



Latino Self-Employed Entrepreneurs in California: Growth, Resilience, and the Need for Policy Action



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About Our Organizations

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.

The UCLA Center for Neighborhood Knowledge specializes in empirical spatial analysis to inform policy and planning action and explicitly emphasizes the study of immigrant enclaves, low-income neighborhoods, and ethnic minority communities.

Disclaimer

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Executive Summary

Entrepreneurship is a pillar of the US economy, with small businesses accounting for 99% of all firms and contributing nearly half of the nation's jobs and gross domestic product (GDP). Latino-owned businesses are a growing force in this sector, particularly in California, where they play a critical role in job creation and economic activity. However, despite their expansion, Latino entrepreneurs continue to face systemic barriers that limit their financial success and business growth.

This policy brief examines the impact of self-employed Latino entrepreneurs in California from 2008 to 2022 using microdata from the American Community Survey (ACS) Public Use Microdata Sample (PUMS). The analysis tracks trends in Latino self-employment, earnings disparities, educational attainment, and incorporation rates. The findings highlight both progress and persistent inequities, underscoring the need for targeted policies to support Latino business owners. These challenges have been further exacerbated by recent federal rollbacks to minority business programs, making state and local policy leadership critical to protect and advance minority entrepreneurship in California.

Key findings:

- 1. Latinos Are Driving Self-Employment Growth.** The number of Latino self-employed entrepreneurs in California increased by 44% from 559,000 in 2008 to 807,000 in 2022. This growth has fueled self-employment gains overall, even as non-Latino self-employment has declined during the same period.
- 2. Earnings Disparities Persist.** Despite making gains in business ownership, Latino entrepreneurs earn significantly less than their non-Latino counterparts. In 2022, Latino self-employed individuals earned only 62% of the median earnings of non-Latino entrepreneurs. This earnings gap highlights ongoing economic inequities that limit wealth-building opportunities for Latino business owners.
- 3. A New Generation of Latino Entrepreneurs Is Emerging.** The share of Latino self-employed entrepreneurs with higher levels of formal education has increased, while those with less than a high school diploma have declined. At the same time, the share of US-born Latino entrepreneurs has grown significantly, reflecting broader demographic shifts. These trends signal an evolving Latino entrepreneurial community.
- 4. Latino Businesses are Increasingly Incorporating but Face Structural Barriers.** The share of Latino-owned businesses that are incorporated increased from 17% in 2008 to 27% in 2022, reflecting a growing shift toward incorporation and its legal and financial benefits. However, incorporation rates among Latinos still lag behind non-Latinos (27% vs. 38%), indicating ongoing structural challenges.

Policy Recommendations

Despite bipartisan support for small businesses, recent federal policy changes threaten critical programs that support minority entrepreneurs. These shifts jeopardize a vital and expanding segment of California's entrepreneurial ecosystem, posing risks to both Latino business owners and the broader economy. To ensure Latino- and all minority-owned businesses continue to thrive, California should act across local, state, and federal levels:

- **Strengthen local entrepreneurial ecosystems** by funding community-trusted outreach models like promotoras, expanding access to culturally responsive business networks, and offering legal support through partnerships with law schools and clinics.
- **Fortify state programs** for inclusive business growth by increasing funding for grants and micro-loans with equity benchmarks, mandating multilingual access and service gap reporting, expanding incubator models through community colleges and adult education, and reducing the cost and complexity of incorporation.
- **Buffer against federal rollbacks** by creating a California Small Business Resilience Fund to offset the dismantling of MBDA and SBA regional support, and prioritizing entrepreneurs who have lost access to federal services or face regulatory barriers for the first time.

By taking these actions, California can proactively reinforce its leadership in fostering Latino and minority small business success, safeguarding economic opportunity, and advancing equity across the state's entrepreneurial landscape.

