWNERS, 2020**



Source: 2021 Annual Business Survey, [available online](#).

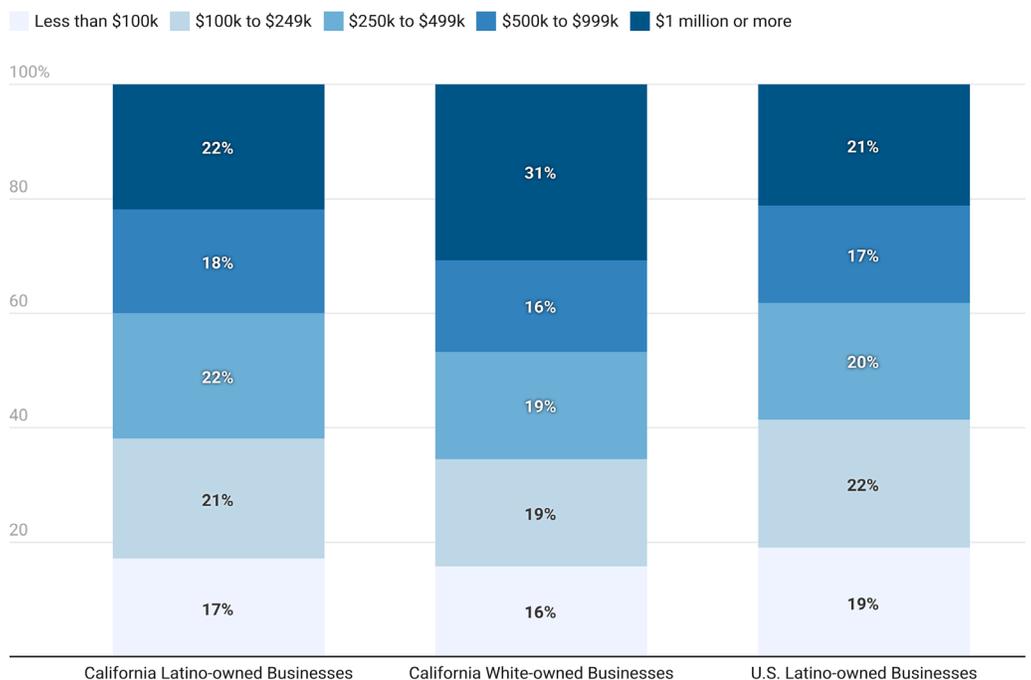
Note: Business ownership is defined as having more than 50% of the stock or equity in the business. A firm that is equally male- and female-owned has owners with equal equity shares in the business. Data are not provided for Black-owned firms for co-ownership by sex.

### 4

## Latino-owned businesses had lower revenues than white-owned businesses.

Only 22% of LOBs in California earned receipts of \$1 million or more in 2020, compared to 31% of white-owned firms. Additionally, Latino-owned firms in California generated similar earnings as Latino-owned firms nationally. The breakdown of Latino firms in California by earnings level reflects the breakdown nationwide, within 2 percentage points (Figure 4).

**FIGURE 4: RECEIPTS FOR CALIFORNIA EMPLOYER BUSINESSES BY RACE AND ETHNICITY OF OWNERS, 2020**



Source: 2021 Annual Business Survey, [available online](#).

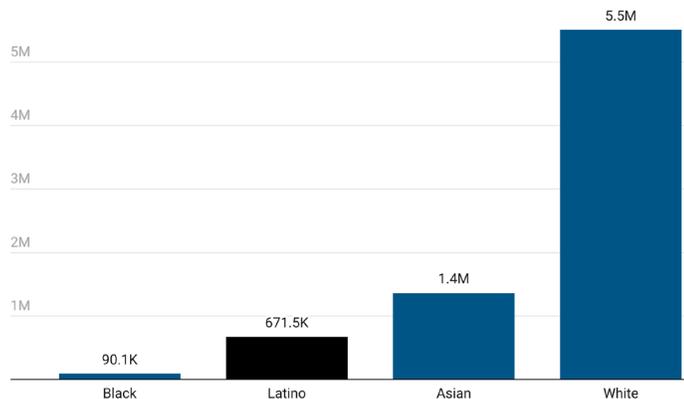


**5**

**In 2020, Latino-owned businesses employed more than 671,000 workers in California, the third-largest number of workers by race or ethnicity of business owners.**

Meanwhile, white business owners employed 5.5 million workers in California, the most of any group presented here (Figure 5). The stark contrast reflects the differences in the proportion of business ownership for non-Hispanic whites compared to other groups. Notably, firms with unclassifiable business ownership by race and ethnicity employed 7.4 million workers, or almost half of all business employees in the state.

