

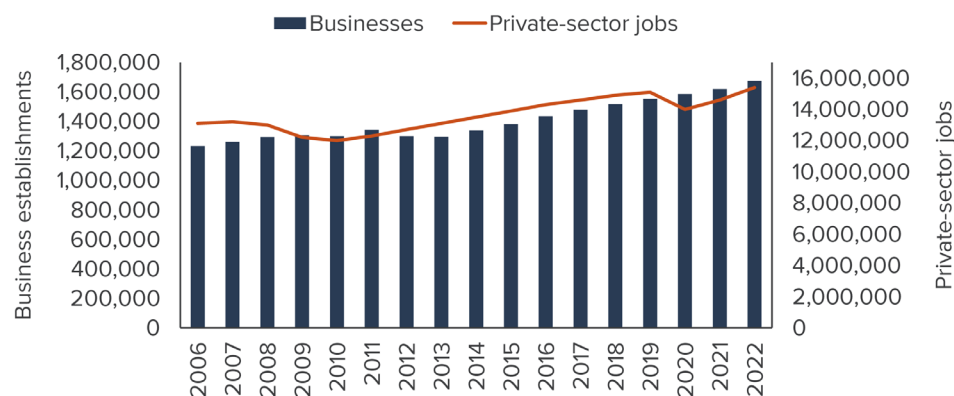
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# California's Businesses

## California's businesses create millions of jobs.

- ▶ At the end of 2022, California was home to 1.7 million private-sector businesses that generate 90% of the state's economic output (about \$3.2 trillion) and account for 87% (or 15.6 million) of California's jobs. The public sector accounts for the remaining 13%.
- ▶ An even larger number of California businesses—at least 3 million in 2019—are sole proprietorships, with no employees. This type of business may be [the proprietor's main economic activity](#) or a supplement to a primary job.
- ▶ The number of businesses with paid employees in California has grown by more than 30% since 2006.
- ▶ Half of California's private-sector jobs are in five sectors: health care and social assistance, accommodation and food service, retail trade, professional and technical services, and manufacturing.

The number of California businesses has grown steadily over the past decade, while employment dipped at the onset of the pandemic



Source: US Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Annual Slices.

Notes: Includes private-sector businesses with paid employees. Annual totals reflect the monthly average for the year.

## Most California businesses are small, and most Californians are employed by small businesses.

- ▶ About nine out of ten (92%) business establishments (or physical sites) employ fewer than 20 employees; an additional 7% have 20 to 100 employees. These establishments account for about six in ten jobs across the state (29% and 30%, respectively).
- ▶ Although only 0.1% of California business establishments employ 500 or more workers, these large establishments account for 18% of the state's private-sector jobs.
- ▶ When multiple business locations owned by the same firm are combined, those with 500 or more employees make up 38% of private-sector jobs.
- ▶ California's large businesses tend to be concentrated in three sectors: manufacturing, administrative services and waste management, and health care and social assistance.

### Most jobs are in established businesses—but new businesses contribute heavily to job growth.

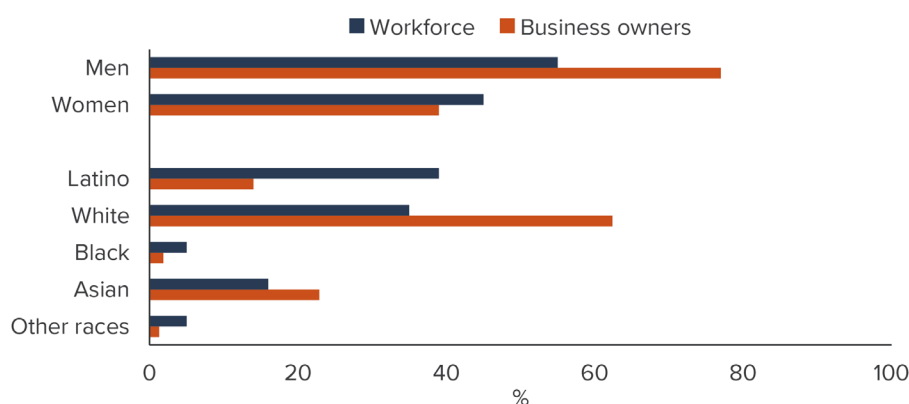
- ▶ Three-quarters of all jobs are in well-established firms—those that have operated for more than a decade. Only about 1 in 10 jobs are at new firms (in business three years or less).
- ▶ Even though well-established businesses are responsible for most California jobs, job growth is more closely tied to new businesses. In 2021, new firms added about double the number of jobs *lost* in all other firms.
- ▶ In some industry sectors—especially health care and social assistance, accommodation and food services, and other service sectors—only about two-thirds of jobs are in well-established firms; higher shares (about 14%) are in firms in business for less than three years.

### Business ownership does not mirror California’s demographic makeup.

- ▶ Women are underrepresented as business owners. In 2021, most California firms were male owned (61%). The rest were female owned (23%) or jointly owned by men and women (16%). By comparison, men make up 55% and women comprise 45% of the state workforce.
- ▶ Women are more likely to own small businesses (94% have less than 20 employees; 89% for men). Men own five times as many businesses with 500-plus employees.
- ▶ Latino and Black Californians are also underrepresented: 14% of firms were owned by Latinos and about 2% were Black owned in 2021; these groups comprise 39% and 5% of the state workforce. Asian Californians are overrepresented, making up 23% of business owners and about 16% of the workforce.
- ▶ Some industry sectors have relatively large shares of minority-owned businesses: about 45% of firms in accommodation and food services are Asian owned, 27% of transportation and warehousing firms are Latino owned, and 8% of arts, entertainment, and recreation firms are Black owned.
- ▶ About 27% of California businesses were family owned in 2021. In some California metros, rates of family-owned businesses are even higher: more than 35% of businesses in the Santa Rosa, Chico, and Stockton-Lodi metro areas are family owned.

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### Female, Latino, and Black Californians are underrepresented as business owners relative to their representation in the workforce



Sources: US Census Bureau, Annual Business Survey, 2021. American Community Survey, 2021.

Notes: Ownership rates for men and women include 16% of businesses that are jointly owned by men and women. Latino-owned businesses include 2% of businesses that are jointly owned by Latinos and non-Latinos. Other races include Native American, Alaskan natives, native Hawaiians, and other Pacific Islanders. Ownership is defined as having more than 50% of the stock or equity in a business. Many businesses—especially large businesses with a large number of owners and/or no owner with at least 10% stock or equity—are not included.

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Source: McConville et al., [Technical Appendix: California’s Businesses](#) (PPIC, 2024).