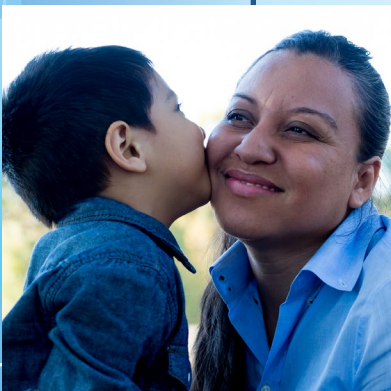


# The State of Latino Economic Well-Being in California



Mindy S. Romero, Ph.D.  
University of Southern California



## About the California Latino Economic Institute



The study was funded by the California Latino Economic Institute.

The mission of the California Latino Economic Institute (CLEI) is to serve as a catalyst to grow the Latino Middle Class. In 2015, the California Latino Legislative Caucus partnered with the California Business Roundtable to create CLEI as a stand-alone, independent, organization focused on convening stakeholders and conducting research to address the opportunities to expand California's Latino middle class.

Today, California's wide economic disparities, commonly referred to as "Two Californias," fall largely along racial lines with Latinos precariously straddling the line between a growing underclass of poverty and a declining middle class. As an 501c3 - not for profit - organization (TAX ID: 81-3050673), CLEI utilizes research to educate and engage stakeholders to achieve its mission.

CLEI's Board consists of business leaders, members of the California Latino Legislative Caucus, local Latino elected officials, and representatives from community/nonprofit organizations.

To learn more about CLEI, visit <http://www.californialei.org>.

### About Mindy S. Romero, Ph.D.

Dr. Mindy S. Romero, the study's lead researcher, is founder and director of the California Civic Engagement Project (CCEP) at the University of Southern California Price School of Public Policy. Dr. Romero is a political sociologist and faculty at the USC Price School. Her research explores barriers to civic and political engagement, and their implications for the economic and social well-being of underrepresented and underserved groups. Dr. Romero is frequently invited to share her research findings in academic and policy venues throughout the U.S., including the California State Legislature and the U.S. Congress. She is a member of the CLEI Academic Advisory Board.



### Acknowledgments:

We would like to thank Laura Daly for her assistance in the data collection, map-making and analysis associated with this report. We thank Jody Agius Vallejo, Ph.D., Zabrael Valentine, Marlene Orozco and anonymous reviewers for their help in making this report possible by providing careful review of and feedback on its contents. We also thank members of the CLEI Advisory Working Group for their helpful review of this report.

We thank Jason Mendez at Snapshot Media for his graphic design services.

For more information about this study, contact Dr. Romero at [msromero@usc.edu](mailto:msromero@usc.edu). This research report, including the data and methodology appendix, can be accessed online through the CLEI website.

# Table of Contents

Executive Summary.....	4
Introduction.....	5
What is the Distribution of Latino Income in California?.....	6
How Does the Cost of Housing in California Impact Latinos?.....	9
How Well are Latinos Educationally Prepared for Career Pathways?.....	14
What is the Composition of Latino Employment and Business in California?.....	21
What are the Geographic “Hot Spots” of Economic Opportunity and Challenge for Latinos in California?.....	28
Conclusion: Reducing Inequality to Build the Latino Middle Class.....	43
Notes.....	44

# The State of Latino Economic Well-Being in California

## Executive Summary

### Study Highlights

- The Bay Area experiences the highest median household incomes of all California regions, but also the greatest disparities in income between Latinos and Asian Americans.
- The gender gap in poverty rates is highest for Latinos. The Latina poverty rate is 22.4%, compared to 18.8% for Latino males.
- Nearly 60% of Latino households lack adequate housing compared with 38.4% of non-Latino White households.
- More than half of Latino renters and one-third of Latino homeowners are paying more than 30% of their income on housing costs.
- 13% of Latinos have a 4-year college degree or higher, 39.5 percentage points below the degree attainment of Asian Americans.
- Latinas are achieving higher education at higher rates than male Latinos.
- Nearly 12% of the state's employed population is employed in STEM, while 4.7% of employed Latinos work in STEM.
- Latino-owned businesses make up nearly one-quarter of all firms in California, and account for 6.5% of total receipts and sales in the state.

As the largest racial or ethnic group in California, the economic well-being of Latinos will play a critical role in the long-term economic success of the state.<sup>1</sup> Latinos continue to experience much lower economic well-being in the state than California's population as a whole. In order to thrive, the Latino community needs carefully allocated resources and investments designed to build economic well-being, including a strong Latino middle class. To develop effective economic policies, it is important to first understand the barriers and opportunities that Latinos currently face. California's leaders and policymakers require comprehensive information about the needs and opportunities facing Latinos across the state to help ensure that strategic decisions regarding business, investment, urban planning, education, and other critical areas take into account the varying conditions faced by Latino communities.

In this report, we provide an up-to-date overview of the current economic conditions for Latinos, focused on the four key relating factors of income distribution, education, housing and entrepreneurship. The report establishes a baseline of data that can be used to measure Latino economic progress over time. We also introduce the Latino Economic Index (LEI) that provides a visual data snapshot of Latino economic well-being at the regional and community level in California. With this index, we explore geographic hot spots of opportunity and identify areas that call for the most urgent investment and policy outcomes.

From the study's findings, it is clear that California Latinos have made large gains over the last decade in many indicators linked to economic well-being: decreases in poverty rates; increases in college enrollment, high school graduation rates and the percentage of UC/CSU eligible; as well as substantial growth in entrepreneurship. Latinas, in particular, have experienced significant achievements in higher education and business.

Although improving, Latino economic health in the state, comparatively, is not strong. On every measure examined in this study, outcomes for Latinos are below those of the general population, and far below those of non-Latino Whites and Asian Americans. Latinos are overrepresented in lower-income groups, while also underrepresented among California's highest-earning households. Latino poverty rates remain high despite seeing the largest decrease of any racial or ethnic group over the past decade. Even with significant gains in educational attainment, the Latino dropout rate remains high. There is still much work to be done to ensure higher college enrollment and that Latinos enrolled in college have the resources to finish in order to share in a middle-class lifestyle that is often associated with being a college graduate.

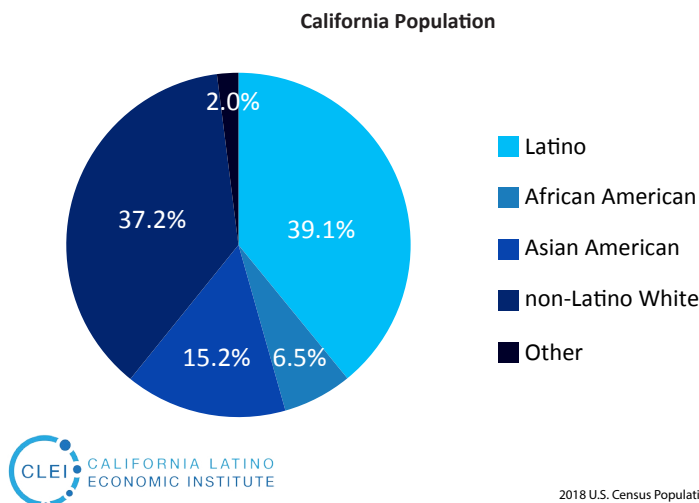
Homeownership remains desirable for Latinos, as it does for the rest of the population, but this study's findings suggest that solutions aimed at increasing Latino homeownership alone are not sufficient. The state's large, cost-burdened Latino renter population cannot achieve the savings and financial stability necessary for homeownership without access to affordable rental housing. While Latino business owners represent a significant share of California's entrepreneurs, Latino firms are greatly underrepresented in the state's annual receipts and sales. In order to support the improved economic well-being of Latinos, including an expanded middle class, it is crucial to help Latino business owners connect to the financial services they need and to address banking practices that disproportionately disadvantage Latinos.

Latinos continue to face significant structural challenges in housing, educational attainment and entrepreneurial efforts that, together, serve as barriers to higher income and overall economic stability. California's current policies are failing the Latino middle class and by extension, the state's long-term economic prosperity. Meaningful action toward expanding the Latino middle class in California must address the structural and institutional barriers that reproduce disparities in education, housing and entrepreneur outcomes for Latinos in the state. In developing effective strategies and policies to promote economic growth, policy makers should consider both regional patterns of disparity and address community level "hot spots" identified by the Latino Economic Index.

# The State of Latino Economic Well-Being in California

## Introduction

As the largest racial or ethnic group in California<sup>1</sup>, the economic well-being of Latinos will play a critical role in the long-term economic success of the state. Latinos continue to experience much lower economic well-being in the state than that of California's population as a whole. Latinos in the state are overrepresented in lower-income groups and underrepresented among upper-income groups.<sup>2</sup> In order to thrive, the Latino community needs carefully allocated resources and investments designed to build economic well-being, including a strong Latino middle class. To develop effective economic policies, it is important to first understand the economic barriers and opportunities that Latinos currently face. California's leaders and policymakers require comprehensive information about the needs and opportunities facing Latinos across the state to help ensure that strategic decisions regarding business, investment, urban planning, education, and other critical areas take into account the varying conditions faced by Latino communities.<sup>3</sup>



In this report, we provide an up-to-date overview of the state of Latino Economic Well-Being in California, as a whole and by region, focused on the key related factors of income distribution, education, housing and entrepreneurship. We also introduce the Latino Economic Index (LEI) that provides a visual data snapshot of the hot spots of Latino economic well-being at the regional and community level in California (measured at census tract level). With this index, we identify the communities where Latinos are experiencing the most positive outcomes, as well as those communities that call for the most urgent investment and policy attention. This report's findings are organized by the following five research questions:

1. What is the distribution of Latino income in California?
2. How does the cost of housing in California impact Latinos?
3. How well are Latinos educationally prepared for career pathways?
4. What is the composition of Latino employment and business in California?
5. What are the geographic "hot spots" of economic opportunity and challenge for Latinos in California?

Findings from this study will establish a baseline of data that can be used by policy makers and community leaders to measure Latino economic progress in California over time.

In this study we use the term "Latino" to refer to those who self-identify as Hispanic or Latino.

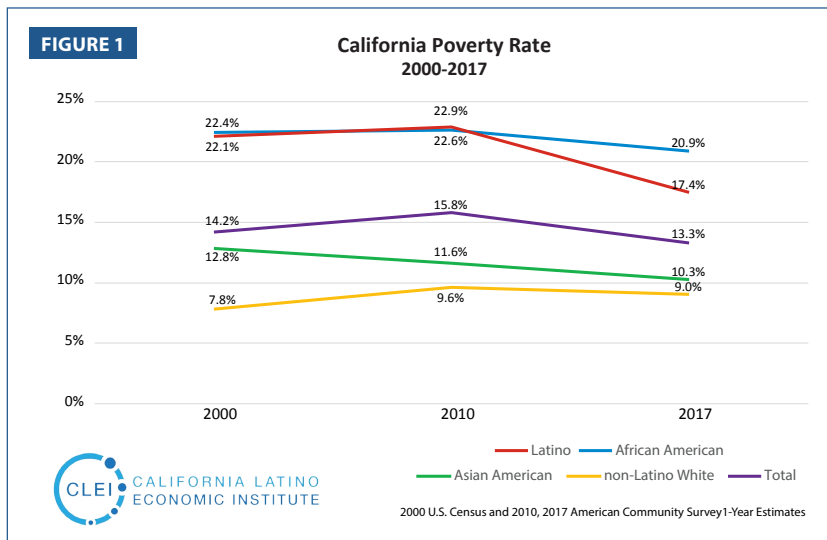
The ethnic group "Latino" can include individuals of any race. The ways in which race and ethnic groups are defined in this report varies by data source. Data in this report that is sourced from the American Community Survey (ACS) Multiyear Estimates and 2000 Decennial Census include Latinos in the racial categories African American and Asian American. Data sourced from the American Community Survey Public Use Microdata Sample (PUMS), the U.S. Department of Housing and the Urban Development Comprehensive Housing Affordability Strategy (CHAS), and the California Department of Education provide mutually exclusive race and ethnic groups; while Latinos can be of any race, the racial categories do not include Latinos. Finally, in this report we use two mutually exclusive ethnic group categories from the U.S. Census Survey of Business Owners (SBO): businesses owned by Latinos and non-Latinos.