Introduction

Promoting entrepreneurship is critical to the economy, widely supported by both the public and policy makers and deeply rooted in the American dream. Small businesses play a central role in this landscape, comprising the vast majority of firms in the United States. Nationwide, more than five million businesses meet the US Small Business Administration's definition of small businesses—having fewer than 500 employees. Additionally, more than 28 million businesses operate without paid employees as self-employed entrepreneurs.¹ Together, these two forms of entrepreneurship account for about 99% of all firms.

According to the US Chamber of Commerce, small businesses contribute nearly half of the nation's employment and GDP.² Small businesses are also among the most trusted institutions of American society, with 86% of adults holding a positive view—higher than for the military and churches.³ Given their central economic role and widespread popularity, elected officials and political candidates have embraced entrepreneurship as a key policy focus.

Support for small businesses spans party lines. In the 2024 presidential race, Democratic nominee Kamala Harris proposed increasing the amount small businesses can deduct as startup expenses on federal taxes.⁴ Republican nominee Donald Trump emphasized lowering interest rates, claiming it would be one of the greatest job creation programs for small businesses in history.⁵

Despite broad public and political support for small businesses, recent federal policy changes have raised concerns. Following his return to office, President Trump enacted a federal fund freeze and moved to roll back Diversity, Equity, and Inclusion (DEI) policies, putting minority-owned businesses at risk. Essential federal programs supporting entrepreneurship and community development now face potential funding cuts.⁶ Although a federal court temporarily blocked the freeze, uncertainty remains regarding the long-term outlook for small business funding and opportunities, especially for minority entrepreneurs.

The possible lack of governmental support is potentially harmful to the economy because Latino-owned businesses, along with other minority-owned businesses, are a key component in the entrepreneurial landscape. In the United States, there are 1.7 million Latino business owners, representing 15% of all business owners and generating \$474 billion in total sales and revenues. The importance of Latino businesses is particularly evident in California. In 2020, there were about 85,000 employer Latino businesses in the state, with an average of eight employees and a combined payroll of \$26 billion.⁷

Data and Methodology

This policy brief provides new insights into California’s Latino small businesses through an analysis of self-employed individuals using data from the US Census American Community Survey (ACS). The ACS is the largest continuous survey collecting information on housing, socioeconomic, and economic characteristics of the population. It provides the most comprehensive data available to a wide range of users, including government agencies, private corporations, and researchers.

This study utilizes the ACS Public Use Microdata Sample (PUMS) from 2008 to 2022, relying on five-year estimates (2008-12, 2013-17, 2018-22) to ensure stability in trend analysis. While the data is derived from multiyear estimates, results are reported as annual figures to facilitate clearer comparisons over time. The ACS PUMS dataset offers anonymized individual-level records and allows for customized tabulations of self-employed individuals—those who work for themselves as freelancers or business owners rather than as employees. These tabulations enable comparisons between Latinos and non-Latinos, as well as further disaggregation by nativity, educational attainment, and business structure.

The analysis focuses on self-employed individuals who own either incorporated or unincorporated businesses. Most operate small businesses, typically as sole proprietors or owners of privately held ventures with few or no employees. However, it is important to note that the ACS does not provide direct data on businesses—such as the number of paid employees or business revenue—nor does it capture employer businesses.

Use of Terminology

To improve readability and avoid redundancy, this report uses the terms “self-employed,” “entrepreneurs,” and “small businesses” interchangeably. While distinctions exist, this study primarily focuses on self-employed individuals, as captured in ACS PUMS data, many of whom operate small businesses. In this context, self-employment serves as both an entry point to entrepreneurship and a strategy for economic mobility.



