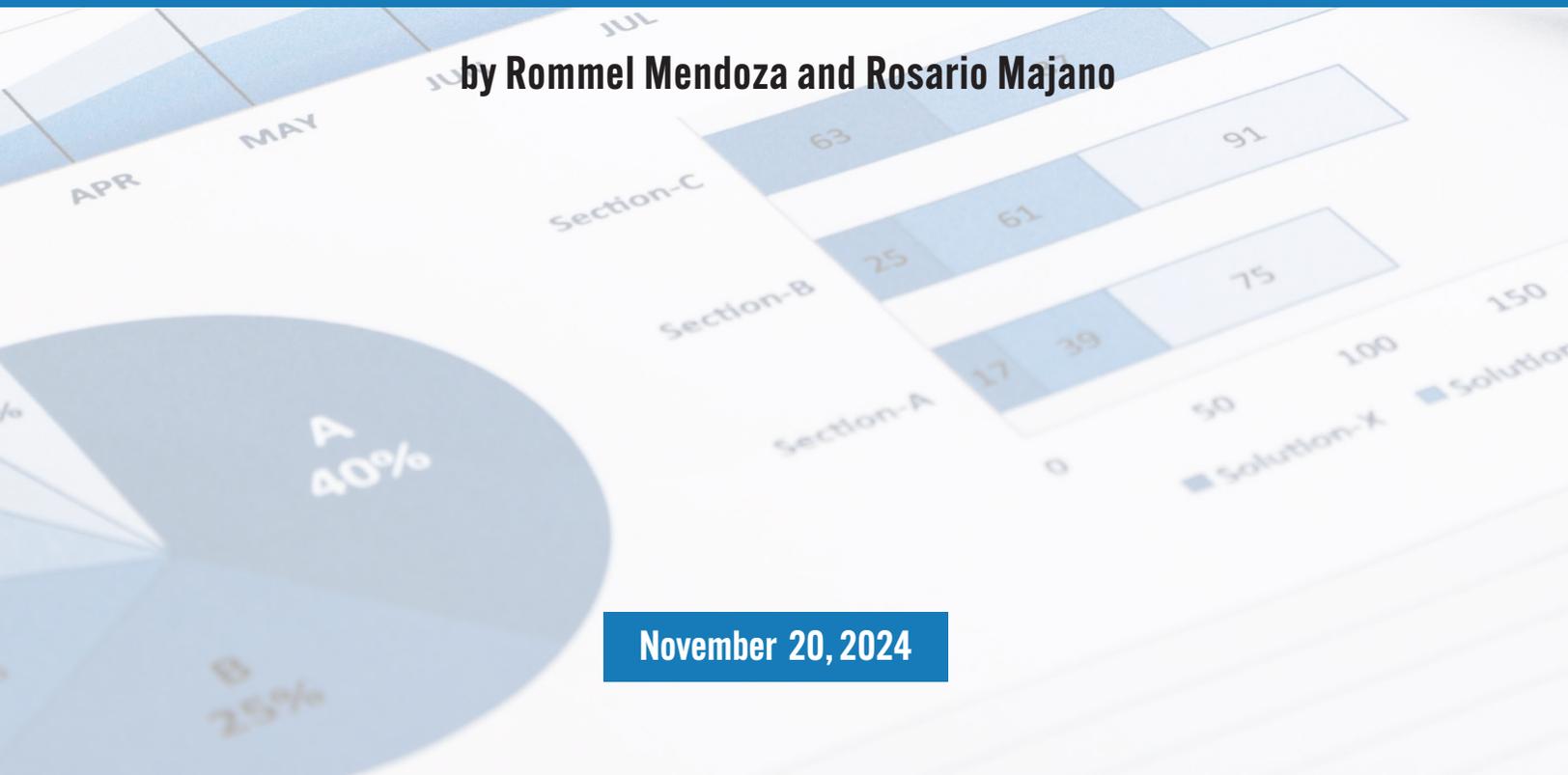


# Data for Action:

## Latine Microentrepreneurs in California During COVID-19



by Rommel Mendoza and Rosario Majano



November 20, 2024

# Acknowledgments

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## Disclaimer

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# Introduction

The U.S. experienced a boom in the growth of microbusinesses—firms with fewer than 10 employees—during the COVID-19 lockdowns, especially online microbusinesses.<sup>1</sup> Across the country, the number of microbusinesses owned by Black entrepreneurs grew most dramatically.<sup>2</sup> Disaggregating this recent growth in microenterprises by sex, locality, and industry can help us better understand the needs of microentrepreneurs and identify potential disparities among historically marginalized entrepreneurs. Leveraging data from the U.S. Census Bureau, this data brief examines the growth and decline of Latine-owned microbusinesses in California in 2020, focusing on the immediate impact of the COVID-19 pandemic. We examine trends in Latine-owned microbusinesses by the sex of owner, metropolitan statistical area (MSA),<sup>3</sup> and industry. Our results show the number of Latine microentrepreneurs, especially Latinas, grew during the first year of the pandemic. The surge in Latine-owned microfirms was especially prevalent across the Central Valley and in the professional, scientific, and technical services and transportation and warehousing industries.

# Methodology

A microbusiness, as defined by the U.S. Small Business Administration, is any firm with fewer than 10 employees.<sup>4</sup> This brief showcases the growth and decline of Latine-owned microbusinesses between 2019 and 2020. We use data from the 2019 and 2020 U.S. Census Bureau Nonemployer Statistics by Demographics (NES-D) series and the 2020 and 2021 U.S. Census Bureau Annual Business Survey (ABS). Together, these two datasets are complementary and help us paint a more robust picture of the changes in this important form of entrepreneurship. We use the NES-D to estimate the percentage change in the number of self-employed individuals, otherwise known as “nonemployer businesses,” and the ABS to estimate the percentage change in the number of firms with one to nine employees.

The NES-D series leverages existing administrative data to provide demographic and business characteristics of nonemployer businesses. The ABS is a survey conducted annually to collect detailed demographic and business information about employer businesses (businesses with at least one paid employee other than the owner). The ABS has a reference year of the year prior; therefore, the 2020 survey data reflects the 2019 calendar year, and the 2021 survey data reflects the 2020 calendar year. Leveraging these rich datasets, our analysis offers a snapshot of the microbusiness landscape in California during the first year of the COVID-19 pandemic.