## 1. What is the Distribution of Latino Income in California?

Latinos in California are underrepresented among upper-income groups and are overrepresented in lower-income groups and among those living in poverty. In this section, we examine the level of income distribution in California. Our analysis includes an overview of Latino poverty rates, median household income, and provides a profile of the Latino middle class as defined by income. Finally, we examine statewide regional differences in poverty rates and income.

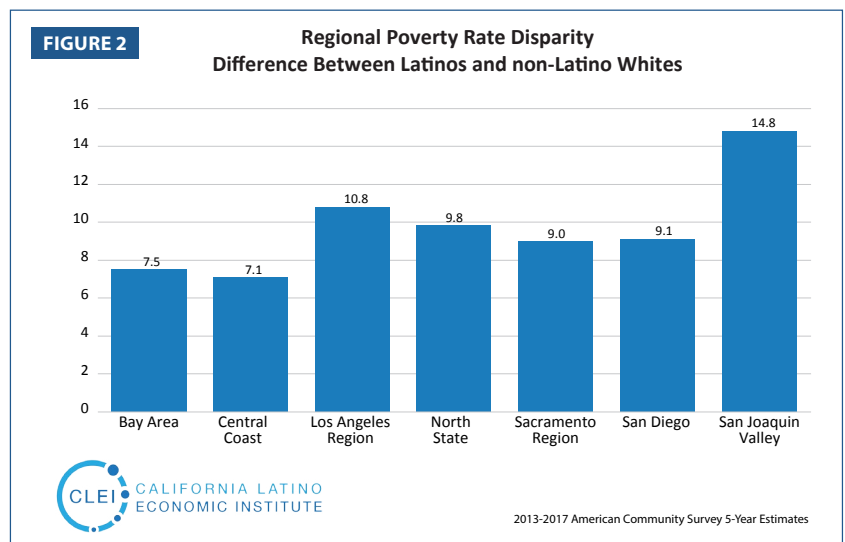
### a. Latino Poverty Rates Historically Higher than Most Groups



Since 2010, every racial and ethnic group we examined in California experienced a decrease in their poverty rate, with Latinos seeing the largest decrease (5.5 percentage points). However, as Figure 1 shows, Latino poverty rates remain high. Currently, 17.4% of Latinos have incomes at or below the poverty level in California, far higher than do Asian Americans (10.3%) and non-Latino Whites (9.0%). From 2000 to 2010, African Americans and Latinos had similar poverty rates. Currently, Latino poverty rates are 3.5 percentage points lower than rates for African Americans.<sup>4</sup> Poverty rates are higher for females compared to males across all racial and ethnic groups in California. The gender gap in poverty rates is highest for Latinos. Latinas experienced a 22.4% poverty rate, compared to 18.8% for Latino males.<sup>5</sup>

### b. Regional Disparities in Poverty Rates

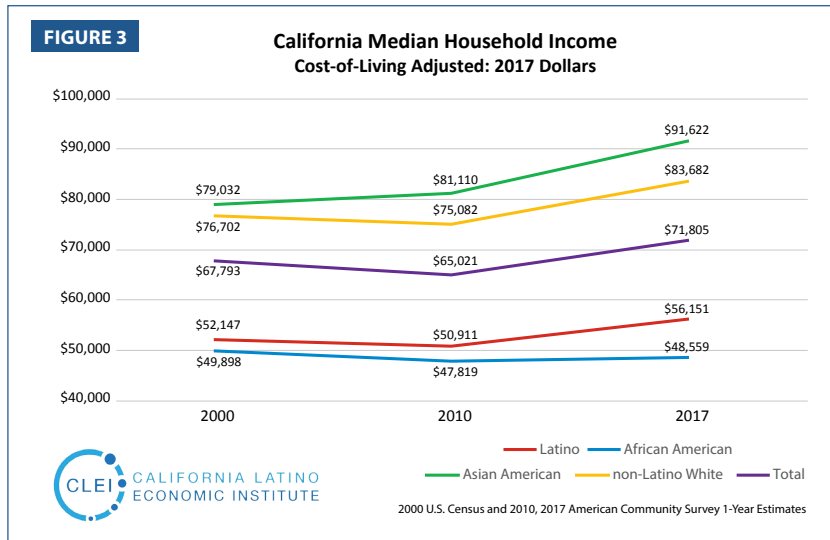
Throughout this report, we present a regional disparity analysis for each type of outcome discussed (where data is reliably available at the regional level). To conduct this analysis, we created absolute disparity metrics by comparing the difference in outcomes of Latinos to the highest-achieving racial or ethnic group in the seven regions of California: Bay Area, Central Coast, Los Angeles region, North State, Sacramento region, San Diego County and San Joaquin Valley.<sup>6</sup> On every type of outcome discussed on this report, either non-Latino Whites or Asian Americans are the highest performing group and, thus, the comparison group to Latinos.



Across all California’s regions, Latinos experience high poverty rates. Figure 2 shows the percentage point difference in poverty rates between Latinos and non-Latino Whites – the group with the lowest poverty rate in each region. We can see that the San Joaquin Valley has the highest disparity in poverty rates, where Latinos have a poverty rate that is 14.8 percentage points higher than the poverty rate of non-Latino Whites, compared to the second highest disparity of 10.8 percentage points in the Los Angeles region. In contrast, the regions with the smallest disparities between Latino and non-Latino White poverty rates are the Bay Area and Central Coast at 7.5 and 7.1 percentage points, respectively.

See online appendix for poverty rates for each California region by race and ethnicity.

### c. Latino Household Income Increasing in California but Still Low

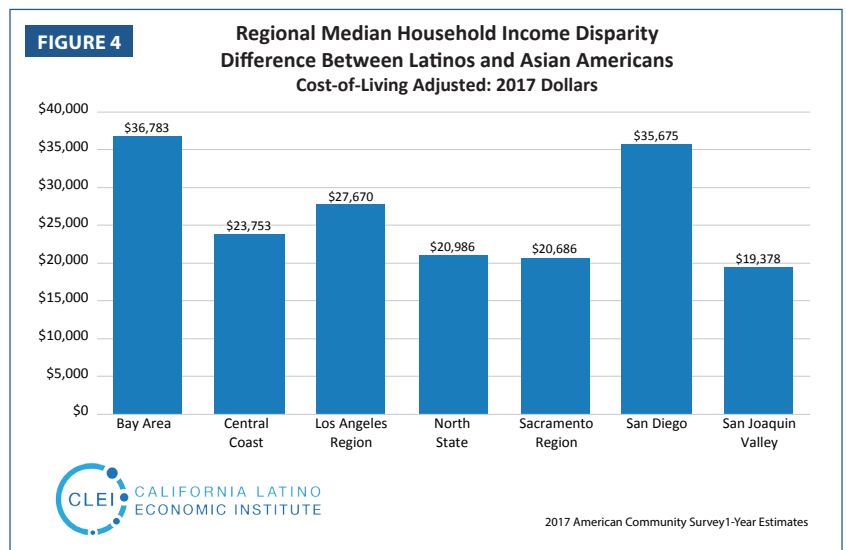


Currently, the median household income for Latinos is \$56,151, up from \$52,147 in 2000, when adjusted for cost-of-living increases (Figure 3).<sup>7</sup> However, while Latinos experienced a 7.7% increase in the adjusted household income, this was much lower than the increase seen by Asian Americans and non-Latino Whites, at 15.9% and 9.1%, respectively. Latino household income remains \$35,471 less than Asian-American income, the state’s highest income group. At the same time, Latino income is \$7,592 higher than African-American income, which saw a decrease by 2.7% from 2000 to 2017.

### d. Regional Disparities in Income

Of California’s regions, Latino median household income is lowest in the San Joaquin Valley and highest in the Bay Area (Figure 4). However, the income disparity between Latinos and Asian Americans (the racial or ethnic group with the highest income across all regions) in the San Joaquin Valley is also the lowest of any region. In contrast, disparate outcomes between Latinos and Asian Americans are greatest in the Bay Area. In the Bay Area, Asian Americans have a median household income that is \$36,783 greater than that of Latinos. Following closely behind the Bay Area is San Diego with a regional disparity between Latinos and Asian Americans of \$35,675.<sup>8</sup>

See online appendix for median household income for each California region by race and ethnicity.



### e. Middle Income Latinos

We define middle-income class households (adjusted for household size and scaled to a household size of three) as those with an income that falls between the 60th and 80th percentiles (3rd and 4th quintiles) of the household income distribution for the state’s total adult population. Thus, an individual with a household income between \$65,794 and \$158,504 is considered to be in the middle-class income bracket.<sup>9</sup> By comparison, the U.S. Department of Housing and Urban Development (HUD) defines a low income for a 3-person household in California to be \$52,800 (80% of the area’s median family income, 2017), and a moderate income as no more than \$79,200 (120% of the area’s median family income for a 3-person household, 2017). Figure 5 shows that, in 2017, middle-income California households, or those falling between the 60th and 80th percentiles, earn anywhere from \$65,794 to \$158,504. A total of 40%, or 11.9 million of the total adult (18 years and older) California population (for whom income can be determined) fall into this range. See CLEI brief, [The State of Latino Economic Well-Being in California: A Profile of the Latino Middle Class](#).<sup>10</sup>

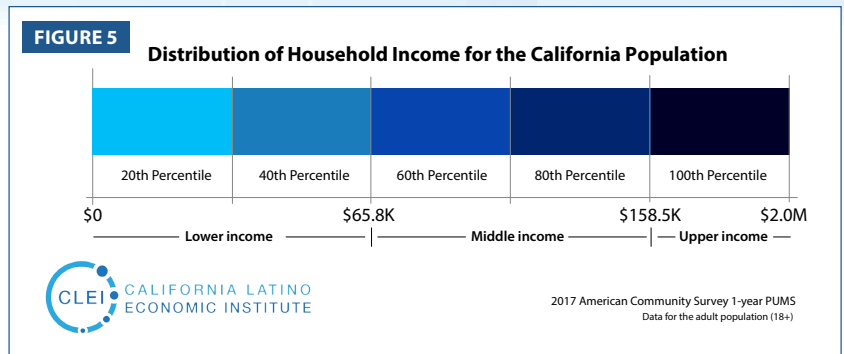
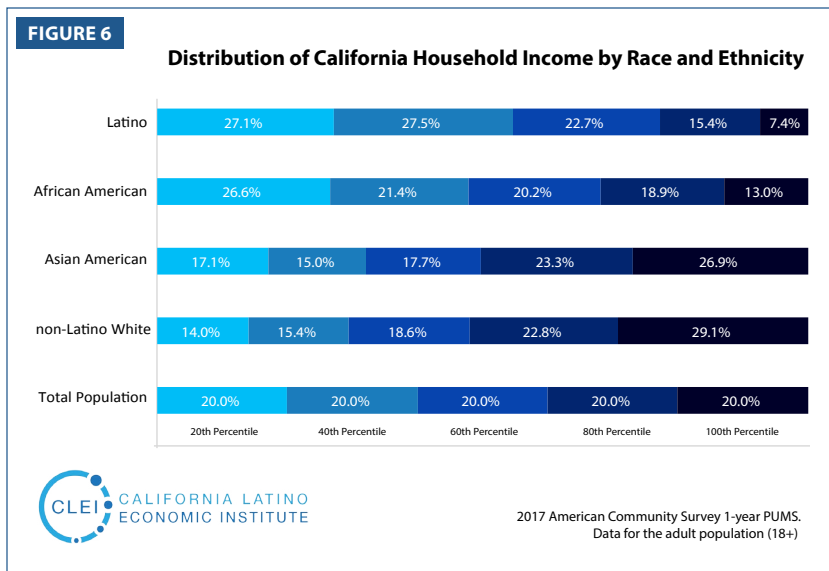