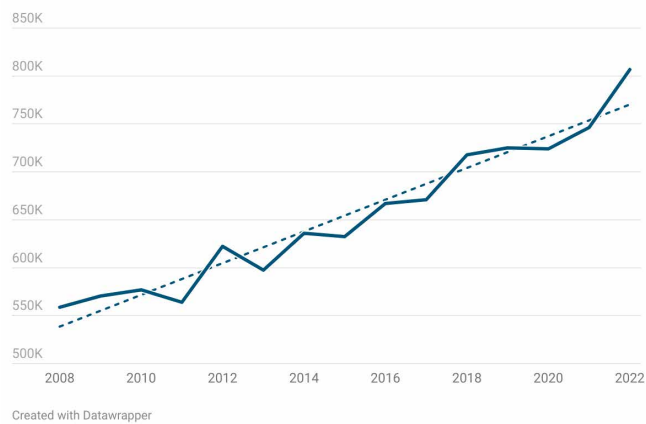
Key Findings

1. Latinos Are Expanding and Driving Self-Employed Entrepreneurship in California. The number of Latino self-employed entrepreneurs has grown significantly from 559,000 in 2008 to 807,000 in 2022, a 44% increase over 15 years. This growth trend is reflected in Figure 1, where the dotted trendline shows a steady upward trajectory, confirming the consistent rise of Latino self-employment in California.

In contrast, non-Latino self-employment has remained mostly stagnant or declined over time. In 2008, there were approximately 1.66 million non-Latino self-employed individuals, but by 2022, that number dropped to 1.60 million—a decline of nearly 4%. As shown in Figure 2, the dotted trendline is nearly flat, indicating little to no long-term growth. This stagnation suggests that without the rise of Latino self-employment, overall self-employment in California would have seen greater declines.

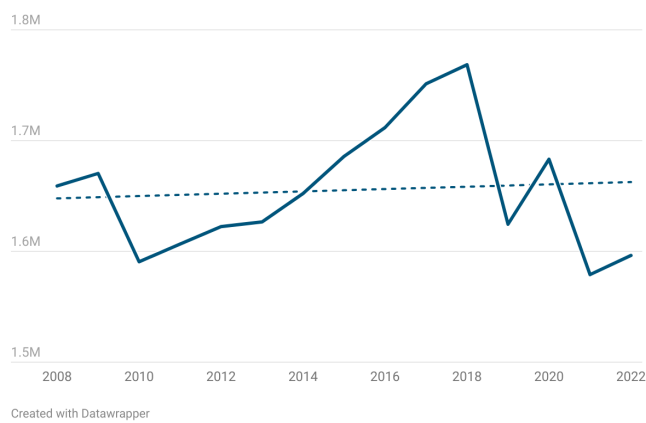
These trends underscore the increasing role of Latino entrepreneurs in sustaining and expanding California’s self-employed sector, even as non-Latino self-employment struggles to grow.

Figure 1: Latino Self-Employed Individuals over Time



Source: Tabulated by authors using 2008–22 ACS PUMS (five-year estimates: 2008–12, 2013–2017, 2018–22).

Figure 2: Non-Latino Self-Employed Individuals Over Time



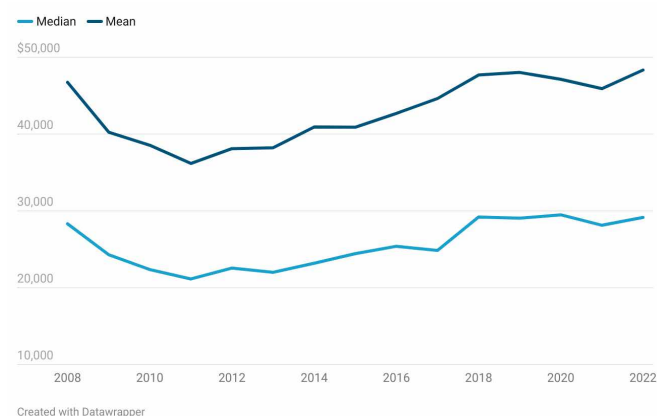
Source: Tabulated by authors using 2008–22 ACS PUMS (five-year estimates: 2008–12, 2013–2017, 2018–22).



2. Latino Entrepreneurs Continue to Face Earnings Disparities. Despite making gains in business ownership, Latino entrepreneurs earn significantly less than their non-Latino counterparts. As shown in Figure 3, Latino self-employed individuals had median annual earnings of \$29,100 in 2022, while mean earnings were notably higher due to a relatively small number of high earners. However, even with this variation, Latino entrepreneurs consistently earned less than non-Latinos across both median and mean measures.