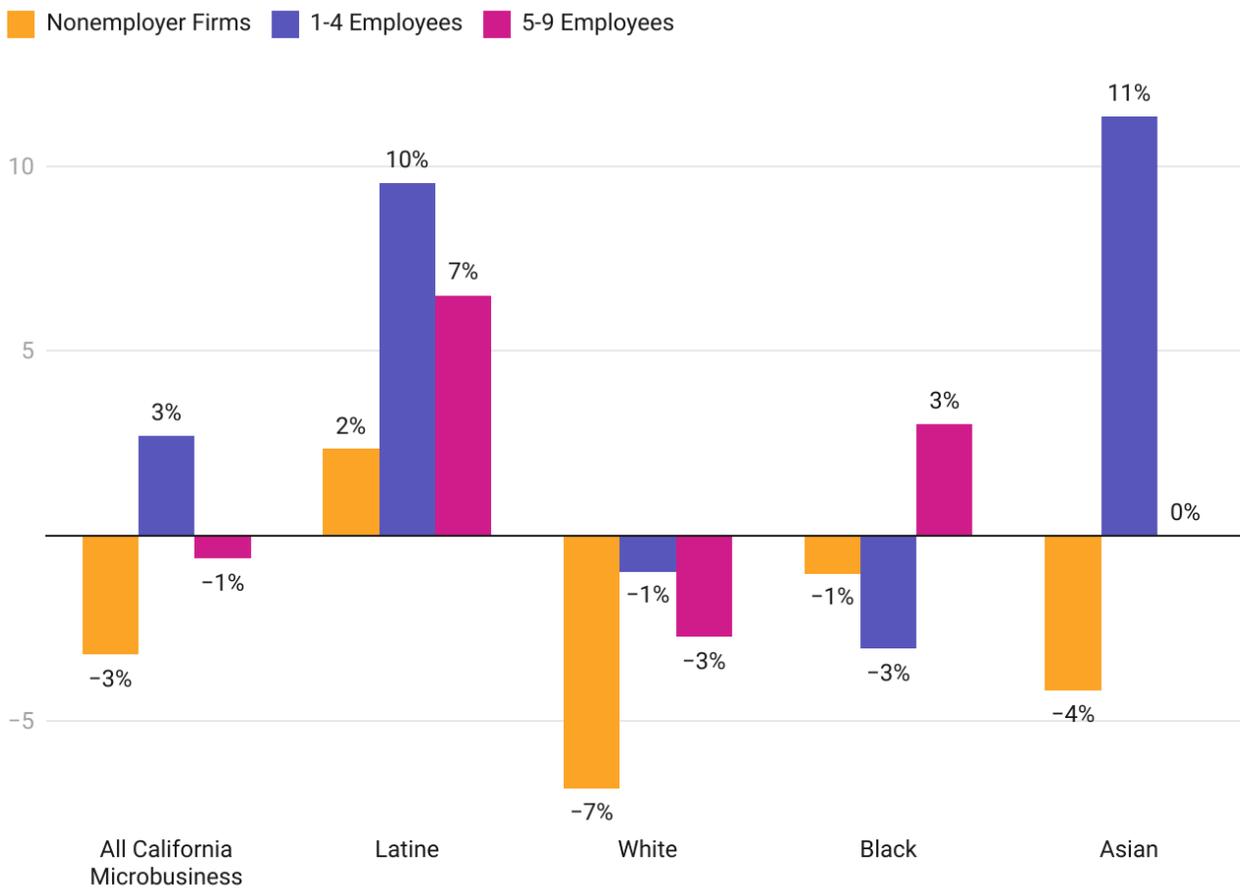


# Key Findings

## 1. Despite the pandemic recession, Latine-owned microbusinesses outpaced the growth rates of other micro businesses in 2020.

Figure 1 shows the percent change in the number of microbusinesses and the change by race or ethnicity of owners and by firm size from 2019 to 2020. During this period, the percentage of white, Black, and Asian nonemployer firms declined while Latine nonemployer firms saw a 2% increase. Additionally, Asian- and Latine-owned microbusinesses with one to four employees exhibited the most substantial growth compared to businesses owned by other racial and ethnic groups, with an 11% and 10% increase, respectively. In contrast, non-Latine white-owned microbusinesses saw the most consistent declines regardless of firm size.

Figure 1. Change in Number of Microbusinesses in California by Race and Ethnicity of Owners, 2019-2020



Created with Datawrapper

Sources: U.S. Census Bureau Annual Business Survey, 2020-2021; U.S. Census Bureau Nonemployer Statistics by Demographics series, 2019-2020.

Notes: Data for Latines include Latines of any race, and data for all other races and ethnicities are non-Latine population estimates: white non-Latine, Black non-Latine, and Asian non-Latine.

The "All CA Microbusinesses" category refers to the change in California's total number of microbusiness firms, regardless of owner race or ethnicity. For raw counts of the number of microbusinesses in 2020, see the Appendix.