Figure 5 shows that, in 2017, middle-income California households, or those falling between the 60th and 80th percentiles, earn anywhere from \$65,794 to \$158,504. A total of 40%, or 11.9 million of the total adult (18 years and older) California population (for whom income can be determined) fall into this range. See CLEI brief, [The State of Latino Economic Well-Being in California: A Profile of the Latino Middle Class](#).<sup>10</sup>



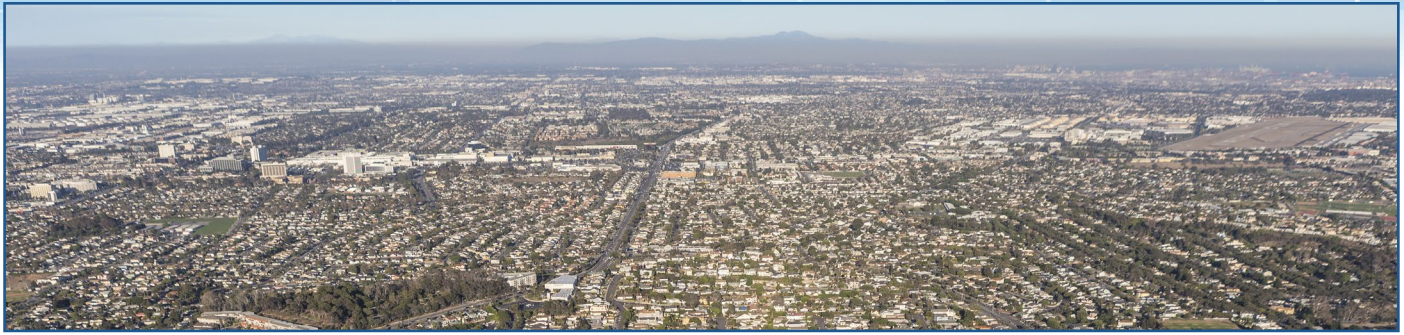
In Figure 6, we take a closer look at the middle-income distribution for households by race and ethnicity. Here, we see that 38.1% of the Latino population falls into the middle-class income bracket. The Latino share is less than what we see for African Americans (39.1%), Asian Americans (41.0%) and non-Latino Whites (41.4%).

While Latinos are overrepresented in lower income groups, they are also underrepresented among California’s highest-earning households. The top 20%, or 5.9 million of California’s total adult population has a household income of over \$158,504. Least represented in California’s upper-income group are Latinos at just 7.4%, almost 800,000.

For a more detailed profile of the Latino middle class by age, gender, education and nativity, please see CLEI brief, [The State of Latino Economic Well-Being in California: A Profile of the Latino Middle Class](#).<sup>11</sup>







## 2. How Does the Cost of Housing in California Impact Latinos?

In the U.S., adequate and affordable housing, a critical component in achieving stability and security, is increasingly difficult for many Californians to obtain. This is particularly the case for Latinos. As housing costs rise relative to income, many Latinos are simply less able to find adequate housing in the state.<sup>12</sup>

In this section, we examine some of the barriers that California Latinos face in acquiring a safe and affordable place to live. Our analysis includes an overview of median housing costs, compared with those for the total population of California, and provides a current profile of Latino homeowners in the state. We also explore the housing cost burden (as defined by the American Community Survey) that many Latinos face. Finally, we examine statewide regional differences in Latino homeownership and home affordability.

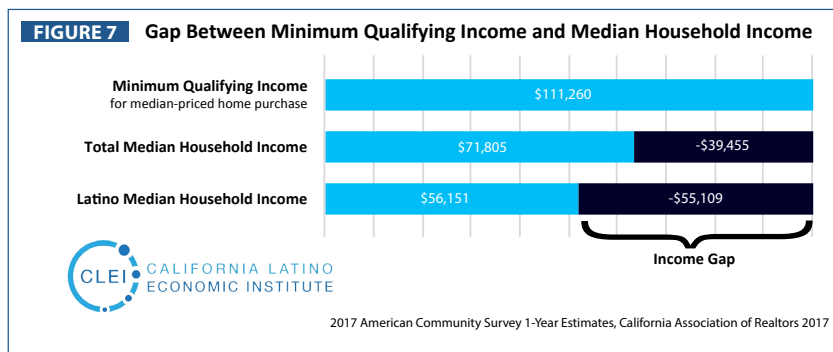
Note: In this section, demographic information is reported for heads of households only, for both owner and renter-occupied units.<sup>13</sup> The term homeowner refers to the head of the household, as identified by the U.S. Census, living in an owner-occupied housing unit. The head of the household is typically the homeowner, if the housing unit is owner-occupied. A household is considered to be Latino if the head of the household self-identifies as Hispanic or Latino.

Please see CLEI brief, [The State of Latino Economic Well-Being in California: Homeownership and the Latino Middle Class](#), for a further analysis of the related barriers to home ownership that Latinos face, such as income, age, gender, education and nativity.<sup>14</sup>

### a. Benefits of Homeownership

Homeownership in the United States provides individuals and households access to economic stability and security. It also generates wealth, acting as a buffer against unexpected expenses or income loss, with the potential to greatly impact social mobility across generations as an inheritable asset. Furthermore, home equity can potentially bolster the economic stability of entire communities when utilized for entrepreneurship.<sup>15</sup>

### b. Gap Between Minimum Qualifying Income and Median Household Income



In 2017, the median home price for a single-family home in California was \$550,990.<sup>16</sup> According to the California Association of Realtors, a typical California home buyer would need to earn at least \$111,260 annually (Figure 7) in order to qualify for a median-priced home purchase—an amount that remains out of reach for many people across the state, including many Latinos.

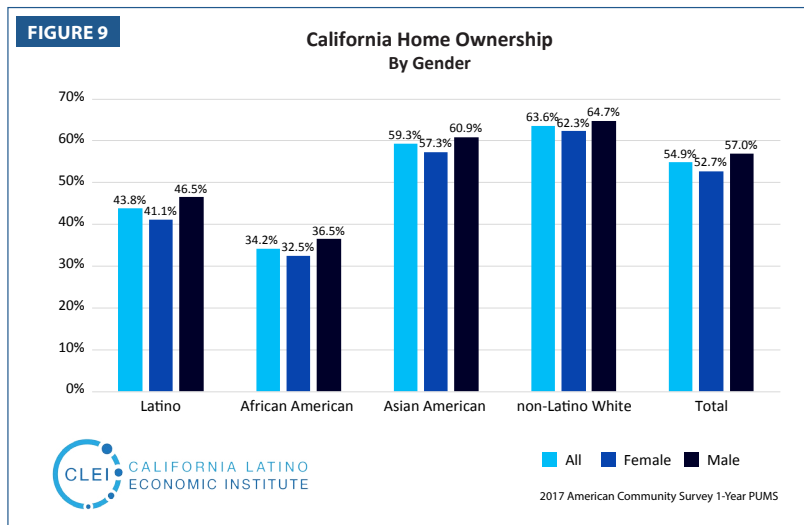
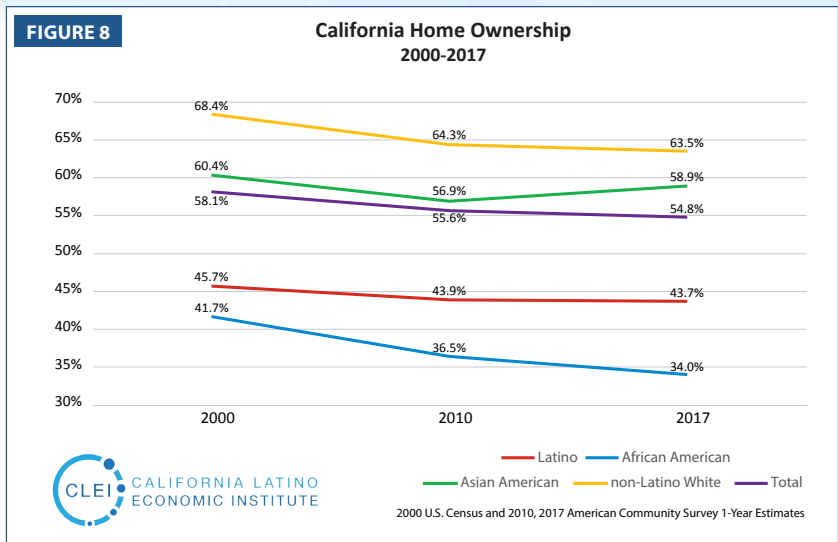
The median household income for all Californians in 2017 was \$71,805, a figure that falls considerably short of the amount needed to

buy a median-priced home.<sup>17</sup> For Latinos, the gap is even greater: the Latino median household income in California in 2017 was \$56,151.<sup>18</sup>

By our definition earlier in this report, the income range of a middle-class household in California coincides with the amount needed to buy a median-priced home. The distribution of Latino household income in California, however, is lower than that of the total population. Latino household income between the 60th and 80th percentiles ranges from \$46,200 to \$99,700.<sup>19</sup> This range falls short of the estimated earnings needed to buy a median-priced home in California.<sup>20</sup> It indicates that 80% of the Latino population in California does not have a household income sufficient to purchase a median-priced home.

### c. Declining Latino Home Ownership Rates

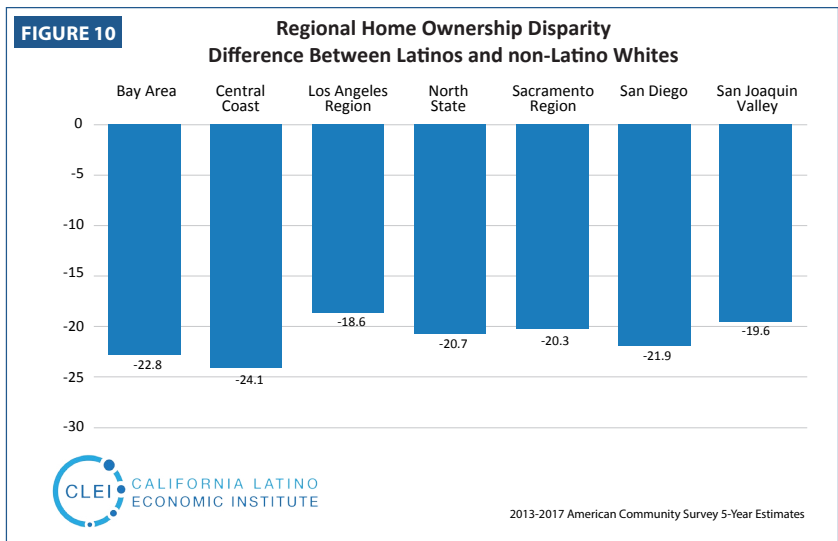
Over the course of a decade, homeownership rates have declined in California. However, Latinos experienced a smaller decline in ownership, compared with African Americans, non-Latino Whites and the population, as a whole. Currently, we can see from Figure 8 that a majority of California’s housing units are owner-occupied, with rates differing considerably by race and ethnic group.<sup>21</sup> Latinos hold a substantially lower homeownership rate than the overall population. Almost 44% of California Latino households live in units that are owner-occupied, while 54.8% of all housing units statewide are owner-occupied. At 63.5%, non-Latino Whites occupy homes they own at a rate that is nearly 20 percentage points higher than Latinos. For Asian-Americans households, 58.9% live in their own homes, whereas only 34.0% of African Americans do.