**FIGURE 5: CALIFORNIA BUSINESS EMPLOYEES BY RACE AND ETHNICITY OF BUSINESS OWNERS, 2020**



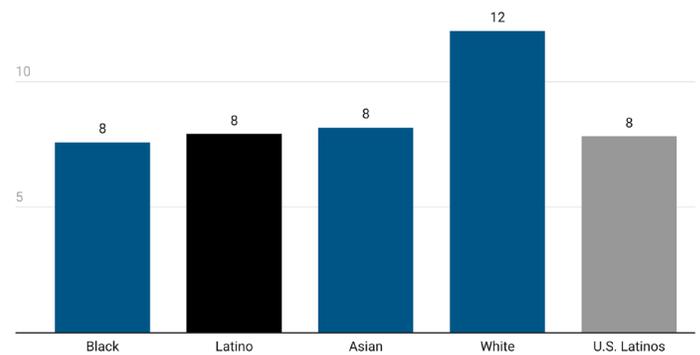
Source: 2021 Annual Business Survey, [available online](#).  
 Note: There were a total of 15,190,000 employees in California employer firms in 2020. The remaining 109,000 employees in the state worked for equally Latino and non-Latino ownership.

**6**

**On average, Latino-owned businesses employed eight workers in 2020.**

Latino-owned firms in California employed the same number of employees as Latino firms nationally (on average). Black- and Asian-owned firms also employed eight workers per firm, on average, compared to 12 workers employed by white business owners (Figure 6).

**FIGURE 6: AVERAGE NUMBER OF EMPLOYEES FOR CALIFORNIA EMPLOYER BUSINESSES BY RACE AND ETHNICITY OF OWNERS, 2020**



Source: 2021 Annual Business Survey, [available online](#); LPPI analysis of February 2020 Current Population Survey basic monthly microdata.





## In 2020, the combined payroll of all Latino-owned businesses in California was \$26 billion.

However, this number accounted for only about 2.3% of employer business payrolls in California (Table 1). In comparison, white-owned firms accounted for 31.8% of state payrolls at \$353 billion, more than for every other group presented here. Firms with unclassifiable business ownership represented 59.7% of state payrolls.

**TABLE 1: CALIFORNIA EMPLOYER BUSINESS PAYROLLS BY RACE AND ETHNICITY OF OWNER, 2020**

Race and Ethnicity	Total Payroll	Percent of Total State Payroll
Black	<b>\$4.3B</b>	<b>0.4%</b>
Latino	<b>\$26B</b>	<b>2.3%</b>
Asian	<b>\$58.7B</b>	<b>5.3%</b>
White	<b>\$353.2B</b>	<b>31.8%</b>
<b>Total</b>	<b>\$1.1T</b>	

Source: 2021 Annual Business Survey, [available online](#).

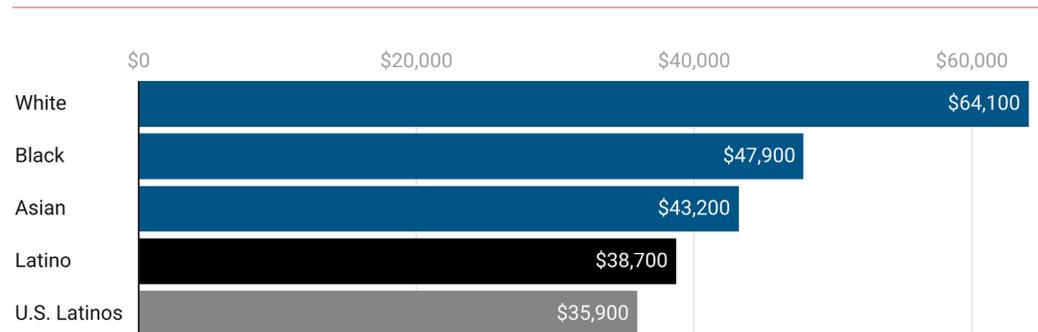
Note: California firms with equally Hispanic and non-Hispanic ownership had payrolls totaling 4.4 billion, roughly .4% of total state payrolls.