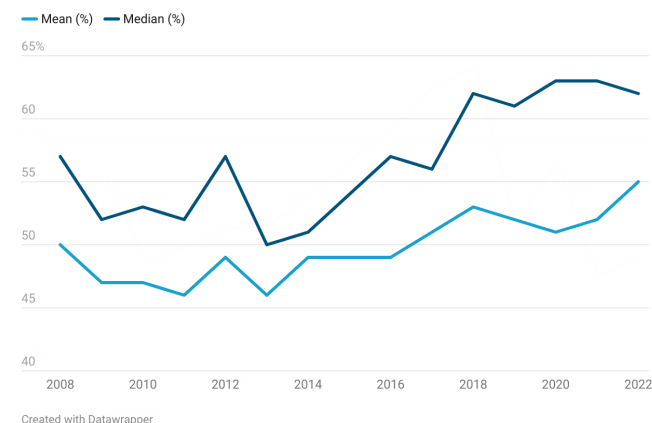
The earnings gap is further illustrated in Figure 4, which shows Latino self-employed earnings as a percentage of non-Latino self-employed earnings. There was some gain in partially closing the gap, but huge differences remain. In 2022, Latino median earnings were only 62% of the non-Latino median, and a similar gap exists in mean earnings. These disparities underscore the systemic barriers that limit Latino business owners' financial outcomes, highlighting the need for targeted public support to ensure equitable opportunities for Latino entrepreneurs.

Figure 3: Latino Self-Employed Earnings over Time



Source: Tabulated by authors using 2008–22 ACS PUMS (five-year estimates: 2008–12, 2013–17, 2018–22).

Figure 4: Latino Self-Employed Earnings Relative to Non-Latino Self-Employed



Source: Tabulated by authors using 2008–22 ACS PUMS (five-year estimates: 2008–12, 2013–17, 2018–22).

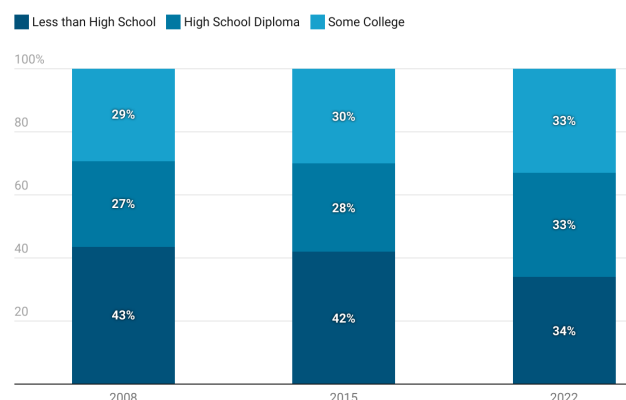


3. A New Generation of Latino Entrepreneurs Is Emerging. Latino self-employed entrepreneurs are entering the sector with higher levels of formal education than in previous years. As seen in Figure 5, the share of Latino self-employed entrepreneurs with at least some college education grew from 29% in 2008 to 33% in 2022, while those with less than a high school diploma declined as a share of the total. This trend suggests a gradual shift toward a more highly educated Latino entrepreneurial community, equipping business owners with new skill sets and potentially expanding access to business opportunities.

At the same time, a demographic shift is occurring within Latino self-employment. While immigrants still comprised the majority (57% in 2022) of Latino self-employed entrepreneurs, the share of US-born Latino self-employed individuals has increased significantly, rising from 32% in 2008 to 43% in 2022, as shown in Figure 5. This shift reflects broader demographic changes and the increasing role of US-born Latinos in self-employment.

Together, these patterns indicate an evolving entrepreneurial landscape, where Latino self-employed entrepreneurs are becoming more diverse in both educational background and nativity status, shaping the future of self-employment in California.