Gender disparities in homeownership exist in every race and ethnic group, but the magnitude varies. In California, Latinos experience the greatest gender disparity in homeownership: 46.5% of male Latinos are homeowners, as compared to 41.1% of Latinas, producing a gap of 5.4 percentage points between male and female Latino home ownership rates (Figure 9). Additionally, the difference in homeownership rates between Latinas and non-Latina Whites is 21.2 percentage points, while the difference in rates between Latino males and non-Latino White males is 18.2 percentage points. Both Latino males and females are underrepresented among homeowners in California, but Latinas are especially in need of additional opportunities for homeownership.<sup>22</sup>

Please note that in order to examine homeownership by gender we utilized the 2017 American Community Survey PUMS data source. Data for 2017 for the total population presented in Figures 8 and 9 are not directly comparable.

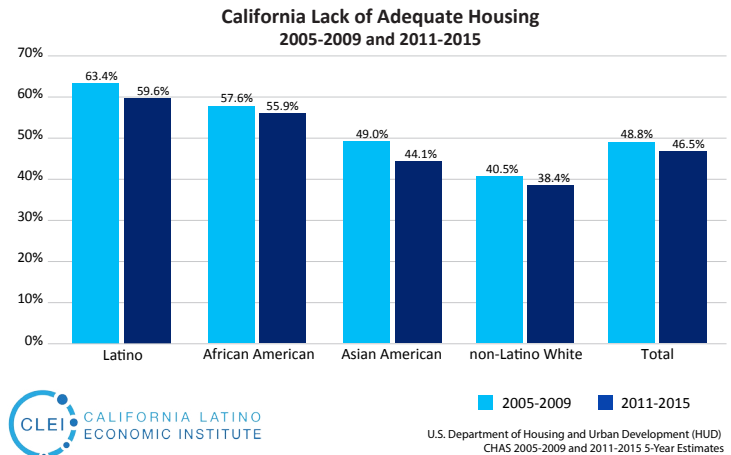
More Latinos rent rather than own a home in each region of California. Currently, of the seven largest regions in California, the disparity in homeownership rates is greatest in the Central Coast, where Latinos experience homeownership that is just over 24 percentage points lower than non-Latino Whites – the group with the highest homeownership in every region (Figure 10). The region with the next largest homeownership disparity (22.8 percentage points) is the Bay Area. The Los Angeles region has the lowest disparity between Latinos and non-Latino Whites in homeownership rates at 18.6 percentage points.<sup>23</sup>



## d. Lack of Adequate Housing

The U.S. Department of Housing and Urban Development (HUD) defines substandard housing as a unit that has one or more of four housing problems (lacking a kitchen or plumbing, more than one person per room, or cost burden greater than 30%). Utilizing this definition, the percent of Latino households in California burdened by substandard housing is higher than any other racial or ethnic group examined. Figure 11 shows that, according to the most recent data available, nearly 60% of Latino households experience a lack of adequate housing compared with 38.4% of non-Latino White households. Over the course of a decade, the lack of adequate housing for Latinos has decreased by 3.8 percentage points statewide, the second largest percentage point decrease after the 4.9 percentage point decrease seen by Asian Americans in California.<sup>24</sup>

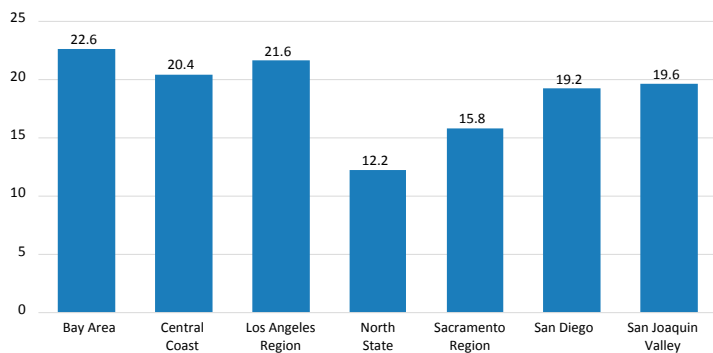
FIGURE 11



## e. Regional Disparities in Adequate Housing

FIGURE 12

Regional Lack of Adequate Housing Disparity  
Difference Between Share of Latinos and non-Latino Whites Lacking Adequate Housing



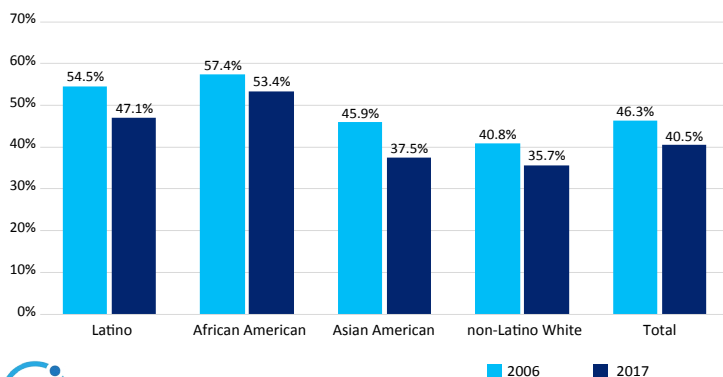
In the Los Angeles region, 62.1% of Latino households have inadequate housing, the highest among all regions, followed by the Central Coast at 60.7% (Figure 12). In the Bay Area, the percent of Latinos without adequate housing is 22.6 percentage points higher than the percent of non-Latino Whites without adequate housing (the racial or ethnic group with the lowest inadequate housing rate across all regions). The disparity is similar in the Central Coast and Los Angeles regions, at 20.4 and 21.6 percentage points, respectively. In the North State, the rate of inadequate housing for Latinos is 12.2 percentage points higher than it is for non-Latino Whites, the lowest among all regions, followed by the Sacramento region at 15.8 percentage points.<sup>25</sup>

See online appendix for adequate housing data for each California region by race and ethnicity.

## f. Housing Cost Burden

FIGURE 13

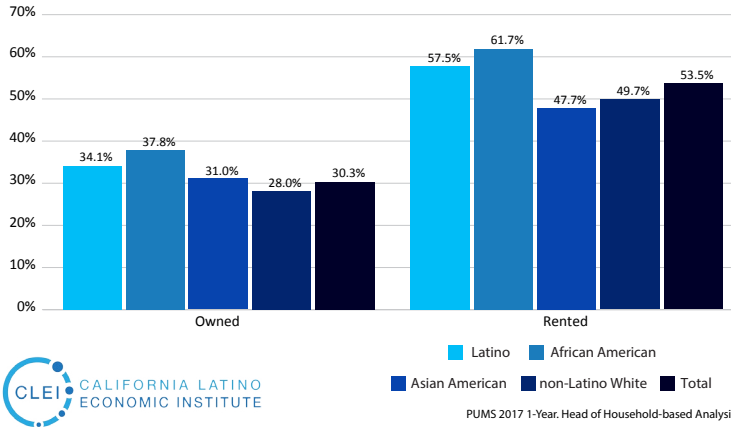
California Housing Cost Burden 2006-2017



With high California housing costs, people throughout the state are burdened by housing payments.<sup>26</sup> HUD (among other federal and state entities) defines housing as a burden if monthly housing costs exceed 30% of the household's monthly income.<sup>27</sup> Utilized by HUD for both renters and homeowners, this 30% threshold including the cost of rent and utility payments for renters, and the cost of property taxes, property insurance, monthly mortgage principal and interest payments, and utility payments for homeowners.

**FIGURE 14**

**Percentage of the California Population that is Cost-Burdened By Homeownership Status**



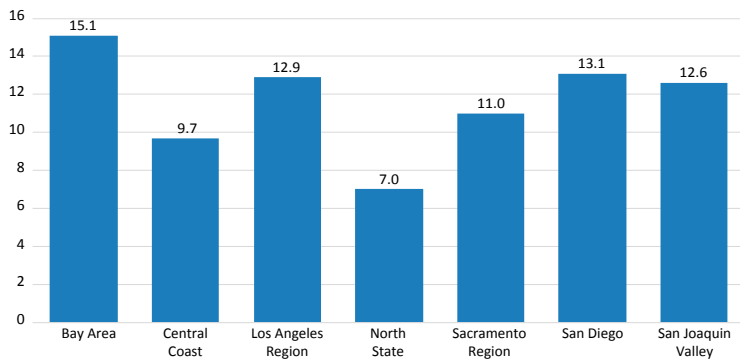
particularly affected as the majority of them are renters. Figure 14 shows that statewide, a majority of Latino renters (57.5%) are cost-burdened, while 61.7% of African-American renters, 47.7% of Asian-American renters, and 49.7% of non-Latino White renters are cost-burdened. Further, gender is also an important factor: 62.1% of Latina renters are cost-burdened, 9 percentage points more than male Latino renters, 52.8% of whom are cost-burdened (see online appendix for data charts by gender).<sup>28</sup>

The housing cost-burden experienced by Californians, while high, has decreased nearly 6 percentage points since 2006 (Figure 13). Asian Americans and Latinos had the highest decreases in cost-burden at 8.4 and 7.4 percentage points, respectively. African Americans decreased the least by 4.0 percentage points followed by non-Latino Whites at 5.1 percentage points. Despite the size of the decrease, Latinos remained at the second highest burden of 47.1%, behind African Americans at 53.4%, while Asian Americans and non-Latino Whites are below 40% at 37.5% and 35.7%, respectively.

Renters experience a significant housing cost burden. Across all racial and ethnic groups, a greater share of renters experience a housing cost burden than homeowners. California Latinos are

**FIGURE 15**

**Regional Housing Cost Burden Disparity**  
Difference Between Share of Housing Cost Burdened Latinos and non-Latino Whites



Latinos in the Bay Area are cost-burdened 15.1 percentage points more than non-Latino Whites (the racial or ethnic group with the lowest housing cost burden in all regions), which is the largest disparity compared to other regions in California (Figure 15). San Diego has the second largest difference of 13.1 percentage points, followed closely by Los Angeles region and San Joaquin Valley at 12.9 and 12.6 percentage points, respectively. The level of cost-burden for Latinos in the North State is 7 percentage points higher than non-Latino Whites, the lowest among all regions, followed by the Central Coast at 9.7 percentage points.

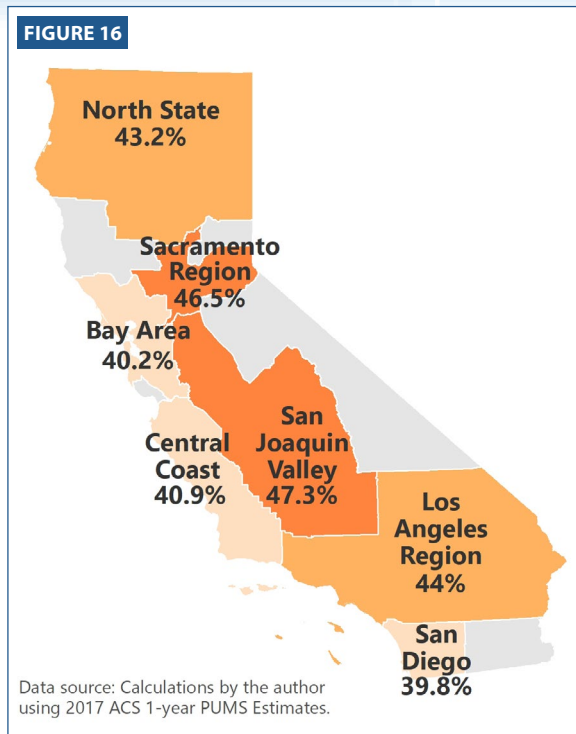
See online appendix for housing cost burden data for each California region by race and ethnicity.