## On average, LOBs in California paid their employees \$38,700 a year in 2020.

This was nearly \$3,000 more per year than Latino-owned employer firms nationwide. In contrast, white-owned firms in California paid \$25,000 more than their Latino-owned counterparts. Overall, LOBs paid employees less than Asian-, Black-, and white-owned firms in California (Figure 7).

**FIGURE 7: AVERAGE PAYROLL PER EMPLOYEE IN CALIFORNIA BY RACE AND ETHNICITY OF BUSINESS OWNERS, 2020**



Source: 2021 Annual Business Survey, [available online](#).



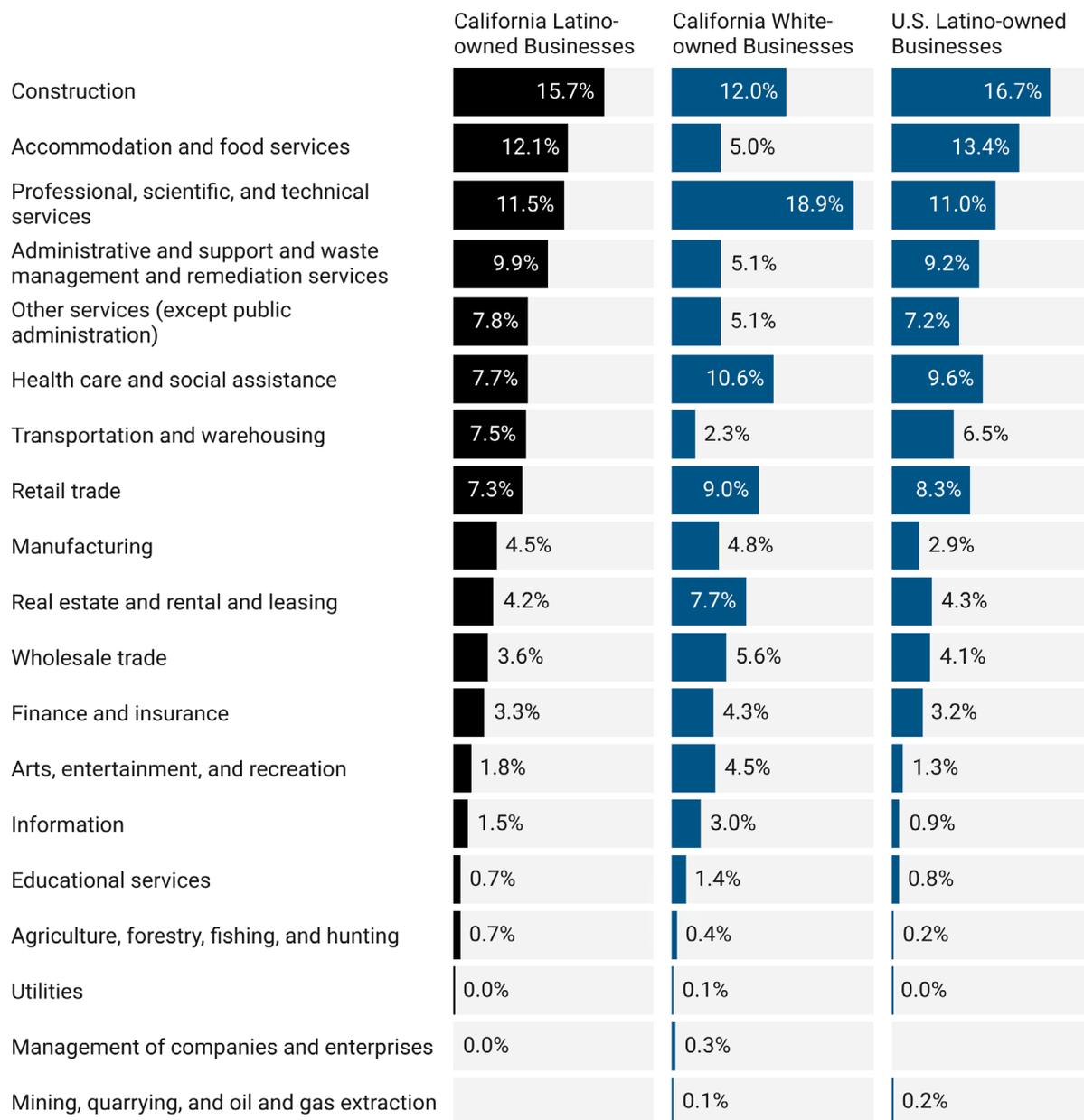


**Latino-owned businesses in California were highly concentrated in construction (16% of California LOBs), accommodation and food services (12%), and professional and technical services (12%).**