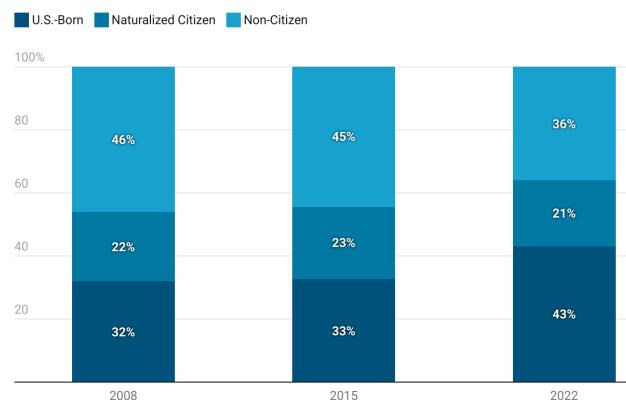
Figure 5: Latino Self-Employed Entrepreneurs by Educational Attainment



Created with Datawrapper

Source: Tabulated by authors using 2008–22 ACS PUMS (five-year estimates: 2008–12, 2013–17, 2018–22).

Figure 6: Latino Self-Employed Entrepreneurs by Nativity



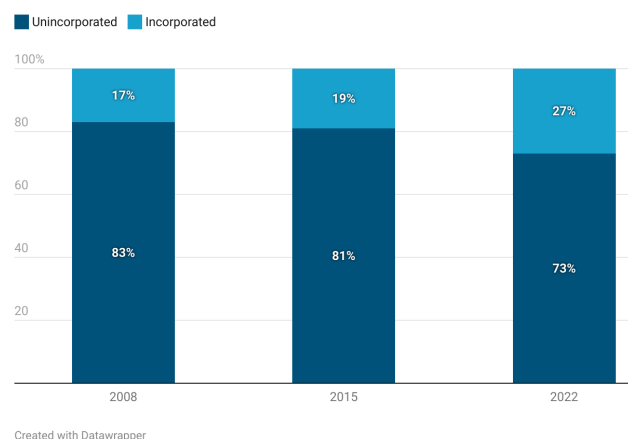
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Source: Tabulated by authors using 2008–22 ACS PUMS (five-year estimates: 2008–12, 2013–17, 2018–22).



4. Latino Businesses Are Increasingly Incorporating but Face Structural Barriers. As shown in Figure 7, the share of Latino-owned businesses that are incorporated increased from 17% in 2008 to 27% in 2022, reflecting a growing shift toward incorporation and its legal and financial benefits. However, Latino-incorporation rates (27%) still lag behind non-Latinos (38%), limiting their ability to access capital, secure contracts, and scale their business. Systemic barriers—such as limited financial resources, lack of business networks, and regulatory challenges—continue to hinder the broader adoption of incorporation and the long-term success of Latino-owned businesses. Addressing these challenges is key to ensuring Latino entrepreneurs can fully capitalize on incorporation’s benefits and expand their economic impact.

Figure 7: Latino Self-Employed by Business Structure



Source: Tabulated by authors using 2008–22 ACS PUMS (five-year estimates: 2008–12, 2013–17, 2018–22).

Policy Recommendations

Safeguarding Minority Entrepreneurs in the Face of Federal Rollbacks

Latino-owned and other minority-owned businesses are a vital and growing segment of California's entrepreneurial landscape, driving self-employment growth and shaping the future of the state's economy. Over the past 15 years, Latino entrepreneurs have made measurable gains in business ownership, education, and incorporation. However, disparities persist—Latinos remain underrepresented among the self-employed, earn significantly less than their non-Latino counterparts, and face barriers that limit their access to capital, incorporation, and business growth opportunities.