### g. Latino Homeownership

Homeowners also experience a housing cost burden. Just over 34% of Latino homeowners experience a housing cost burden, as compared to 28.0% of non-Latino White and 31.0% of Asian-American homeowners.<sup>29</sup> In order to improve the economic well-being of Latinos in California, these figures suggest that more Latinos achieving homeownership will not be enough. Homeownership no longer equates to economic stability and security due to the rise in housing costs relative to income. Increasing opportunities for affordable housing is a needed investment statewide.<sup>30</sup>



## h. Regional Homeowner Rates



Homeownership rates vary across the state. In all regions, the majority of Latino households rent rather than own. Figure 16 shows that the Sacramento and San Joaquin Valley regions have the highest rate of Latino homeownership, with 46.5% and 47.3%, respectively. San Diego's Latino population has the smallest share of homeowners, with only 39.8%, followed closely by the Bay Area, with 40.2%.<sup>31</sup>

The Bay Area is home to the least affordable housing in the state. Here, the minimum income needed to buy a median-priced home in 2017 was \$180,720.<sup>32</sup> Yet, 11.9% of the state's adult Latino population lives in the Bay Area.<sup>33</sup> To expand the Latino middle class, it is therefore critical to address housing affordability in this region.

On the other hand, although Latinos in the North State experience higher rates of homeownership in comparison to other regions, less than 1% of the state's adult Latino population actually lives in the North State region.

The San Joaquin Valley, by contrast, has the highest rate of homeownership, and is home to 14.0% of the state's adult Latino population. These two factors combined—a high Latino homeownership rate and a large Latino presence—make the San Joaquin Valley a key place to implement strategies to increase Latino homeownership. The region's relatively affordable housing makes it comparatively easy for Latinos with lower incomes to become homeowners, as evidenced by the region's already relatively high rates of homeownership among lower-income and

middle-income Latinos. The case of the San Joaquin Valley, once again, underlines the critical role that the availability of affordable housing can play in helping all Latinos, but especially lower-income Latinos, become and remain homeowners.<sup>34</sup>

The large share of Latino renters who are cost-burdened by housing, and the fact that the majority of the state's Latino households are renters, means that meaningful conversations about expanding the Latino middle-class must address the needs of renters. Homeownership alone is not a clear-cut solution for the housing cost burden, as more than a third of Latino homeowners are also cost-burdened.





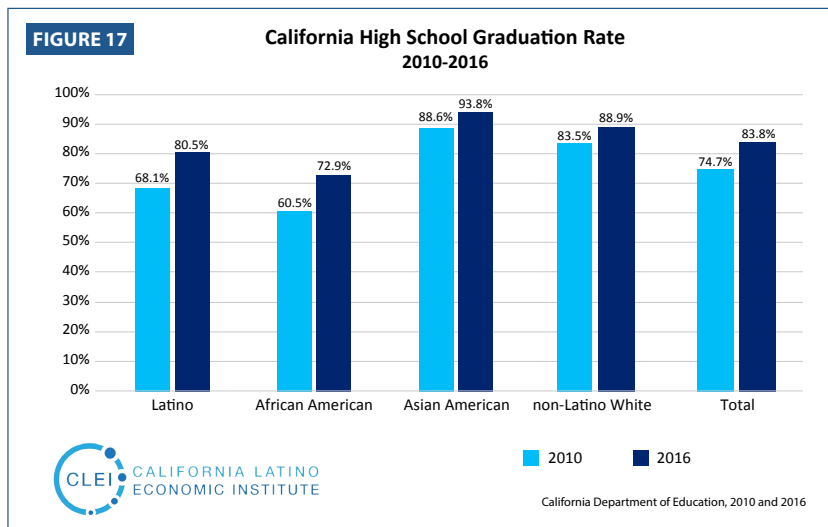
### 3. How Well are Latinos Educationally Prepared for Career Pathways?

A college education is a long-standing predictor of higher income, the ability to own a home, and entrance into the middle class. Unfortunately, there are significant gaps in educational attainment by race and ethnicity caused by historical conditions and structural and institutional inequalities.

Some Latino high school students are at a disadvantage during their journey towards higher education. By disproportionately attending segregated and underperforming schools, Latino students face limitations on resources, college counseling, and college preparatory courses. Furthermore, first-generation college students, the majority of whom are Latino, are uniquely challenged when attempting to complete college. As discussed earlier in the report, Latinos make up a large share of the California population, which impacts the economic success of the state, causing a holistic dependence on the educational well-being of Latinos.<sup>35</sup>

In this section, we provide an overview of Latino educational attainment, including high school graduation rate, UC/CSU eligibility, college degree attainment, and the indicators of math and language arts proficiency of young Latino students. We also explore historical trends in these educational indicators, as well as examine statewide regional differences in educational attainment. Our analysis draws on data from the 2017 American Community Survey 1-year estimate Public Use Microdata Sample (PUMS) limited to the California population 25 years of age and older, as well as data from the California Department of Education. We note here that these measures of educational attainment are not directly associated with every career pathway, such as careers in high-paying trades or in entrepreneurship.

#### a. High School Graduation Rate History

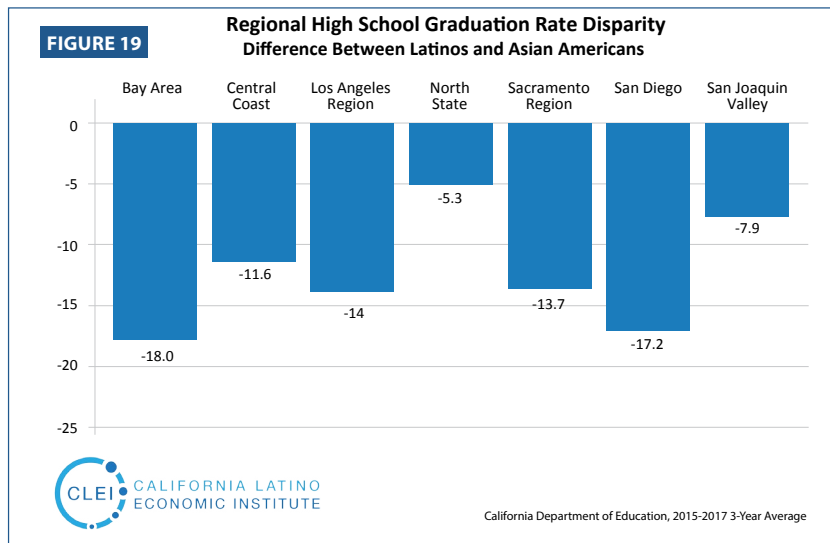
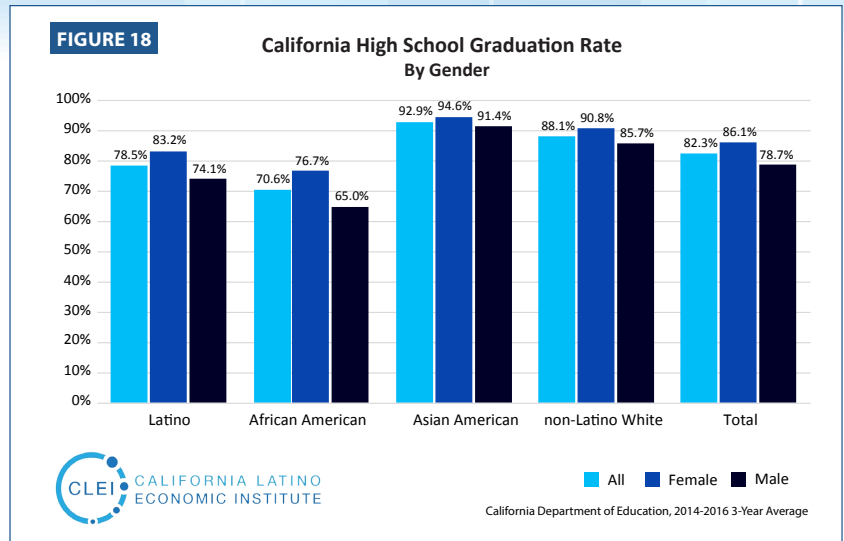


From Figure 17, we can see that the high school graduation rate in California (as defined as the percentage of a 9th grade cohort who graduate high school four years later), is 83.8%, an increase of 9.1 percentage points over 2010 (74.7%). Latinos experienced a greater (12.4 percentage points) increase in their high school graduation rate over this same period from 68.1% in 2010 to 80.5%. In contrast, the high school graduation rates of Asian Americans and non-Latino Whites increased by 5.2 and 5.4 percentage points, respectively.

Please note that in these data from the California Department of Education, we have included Filipino students in the Asian-American student group.

The high school graduation rate for Latino high school students in the state is 78.5%, 3.8 percentage points behind the overall state rate, and 14.4 percentage points lower than the highest performing group, Asian-American students (Figure 18). Females of each race and ethnicity have higher graduation rates than males. The gender gap for Latinas and Latinos is larger than it is for Asian Americans and non-Latino Whites (9.1 percentage points) — 83.2% of Latina students graduated high school compared to 74.1% of male Latino students.

Please note that in order to examine high school graduation rates by gender we utilized the 2014-2016 3-year average from the California Department of Education. Data for 2017 in Figures 17 and 18 are not directly comparable.<sup>36</sup>

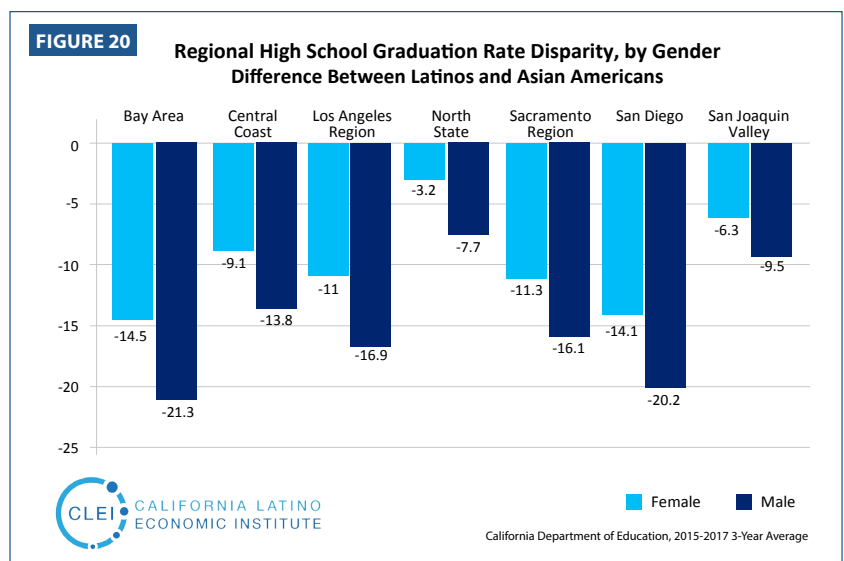


In Figure 19, we see significant disparities in high school graduation rates by race or ethnicity are present in every region in California with the largest difference between Latinos and Asian Americans (the racial or ethnic group with the highest high school graduation rate in all regions). The Bay Area has the highest disparity in high school graduation rates between these two groups (18.0 percentage points), with the second highest (17.2 percentage points) in San Diego and the two lowest regions at 5.3 and 7.9 points in North State and San Joaquin Valley, respectively.