In 2020, about one-sixth of all Latino-owned firms were in the construction industry, which paid average wages of \$75,000 annually<sup>8</sup> in California in 2021 but has had relatively slow employment growth.<sup>9</sup> The professional and technical services industry boasted average annual wages of \$138,000<sup>10</sup> and includes some of the fastest-growing occupations including software developers and veterinarians.<sup>11</sup> However, 12% of LOBs were in the

accommodation and food services industry, which in addition to having low wages (\$29,000 annually),<sup>12</sup> has been severely affected by the COVID-19 pandemic.<sup>13</sup> While Latino-owned businesses had similar industry patterns as white-owned businesses, they were less likely to own businesses in the health services, professional, scientific, and technical services, and real estate industries (Figure 8).

**FIGURE 8: CALIFORNIA EMPLOYER BUSINESSES BY ETHNICITY OF OWNERS AND INDUSTRY, 2020**



Source: 2021 Annual Business Survey, [available online](#).

Note: Data were not available for California Latino firms in the mining industries and U.S. Latino firms in the management industry.





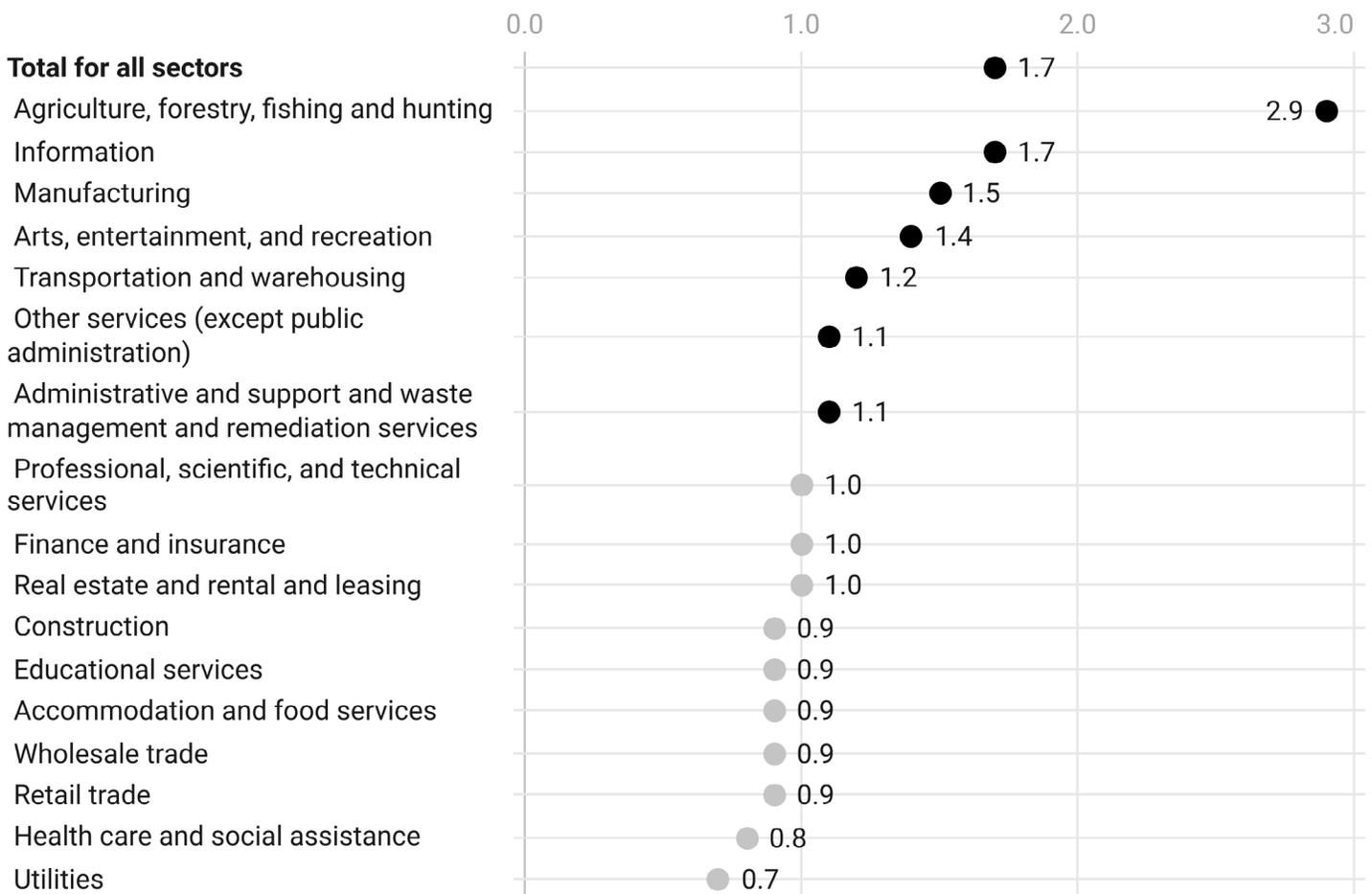
## Compared to national business trends, employer businesses in California were more likely to be Latino-owned (parity index of 1.7).