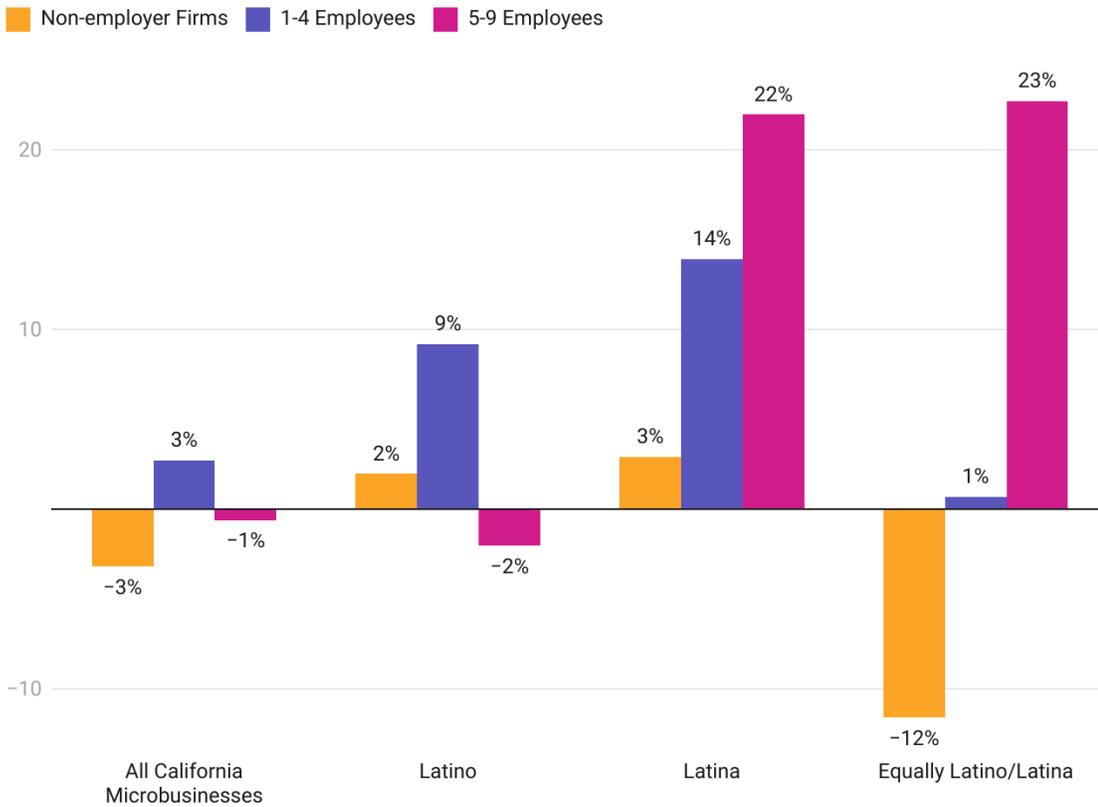


2.

**Between 2019 and 2020, the number of Latina-owned microbusinesses in California rose.**

Latina-owned firms were the only group that experienced growth of microbusinesses in all size groups (see Figure 2). Nonemployer firms that were equally Latino- and Latina- owned experienced the most significant decrease (-12%). Conversely, microbusinesses with five to nine employees that were equally Latino- and Latina-owned or fully Latina-owned experienced the largest increase (23% and 22%, respectively).

**Figure 2. Change in Number of Latine-Owned Microbusiness in California by Sex of Owners, 2019-2020**



Created with Datawrapper

Sources: U.S. Census Bureau Annual Business Survey, 2020-2021; U.S. Census Bureau Nonemployer Statistics by Demographics series, 2019-2020

Notes: 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 businesses. The "All California Microbusinesses" category refers to the change in California's total number of microbusiness firms, regardless of owner race, ethnicity, or sex.

3.

**In California, the growth of Latine-owned microbusinesses by firm size varied across regions. Bakersfield, Fresno, Riverside, and Oxnard MSAs all experienced growth in Latino-owned nonemployer microbusinesses.**



Conversely, MSAs in the Bay Area, including San Francisco and San Jose, experienced either a decline or no change at all in nonemployer firms (-1% and 0%, respectively). Meanwhile, San Diego and San Jose were tied for the most substantial growth in Latine-owned firms with one to four employees (31%), and San Diego experienced the highest growth in Latino-owned firms with five to nine employees (58%).

**Figure 3. Change in Number of Latine-Owned Microbusinesses in California by Region, 2019-2020**

Metropolitan Area	Non-Employer Firms	1-4 Employees	5-9 Employees
<b>California</b>	2%	10%	7%
<b>Bay Area</b>			
San Francisco-Oakland-Hayward	-1%	-3%	
San Jose-Sunnyvale-Santa Clara	0%	31%	-
<b>Central Valley</b>			
Bakersfield	5%	2%	
Frenso	3%	-	-8%
<b>Southern California</b>			
Los Angeles-Long Beach-Anaheim	1%	4%	11%
Oxnard-Thousand Oaks-Ventura	6%	-13%	
Riverside-San Bernardino-Ontario	6%	30%	2%
San Diego-Carlsbad	1%	31%	58%

Created with Datawrapper

Sources: U.S. Census Bureau Annual Business Survey, 2020-2021; U.S. Census Bureau Nonemployer Statistics by Demographics series, 2019-2020

Note: Data for the Sacramento-Roseville-Arden-Arcade and the Stockton-Lodi MSAs are not included in the figure because data are unavailable for more than one category of firm size due to high sampling variability, poor response quality, or other concerns about the estimated data quality.

**4. In California, Latine-owned microbusinesses in the accommodation and food services and administrative and support industries exhibited the most consistent growth.**

The greatest increase in nonemployer firms occurred in retail trade (13%), followed by manufacturing (8%) and transportation and warehousing (7%). Transportation and warehousing exhibited the largest growth in firms with one to four employees, followed by construction (21% and 17%, respectively). Additionally, the professional, scientific, and technical services industry had the greatest increase of any industry of Latine-owned firms with five to nine employees (47%). Generally, the number of nonemployer firms did not decline across industries. The largest decline in firms with one to four employees occurred in the manufacturing (-8%) and finance and insurance (-7%) industries, while the other services industry sector saw the greatest decline in firms with five to nine employees (-44%).