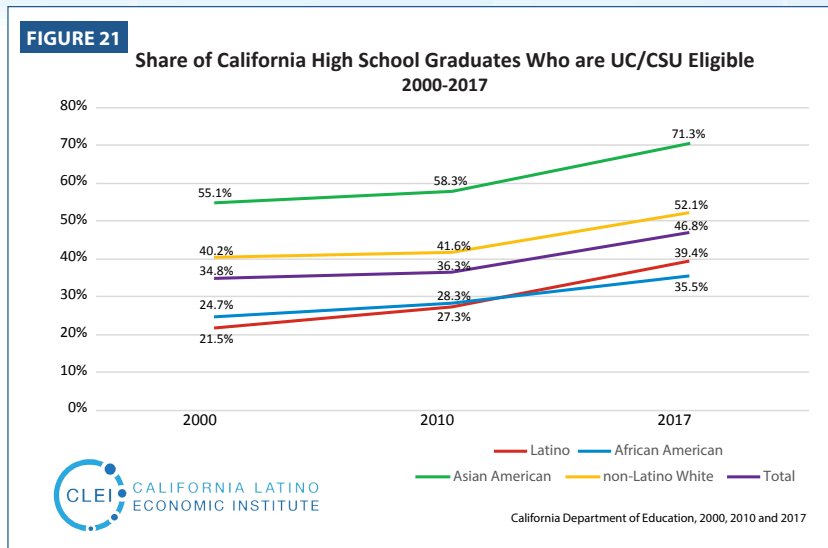
See online appendix for high school graduation rates for each California region by race and ethnicity.

The disparity in high school graduation rates by gender is greatest in the Bay Area (Figure 20). Here, female Latino students have a graduation rate that is 14.5 percentage points lower than Asian-American female students, and the graduation rate of Latino males is 21.3 percentage points lower than Asian-American males.

San Diego has the second highest disparity in high school graduation rates by gender, where the graduation rate of Latina students is 14.1 percentage points lower than Asian-American female students, and the graduation rate of Latino males is 20.2 percentage points lower than Asian-American males. In contrast, North State has the lowest disparity at 3.2 percentage points for female students and 7.7 percentage points for male students, followed by San Joaquin Valley at 6.3 and 9.5 percentage points for female and male students, respectively.

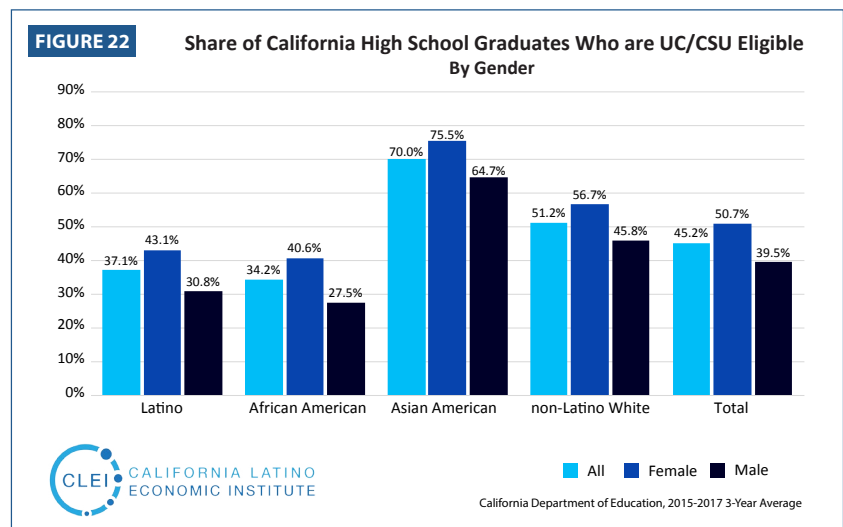


## b. UC/CSU Eligibility Rate



From 2000 to 2017, the share of UC/CSU-eligible Latino high school graduates increased by 17.9 percentage points (Figure 21). The UC/CSU eligibility for Latina high school graduates, in particular, made great gains with a 20 percentage point increase from 2000 to 2017. This is the largest increase in eligibility for female high school graduates during this period of all race or ethnic groups examined in this study.<sup>37</sup>

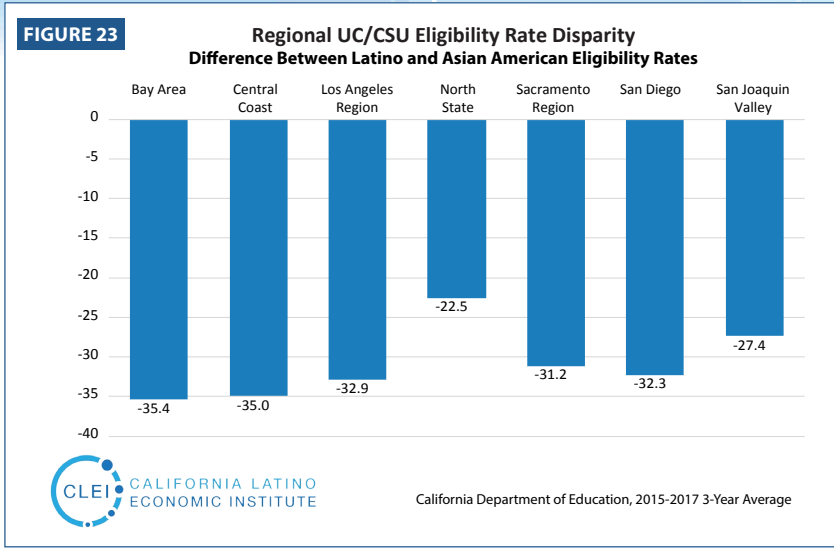
However, from Figure 22 we can see that the UC/CSU eligibility rates of Latino and African-American high school graduates remain the lowest among racial and ethnic groups in California—37.1% of Latino graduates and 34.2% of African-American graduates are eligible for enrollment upon high school graduation. A considerably higher share of female graduates from both groups are eligible for UCs or CSUs than their male counterparts: 43.1% of Latina and 40.6% of African-American female graduates are UC/CSU eligible, a gap of 12.3 and 13.1 percentage points, respectively. Asian-American high school students have the highest UC/CSU eligibility rate, and more than three-quarters of Asian-American female students are graduating with eligibility. However, the gender gap between UC/CSU eligible female students and male students is over 10 percentage points for Asian Americans, similar to other race and ethnic groups.



## c. Geographic Distribution of Latino UC/CSU Eligibility, by Gender

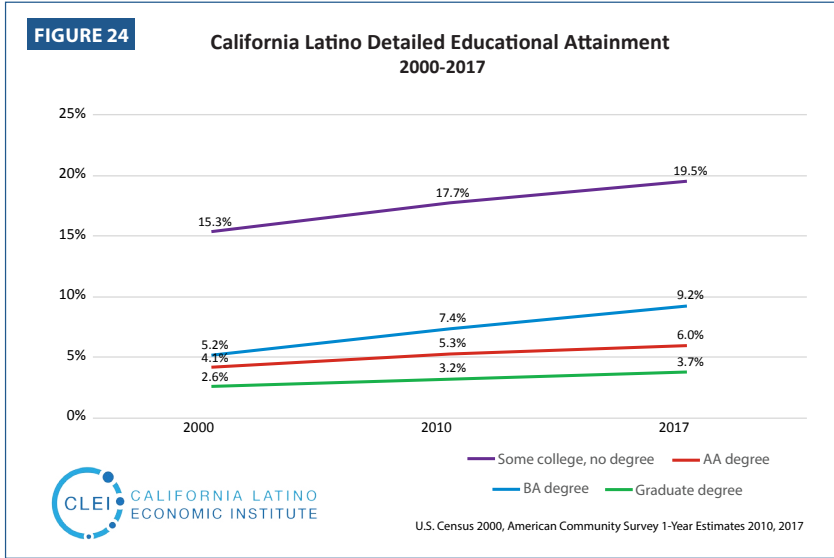
The UC/CSU eligibility for Latino high school students (2015-2017 3-year average) has been increasing since the year 2000. However, the share of eligible students varies by region and by gender. Just over 40% of all Latino high school graduates in San Diego are UC/CSU eligible, the highest eligibility rate out of all regions in the state. Disaggregating that number by student gender, 45.3% of Latina high school graduates are UC/CSU eligible in San Diego, compared to 35.2% of male Latino high school graduates. This gender gap of 10.1 percentage points is not unique to San Diego— all other regions in California see a similar gap, for example a 13.0 percentage point gap in the Los Angeles region, a 12.8 percentage point gap in the San Joaquin Valley and a 10.6 percentage point gap in the Bay Area even though incomes there are the highest of all regions for the groups examined by the study. See online appendix for maps by gender.





In the Bay Area, Latinos have a rate of eligibility for UC/CSU that is 35.4 percentage points lower than the rate for Asian Americans (the racial or ethnic group with the highest UC/CSU eligibility rate in all regions), followed by Latinos in the Central Coast at 35 percentage points (Figure 23). In North State, Latinos have an eligibility rate that is 22.5 percentage points lower than Asian Americans, the lowest among all regions, followed by Latinos in the San Joaquin Valley at 27.4 percentage points.

**d. Latino Higher Education**



The educational attainment of Latinos (age 25 years or older) has increased since 2000. Bachelor’s degree attainment has almost doubled from 5.2% to 9.2% in 2017 (Figure 24), while attainment of graduate degrees and 2-year degrees (AA) has increased by 1.1 and 1.9 percentage points to 3.7% and 6.0% in 2017, respectively. Latinos who have completed some college (but not a degree) increased 4.2 percentage points since 2000 to 19.5%.<sup>38</sup>

At 13.0%, Latinos have the lowest 4-year college degree or higher attainment of the racial and ethnic groups (age 25 years or older) examined by the study, 39.5 percentage points below the degree attainment of Asian Americans and 30.9 percentage points below non-Latino Whites (Figure 25).

Since 2000, Latino 4-year college degree attainment has increased by 5.3 percentage points, which is the smallest increase within the total population that changed by 7.0 percentage points. African Americans increased by 8.4 percentage points, non-Latino Whites increased by 10.1 percentage points, and Asian Americans increased by 10.9 percentage points.