Additionally, agricultural firms in California were much more likely to be Latino-owned compared to agricultural firms nationally (2.9), followed by the information (1.7), manufacturing (1.7), and arts, entertainment, and recreation sectors (1.4; Figure 9). The information, manufacturing, and entertainment industries<sup>14</sup> are highly productive industries and dynamic job creators.<sup>15</sup> While

California's agriculture industry is the largest and most productive in the country,<sup>16</sup> agriculture is typically a low-profit margin industry, especially for small farms.<sup>17</sup> Given that Latino-owned businesses have fewer employees and lower revenues compared to other racial and ethnic groups, more research is needed into the financial status of California's Latino-owned agricultural businesses.

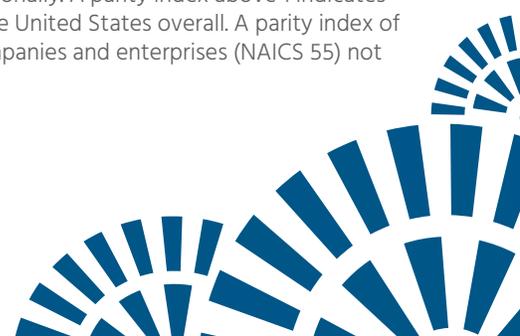
**FIGURE 9: PARITY INDEX FOR CALIFORNIA LATINO-OWNED BUSINESS BY INDUSTRY, 2020**

### California Latino Share of Firms vs. National Latino Share of Firms (1 = Equal)



Source: 2021 Annual Business Survey, [available online](#).

Note: A parity index is a measure of equality between two populations. In this case, we divide the state percentage of Latinos firms in each industry by the percentage of Latino firms in the same industry nationally. A parity index below 1 indicates that there were fewer Latino-owned businesses in California in the respective industry compared to Latino-owned businesses nationally. A parity index above 1 indicates that there were more Latino-owned businesses in California in the selected industry compared to the United States overall. A parity index of 1 indicates equality. Mining, quarrying, and oil and gas extraction (NAICS 21) and management of companies and enterprises (NAICS 55) not shown due to data unavailability.





## Conclusion

Despite accounting for 38% of the workforce and 39% of the overall population, Latinos only owned 11% of all employer businesses in the state of California in 2020. Out of 764,000 employer businesses in California, only 85,000 were owned by Latinos.<sup>18</sup> In contrast, white Californians represented 38% of the workforce but owned 60% of businesses. When it comes to industry breakdowns, most Latino-owned businesses followed national trends and were concentrated in construction, accommodation and food services, and professional and scientific services industries. However, California firms in the agriculture, information, manufacturing, and arts and entertainment industries were more likely to be Latino-owned than those same industries nationally, showcasing the innovative potential of California Latinos in these industries.

Our findings also show a glaring disparity when it comes to gender breakdowns. Latinas owned or co-owned only 36% of LOBs in the state, while Latino men owned 64% of LOBs. Similar gender disparities exist for both Black- and white-owned businesses,

although Asian women were only 6 percentage points behind true gender parity.