With the federal administration [rolling back critical support](#) for minority business development—including cuts to small business grants and staffing reductions—California must take the lead in filling the gap to ensure small entrepreneurs continue to drive our economy. To ensure Latino- and all minority-owned businesses continue to thrive, California should act across local, state, and federal levels:

Local Actions to Strengthen Entrepreneurial Ecosystems

- 1. Expand Community-Led Outreach on Incorporation:** Fund trusted messengers such as “promotoras” to promote incorporation benefits and formalization pathways. These outreach efforts should prioritize regions with high concentrations of informal or cash-based businesses. Promotoras are community-trusted messengers equipped to do culturally competent outreach. The LA County Department of Public Health has a [12-week model](#) that provides training to promotoras.
- 2. Strengthen Local Minority Business Networks:** Invest in associations providing culturally responsive mentorship, technical assistance, and peer learning hubs targeting emerging entrepreneurs. For instance, [The Black and Brown Opportunities for Profit Center](#) (BBOP Center) is a membership-based business hub that goes beyond traditional support by offering co-working space, on-site childcare, and culturally responsive business development services.

State Actions to Fortify Minority Business Growth

1. **Expand State Small Business Programs:** Increase funding for grants, micro-loans, and technical assistance programs, with equity reporting requirements. The New York’s [MWBE Lending Program](#) is a model that tracks funding disbursement by race/ethnicity.
2. **Bolster CalOSBA Oversight & Reach to Underserved Areas:** Mandate annual service gap reports disaggregated by language, race/ethnicity, and geography.
3. **Require Multilingual Access:** In light of EO 14094, which declares English the official language of the United States, California should proactively guarantee access: require all state-funded programs to provide forms, technical assistance, and trainings in critical threshold languages and increase culturally competent outreach. A legislative model is [Senate Bill 853 \(2003\), The Health Care Language Assistance Act](#), which requires health plans to provide language assistance program services to eligible customers with limited English proficiency.
4. **Invest in Incubator Models through Existing Educational Infrastructure:** Continue to fund incubators focused on minority entrepreneurs by expanding entrepreneurship training through community colleges, adult education centers, as well as partnerships with law schools to offer free or low-cost business clinics supporting incorporation, permitting, and regulatory compliance.
5. **Reduce Incorporation Costs and Complexity:** Offer fee reductions or waivers for low-income entrepreneurs and streamline the business registration process.
6. **Create a California Small Business Resilience Fund:** Offset the dismantling of the federal Minority Business Development Agency (MBDA) by providing gap financing and technical support locally that prioritizes entrepreneurs accessing federal resources or navigating regulatory systems for the first time. The SBA reorganization was [announced](#) on March 21, 2025, and included closure or relocation of 47% of offices—many in sanctuary cities. SBA office closures in sanctuary cities disproportionately impact minority entrepreneurs, given the heavy concentration of immigrant-owned businesses in places like Los Angeles, Oakland, San Diego, San Francisco, and San Jose.

Conclusion

California has an opportunity—and an urgent responsibility—to lead in safeguarding Latino entrepreneurship. By implementing these local, state, and federal strategies, the state can secure a stronger, more equitable economic future for all.

Endnotes

¹ Adam Grundy, “Census Bureau Resources, Data Tools, Website for Small Businesses,” US Census Bureau, April 29, 2024, [available online](#).

² Stephanie Ferguson, Makinzi Hoover, and Isabella Luch, “Small Business Data Center,” US Chamber of Commerce, May 20, 2024, [available online](#).

³ Rebecca Leppert, “A Look at Small Businesses in the US,” Pew Research Center, April 22, 2024, [available online](#).

⁴ Antonio Pequeño IV, “Harris Proposes \$50,000 Small Business Tax Deduction For Startup Expenses: Here’s What to Know,” Forbes, September 4, 2024, [available online](#).

⁵ Matthew Medsger, “Trump Pushes Back on Harris Small Business Plan at Economic Club of New York,” Boston Herald, September 5, 2024, [available online](#).

⁶ Levi Sumagaysay, “Funding for Small Businesses—A Big Source of Jobs—At Risk under Trump,” CalMatters, February 18, 2025, [available online](#).

⁷ Jose Garcia, “10 Facts about Latino-Owned Businesses in California” (Los Angeles, CA: UCLA Latino Policy and Politics Institute, August 17, 2023), [available online](#).

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