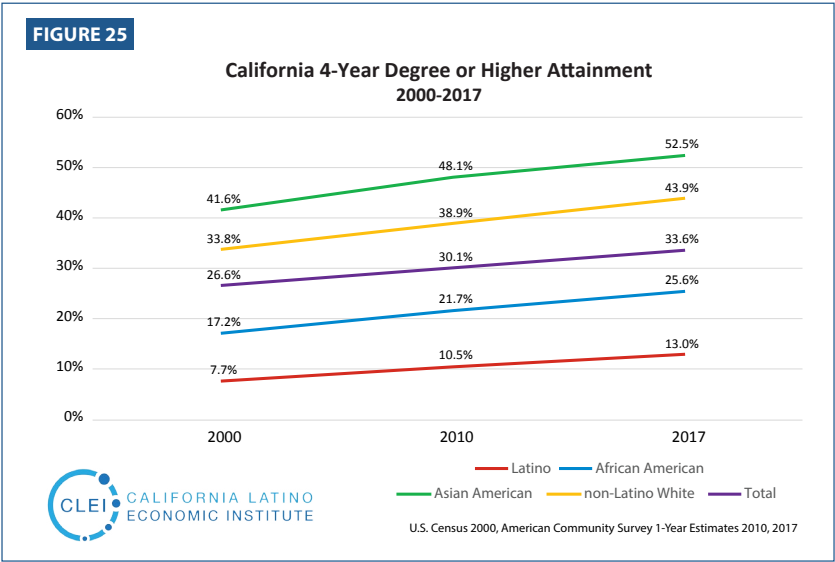
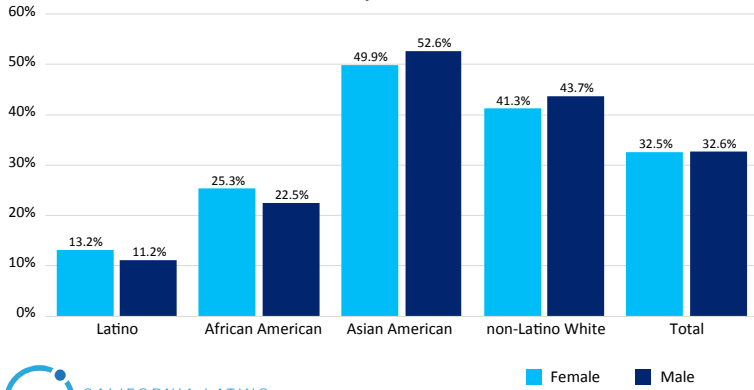


FIGURE 26

California 4-Year College Degree Attainment By Gender

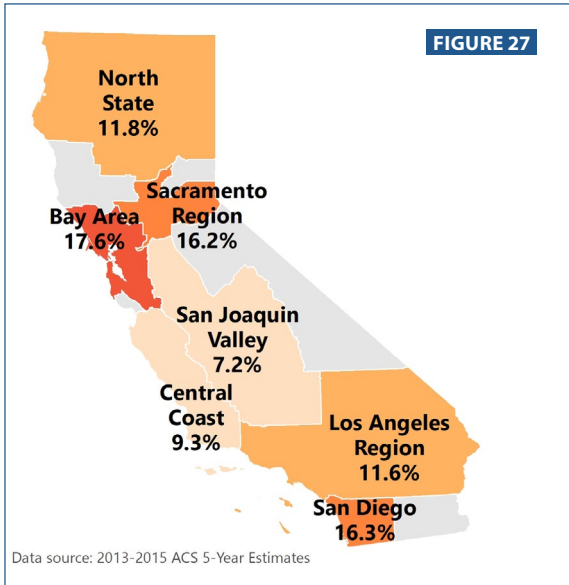


2013-2017 American Community Survey 5-Year Estimates

Overall, more Latinas have a 4-year degree or higher than Latinos (age 25 years or older): 13.2% of Latinas have a 4-year degree or higher, 2.0 percentage points more than Latino males. From Figure 26, we can see there are 28.1 percentage points more non-Latina Whites with a 4-year degree or higher than Latinas and 36.7 percentage points more Asian-American females than Latinas. This compared to 32.5 percentage points more non-Latino White males and 41.4 percentage points more Asian-American males than Latinos, respectively. However, the gender gap of higher education among Latino males can vary considerably by income group, age and nativity.

### e. Regional Variation in Latino 4-Year Degree Attainment

FIGURE 27



Data source: 2013-2015 ACS 5-Year Estimates

Statewide, 13.0% of Latinos (age 25 years or older) have a 4-year degree or higher, but there is considerable variation in attainment by geographic region. Figure 27 shows that in the Bay Area, 17.6% of Latinos have a 4-year degree or higher, more than double the share of Latinos in the San Joaquin Valley (7.2%), the region with the lowest share. In the Sacramento region 16.2% of Latinos have 4-year degrees or higher, the second highest share for a region in the state.

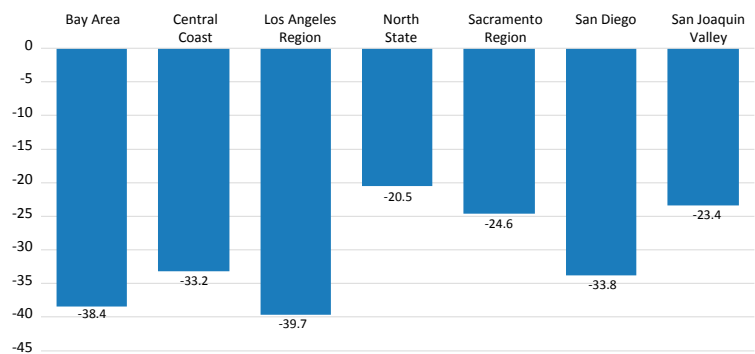
See online appendix for 4-year degree or higher attainment for each California region by race and ethnicity.

### f. Regional Disparity in 4-Year College Degrees

The highest disparity in the percent of college educated adults (age 25 years or older) is in the Los Angeles region, between the Asian-American population (the racial or ethnic group with the highest levels of 4-year degree attainment in all regions) and Latinos. Latinos have a college education rate that is 39.7 percentage points lower than the Asian-American population. (Figure 28). The Bay Area has a similar disparity in college education rates between Latino and Asian American at 38.4 percentage points. The North State region has the lowest disparity at 20.5 percentage points.

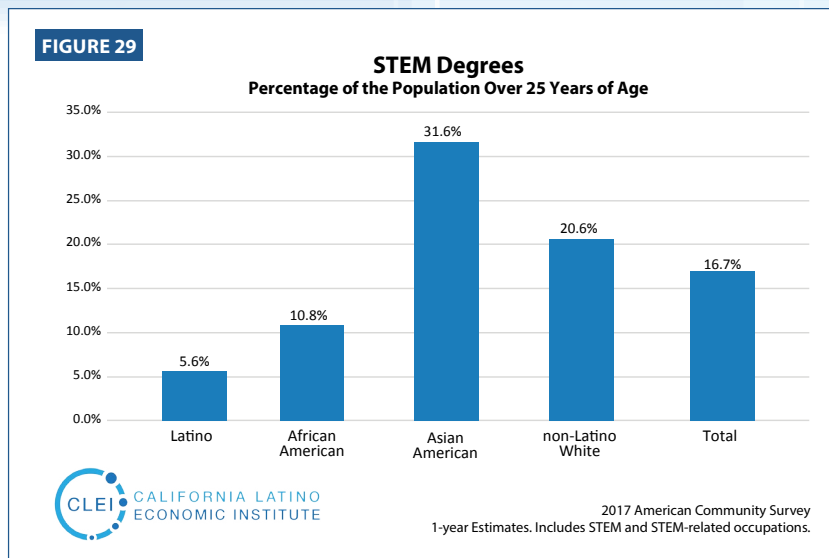
FIGURE 28

Regional Disparity in 4-Year College Degree Attainment Difference Between Latinos and Asian Americans



2013-2017 American Community Survey 5-Year Estimates

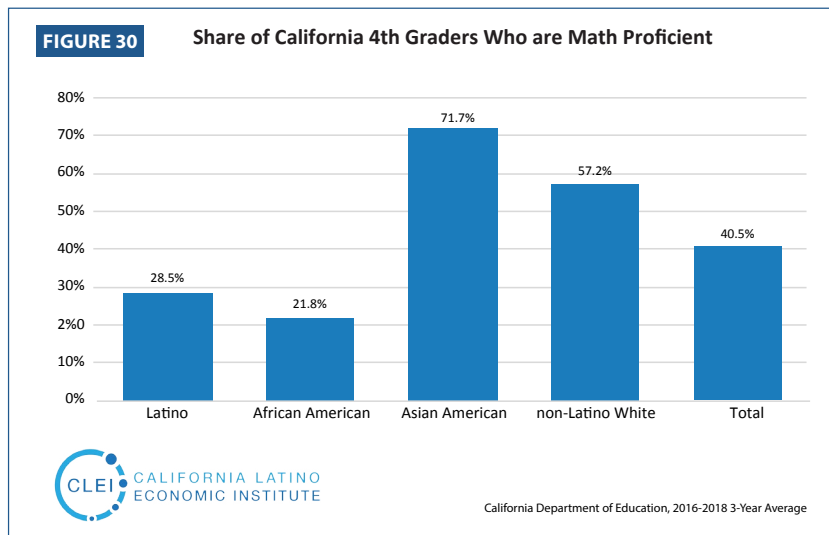
## g. STEM Degrees Conferred to Latinos



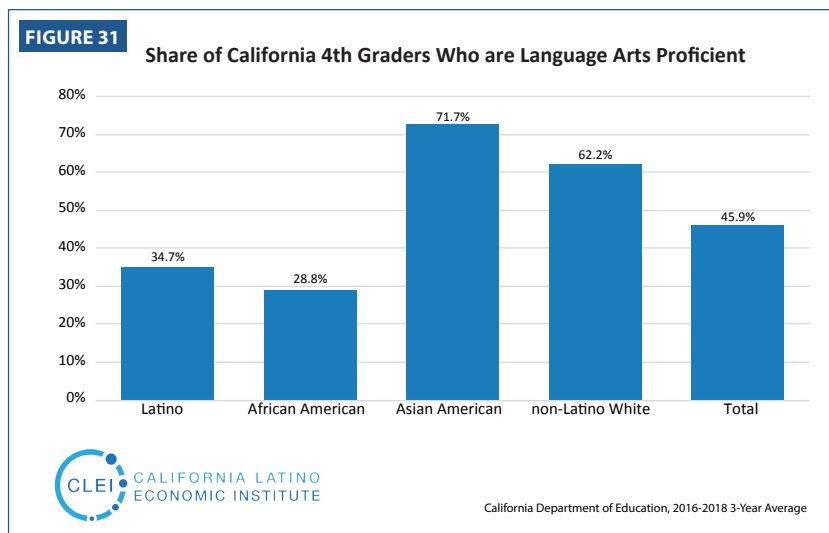
The percentage of the total California population age 25 and over with a Bachelor's degree in STEM and STEM-related fields is 16.7% (Figure 29). As the group with the highest proportion, 31.6% of Asian Americans have a STEM degree, compared to 5.6% of Latinos with a disparity of 26.0 percentage points.

In the San Joaquin Valley, Asian Americans receive STEM degrees at a rate that is 19.3 percentage points higher than Latinos. The San Diego region and the Bay Area have the next highest disparity, at 18.4 and 16.2 percentage points, respectively.<sup>39</sup>

## h. Low Levels of Math and Language Arts Proficiency among Latino 4th Graders



A key predictor of college readiness of students is their level of proficiency in math and language arts. Over a quarter (28.5%) of Latino 4th grade students have achieved proficiency in math, according to standardized testing scores (a three-year average of scores from 2016-2018). Figure 30 shows that 71.7% of Asian-American 4th graders (the highest-achieving group) achieved proficiency in math—43.2 percentage points higher than Latino students. In contrast, African-American math proficiency is 6.7 percentage points lower than Latino students as the lowest-performing group (21.8%).<sup>40</sup>



The gap between the share of Asian-American and Latino students who test proficient in language arts is also significant—34.7% of Latino students tested as language arts proficient compared to 71.7% of Asian-American students, a gap of 37.0 percentage points (Figure 31). Latino 4th graders achieve proficiency in math at about half the rate of non-Latino White 4th graders (28.7 percentage point difference) and in language arts at less than half the rate (27.5 percentage point difference).