For Latinos and other entrepreneurs of color, owning a business can be an essential tool for building wealth and long-term economic mobility in a state that prides itself on being the fifth-largest economy in the world.<sup>19</sup> Given the large share of Latino workers in California, these findings suggest that Latinos may face high barriers to business ownership compared to Latinos in other states. At the same time, California's Latino firm ownership in high-revenue industries, such as information and manufacturing, underscores the promise of business ownership in a dynamic economy. Understanding the overall condition (and potential) of LOBs in California can provide a starting point for addressing these barriers and the unique challenges that Latinos face. These findings are essential for policymakers looking to create programmatic interventions to remediate these barriers, promote equity, and ensure that all business owners can access economic opportunities.



# Endnotes

- 1 LPPI analysis of 2021 Annual Business Survey, [available online](#); see Figure 1.
- 2 2021 Annual Business Survey, which has a reference year of 2020. Employment data reflect the number of paid employees during the pay period on or before March 12, 2020.
- 3 Latinos can be of any race. All other groups referenced in this report represent the non-Hispanic population.
- 4 Barbara Gomez-Aguinaga, Jonathan Furszyfer, Jerry Porras, and Paul Oyer, "2021 State of Latino Entrepreneurship in the Los Angeles Metro Area" (Palo Alto, CA: Stanford Latino Entrepreneurship Initiative, 2022), [available online](#); Barbara Gomez-Aguinaga, Jonathan Furszyfer, Jerry Porras, and Paul Oyer, "2021 State of Latino Entrepreneurship in the San Francisco Bay Area" (Palo Alto, CA: Stanford Latino Entrepreneurship Initiative, 2022), [available online](#); Barbara Gomez-Aguinaga, Jonathan Furszyfer, Jerry Porras, and Paul Oyer, "2021 State of Latino Entrepreneurship in the Riverside Metro Area" (Palo Alto, CA: Stanford Latino Entrepreneurship Initiative, 2022), [available online](#).
- 5 Jie Zong, "A Mosaic, Not a Monolith: A Profile of the U.S. Latino Population, 2000-2020" (Los Angeles, CA: UCLA Latino Policy and Politics Institute, October 26, 2022), [available online](#).
- 6 Generally speaking, this reflects the calendar week (Sunday through Saturday) that includes the 12th day of the month.
- 7 Employer firms with more than one establishment (ie. physical business location) are counted in each geographic area and industry they operate in, but only once in U.S. and state totals.
- 8 LPPI analysis of 2020 Quarterly Workforce Indicators, [available online](#).
- 9 Bureau of Labor Statistics, "All Employees: Construction in California [CACONS]," retrieved from Federal Reserve Bank of St. Louis, last updated July 11, 2023, [available online](#).
- 10 LPPI analysis of 2020 Quarterly Workforce Indicators, [available online](#).
- 11 O\*Net OnLine, "Browse by Industry: Professional, Scientific, and Technical Services," last updated April 18, 2023, [available online](#).
- 12 LPPI analysis of 2020 Quarterly Workforce Indicators, [available online](#).
- 13 Elise Gould and Melat Kassa, "Low-Wage, Low-Hours Workers Were Hit Hardest in the COVID-19 Recession: The State of Working America 2020 Employment Report" (Washington, DC: Economic Policy Institute, May 20, 2021), [available online](#).
- 14 Bureau of Labor Statistics, "Table 2.11. Employment and Output by Industry," last updated June 29, 2023, [available online](#).
- 15 Josh Bivens, "Updated Employment Multipliers for the U.S. Economy" (Washington, DC: Economic Policy Institute, January 23, 2019), [available online](#).
- 16 Ian James, "California Agriculture Takes \$1.2-billion Hit During Drought," *Los Angeles Times*, February 25, 2022, [available online](#).
- 17 Christine Jessica E. Todd, and Andrew Keller, "America's Diverse Family Farms," USDA Economic Research Service Economic Information Bulletin No. 231, December 2021, [available online](#).
- 18 There are an additional 12,288 firms that are equally owned by Latinos and non-Latinos.
- 19 Grace Toohey, "Despite All the Critics, California Could Soon Rise to the World's 4th-Largest Economy," *Los Angeles Times*, November 2, 2022, [available online](#).

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