**Figure 4. Change in Number of Latine-Owned Microbusinesses in California by Industry, 2019-2020**

Industry	Non-Employer Firms	1-4 Employees	5-9 Employees
Total for all sectors	2%	10%	7%
Accommodation & food services	3%	4%	11%
Administrative and support and waste management and remediation services	1%	11%	3%
Construction	6%	17%	-3%
Other services (except public administration)	0%	13%	-44%
Manufacturing	8%	-8%	15%
Professional, scientific, and technical services	-1%	12%	47%
Retail trade	13%	11%	-4%
Health care and social assistance	-1%	1%	11%
Finance and insurance	3%	-7%	-
Real estate and rental and leasing	3%	14%	-
Transportation and warehousing	7%	21%	-
Wholesale Trade	4%	-3%	-

Source: 2019-2020, Annual Business Survey 2019-2020, Nonemployer Statistics Data Series • Created with Datawrapper

Source: U.S. Census Bureau Annual Business Survey, 2020-2021; U.S. Census Bureau Nonemployer Statistics by Demographics series, 2019-2020

Notes: The mining, utilities, educational services, information, arts and recreation, and agriculture industries are not included in the figure because data are unavailable for more than one category of firm size, due to high sampling variability, poor response quality, or other concerns about the estimated data quality.



## Conclusion

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Latine business ownership, in the form of microbusinesses, grew during the first year of the COVID-19 pandemic. Our findings show that despite past research highlighting gender disparities in Latine entrepreneurship,<sup>5</sup> Latinas excel in the microentrepreneurial space. The data also show unique regional differences in the growth and decline of Latine-owned microbusinesses. The surge in Latine-owned non-employer firms across the Central Valley, for example, reflects a strategic response to economic challenges, as entrepreneurship offered an alternative source of income in areas that experienced high unemployment during the early stages of the pandemic. Additionally, the growth of Latine-owned firms across a variety of industries exemplified how Latinas responded to the market pressures of the pandemic. The increase of Latine-owned firms in the professional, scientific, and technical services industry indicates a significant entrepreneurial shift within the Latine community toward high-wage sectors. Similarly, the growth in the transportation and warehousing industry reflects Latine entrepreneurs responding to the increased need for transportation services during the pandemic.

Despite our findings highlighting the growth of Latine entrepreneurs, the paucity of data available on the demographics of microbusiness owners is a major limitation. This limitation is further compounded by the underrepresentation in government data sources of microbusinesses in informal economies. As we continue to navigate the new economic landscape brought on by the COVID-19 pandemic, our findings will be essential to capturing and highlighting the development of this new wave of entrepreneurs.

# End Notes

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- 1 John C. Austin, “Microbusinesses Boomed during the Pandemic. Now, Local Leaders Need to Support Them,” Brookings Institution, September 29, 2022, [available online](#); Brian Headd, “The Role of Microbusiness Employers in the Economy,” U.S. Small Business Administration, August 2017, [available online](#).
- 2 Austin, “Microbusinesses Boomed during the Pandemic. Now, Local Leaders Need to Support Them.”
- 3 A metropolitan statistical area is a geographic area that contains one or more counties with large population sizes (core) and adjacent communities that are integral to that core.
- 4 Headd, “The Role of Microbusiness Employers in the Economy.”
- 5 Jose Garcia, 10 Facts about Latino-Owned Businesses in California (Los Angeles, CA: UCLA Latino Policy and Politics Institute, August 2023), [available online](#).
- 6 Sarah Bohn, “California’s Unemployment Gaps Have Narrowed during the Pandemic,” Public Policy Institute of California, May 19, 2022, [available online](#).
- 7 Daniel Newman and Kenan Fikri, “New Startups Break Record in 2021: Unpacking the Numbers,” Economic Innovation Group, January 2022, [available online](#).

# Appendix

**Table 1A. Microbusiness Ownership in California by Race and Ethnicity of Owners, 2019-2020**

Race/Ethnicity	Nonemployer Firms		1 - 4 Employees		5 - 9 Employees	
	2019	2020	2019	2020	2019	2020
Latine	890,000	911,000	41,636	45,613	12,905	13,745
White	1,655,000	1,542,000	223,468	221,305	71,426	69,467
Black	195,000	193,000	6,297	6,105	1,714	1,766
Asian	644,000	617,000	76,056	84,681	31,357	31,291
All CA Microbusinesses	3,459,000	3,348,000	361,351	371,109	123,524	122,770

Sources: U.S. Census Bureau Annual Business Survey, 2020-2021; U.S. Census Bureau Nonemployer Statistics by Demographics series, 2019-2020.

Notes: Data for Latines include Latines of any race, and data for all other races and ethnicities are non-Latine population estimates: white non-Latine, Black non-Latine, and Asian non-Latine. The "All CA Microbusinesses" category refers to the change in California's total number of microbusiness firms, regardless of owner race or ethnicity.

**Table 2A. Latine-Owned Microbusinesses in California by Sex of Owners, 2019-2020**

Sex	Nonemployer Firms		1 - 4 Employees		5 - 9 Employees	
	2019	2020	2019	2020	2019	2020
Latinos	508,000	518,000	26,884	29,356	8,372	8,204
Latinas	378,000	389,000	10,585	12,061	3,169	3,866
Equally Latino/Latina	4,300	3,800	4,167	4,196	1,365	1,675

Created with Datawrapper

Source: U.S. Census Bureau Annual Business Survey, 2021; U.S. Census Bureau Nonemployer Statistics by Demographics series, 2020

Notes: Data for Latines include Latines of any race, and data for all other races and ethnicities are non-Latine population estimates: white non-Latine, Black non-Latine, and Asian non-Latine. The "All California Microbusinesses" category refers to the change in California's total number of microbusiness firms, regardless of owner race, ethnicity, or sex.

**Table 3A. Latine-Owned Microbusinesses in California by Region, 2019-2020**

	Nonemployer Firms		1 - 4 Employees		5 - 9 Employees	
	2019	2020	2019	2020	2019	2020
<b>Metropolitan Area</b>						
California	890,000	911,000	41,636	45,613	12,905	13,745
<i>Bay Area</i>						
San Francisco Oakland-Hayward	65,500	65,000	3,961	3,844	1,374	-
San Jose-Sunnyvale-Santa Clara	25,000	25,000	1,449	1,898	530	-
<i>Central Valley</i>						
Bakersfield	20,500	21,500	723	737	379	-
Fresno	20,000	20,500	884	-	417	382
<i>Southern California</i>						
Los Angeles-Long Beach-Anaheim	403,000	407,000	17,577	18,349	4,700	5,224
Oxnard-Thousand Oaks-Ventura	18,000	19,000	1,331	1,153	-	-
Riverside-San Bernardino-Ontario	139,000	147,000	4,747	6,155	1,643	1,668
San Diego-Carlsbad	74,000	75,000	3,874	5,090	1,072	1,699

Sources: U.S. Census Bureau Annual Business Survey, 2020-2021; U.S. Census Bureau Nonemployer Statistics by Demographics series, 2019-2020.

Notes: Data for the Sacramento-Roseville-Arden-Arcade and the Stockton-Lodi MSAs are not included in the table because data are unavailable for more than one category of firm size due to high sampling variability, poor response quality, or other concerns about the estimated quality.

**Table 4A. Latine-Owned Microbusiness in California by Industry, 2019-2020**

Industry	Nonemployer Firms		1 - 4 Employees		5 - 9 Employees	
	2019	2020	2019	2020	2019	2020
Total for all sectors	890,000	911,000	41,636	45,613	12,905	13,745
Retail trade	63,500	71,500	3,192	3,532	1,097	1,048
Manufacturing	12,000	13,000	1,745	1,598	716	826
Transportation and warehousing	148,000	159,000	2,983	3,614	343	-
Construction	102,000	108,000	6,239	7,316	2,216	2,148
Wholesale trade	11,500	12,000	1,676	1,625	-	-
Finance and insurance	14,500	15,000	1,852	1,729	700	-
Accommodation and food services	18,500	19,000	2,624	2,734	2,179	2,412
Real estate and rental and leasing	39,500	40,500	2,165	2,460	-	-
Administrative and support and waste management and remediation services	156,000	158,000	4,540	5,049	997	1,031
Other services (except public administration)	99,000	99,000	3,951	4,460	1,483	835
Health care and social assistance	78,000	77,500	3,540	3,577	1,149	1,279
Professional, scientific, and technical services	82,000	81,000	5,509	6,181	999	1,469

Sources: U.S. Census Bureau Annual Business Survey, 2021; U.S. Census Bureau Nonemployer Statistics by Demographics series, 2020.

Notes: The "mining," "utilities," "educational services," "information," "arts and recreation," and "agriculture" industries are not included in the table because data are unavailable for more than one category of firm size due to high sampling variability, poor response quality, or other concerns about the estimated quality.

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