## i. Regional Disparities in Math and Language Arts Proficiency

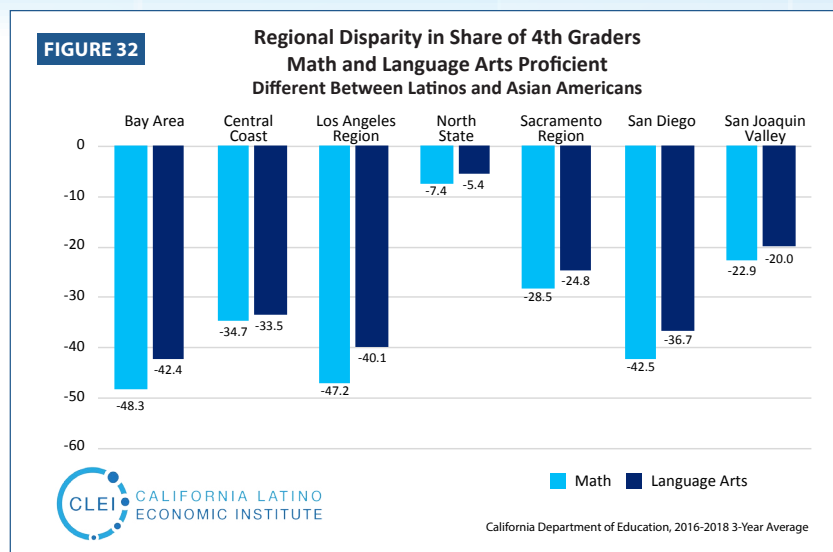


Figure 32 shows that the disparity in math proficiency of 4th graders is highest in the Bay Area, where Latino students test proficient in math at a rate that is 48.3 percentage points lower than Asian-American students (the racial or ethnic group with the highest level of math and language arts proficiency in all regions). The disparity in language arts proficiency is also highest in the Bay Area, where Latino students test proficient in language arts at a rate that is 42.4 percentage points lower than Asian-American students. The Los Angeles region follows closely behind with a 47.2 and 40.1 percentage point gap for math and language arts proficiency, respectively.<sup>41</sup>

We find that Latinos have made large gains over the last decade: achievements in higher education, college enrollment, high school

graduation rates and percentage of UC/CSU-eligible students have all increased over time. Latinas, in particular, have made significant strides in achieving higher education. However, there are still substantial disparities between the outcomes of Latinos and their peers in other race or ethnic groups. Please see CLEI brief, [The State of Latino Economic Well-Being in California: Education and the Latino Middle Class](#), for an extended analysis of the barriers to educational attainment related to income, age, gender, education and nativity.<sup>42</sup>

In the coming years, the demographic composition of college-educated Latinos may shift considerably. College enrollment for Latino high school graduates across the U.S. outpaced non-Latino Whites in 2012 and the Latino high school dropout rate reached a new low in 2017.<sup>43</sup> However, the Latino dropout rate is still higher than the dropout rate among other race and ethnic groups, and the share of Latinos enrolled in college still lags behind that of non-Latino Whites, as does the college completion rate of Latinos compared to other race or ethnic groups.<sup>44</sup>

Meaningful conversation about expanding the Latino middle class in California must address the structural and institutional barriers that reproduce educational disparities for Latinos in the state, including regional disparities in education and gender disparities between Latino males and Latinas. While significant gains have been made in Latino educational attainment, there is still work to be done to ensure higher college enrollment and that Latinos enrolled in college have the resources to finish in order to share in a middle-class lifestyle that is often associated with being a college graduate.





#### 4. What is the Composition of Latino Employment and Business in California?

As an important part of California's economy, Latinos make up 35% of the state's population over 16 years of age,<sup>45</sup> representing a significant portion of the state's students, workers, and entrepreneurs. Indeed, 37% of the employed population in California is Latino,<sup>46</sup> and nearly one-quarter of all firms in the state are owned by Latinos (about 800,000 out of 3.5 million firms classifiable by ethnicity).<sup>47</sup> Furthermore, Latino entrepreneurs are a growing force in the state. The number of Latino-owned businesses in California increased between 2007 and 2012 by 43.9%, while the growth rate for all businesses was 5.0% during the same time period.<sup>48</sup> However, the average Latino firm is smaller and generates less in annual receipts and sales than the average non-Latino firm; the Stanford Latino Entrepreneurship Initiative reports that this difference in receipts and sales represents an opportunity gap of \$1.47 trillion in the U.S. economy.<sup>49</sup>

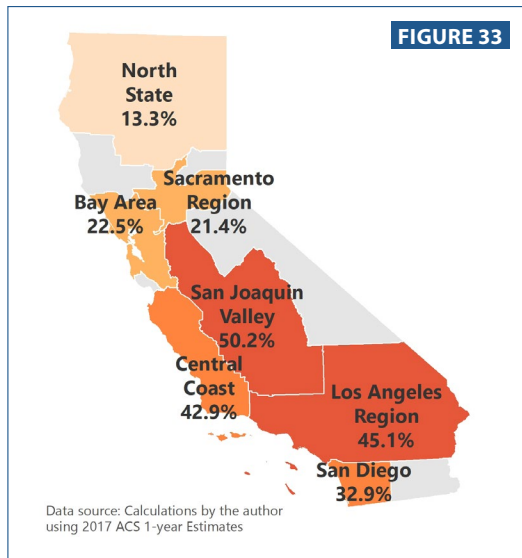
Nationwide, employment in science, technology, engineering and mathematics (STEM) occupations is expected to increase by more than 9 million jobs between 2012 and 2022.<sup>50</sup> California is at the forefront of this trend, having added more STEM jobs than any other state between 2009 and 2015.<sup>51</sup> In 2022, California is projected to have 9% of the nation's STEM jobs, the largest share of any other state.<sup>52</sup> As California transitions to a more technology-focused economy, it is crucial for the well-being of Latinos, and of the population as a whole, to be well-positioned to meet the demands of the changing workforce.

In this section, we examine the current state of Latino employment and entrepreneurship, as well as some of the challenges that California Latinos face in both these roles. We provide an overview of Latino employment and business ownership, including a profile of Latino entrepreneurs in California. We also explore current STEM employment, and the potential for STEM employment through the lens of STEM education.

Additionally, we define STEM occupations and degrees as those relating to science, technology, engineering, mathematics, and healthcare practitioners and technicians. While STEM is an acronym for science, technology, engineering and mathematics, there is no universally agreed-upon definition of STEM. The U.S. Census classifies healthcare practitioners and technicians (which includes physicians, surgeons and registered nurses) as STEM-related occupations<sup>53</sup>; we choose to include these occupations in our definition of STEM. The Pew Research Center also includes healthcare practitioners and technicians in its definition of STEM, noting that a broader definition of STEM includes more females, who make up the majority of healthcare practitioners in California.

### a. Latinos as Part of the California Workforce

Latinos make up a significant and growing portion of California’s workforce. Latinos in the state are 37.4% of the employed population (employed civilians over 16 years of age), a 3.7 percentage point increase from 2007.<sup>54</sup>

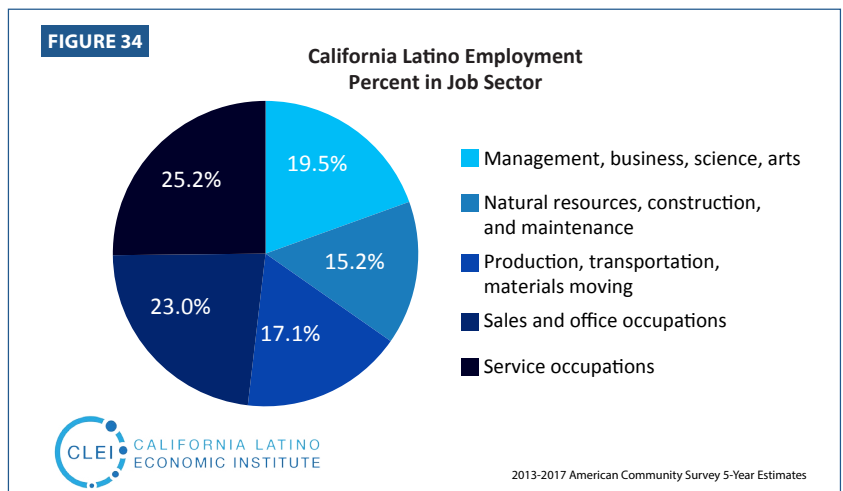


The Latino share of the employed population varies by region. In the San Joaquin Valley, 50.2% of employed people are Latino, while in the North State region, 13.3% are Latino (see Figure 33).

While there is regional variation across the state, the Latino employment base in each region in California has increased from 2007 to 2017. The Central Coast has experienced the greatest percentage point increase: 6.2 percentage points over the 2007 employment base, closely followed by the San Joaquin Valley (7.5 percentage points) and San Diego (5.5 percentage points). The North State region and the Bay Area experienced smaller increases, 2.3 and 1.5 percentage points, respectively.<sup>55</sup>

### b. Job Sector

Figure 34 shows the breakdown of occupations for the employed civilian Latino population over 16 years of age. Latino employment in California is 25.2% in service occupations and 23.0% in sales and office occupations, making up nearly half the job market. Careers in natural resources, construction, and maintenance are 15.2% and account for the lowest percentage of Latino employment (see Table 1 for definitions of these occupational categories).



**Table 1. Descriptions of Occupational Categories.**

#### Service

Healthcare support occupations (such as home health aides), protective service occupations (such as law enforcement), food and serving occupations, building cleaning and maintenance occupations, and personal care and service occupations (such as childcare workers or barbers).

#### Sales and Office

Sales occupations (such as cashiers), and office and administrative support occupations (such as bookkeeping or receptionists).

#### Production, Transportation, and Materials Moving

Production occupations (such as food processing workers or machinists), transportation occupations (such as bus drivers), and material moving occupations (such as crane operators).

#### Management, Business, Science, and Arts

Management occupations (such as human resources managers), business and financial operations occupations (such as tax preparers), computer, engineering, and science occupations (such as computer programmers), education, legal, community service, arts and media occupations (such as lawyers or physicians).

#### Natural Resources, Construction, and Maintenance

Farming, fishing and forestry occupations, construction and extraction occupations, installation, maintenance and repair occupations.

Source: U.S. Census

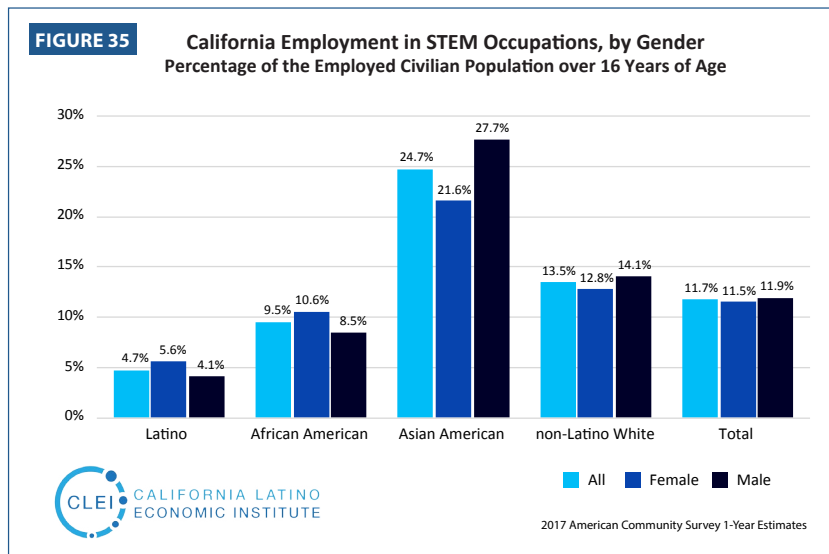
### c. Latinos in Occupations by Gender

The occupational category with the highest share of employment for the total Latino population is service occupations, where just over one-quarter of all employed Latinos work. A greater share of Latinas are employed in the service sector (30.6%) than Latino males (21.5%). Looking at the data by gender, Latinas are most likely to be employed in sales and office occupations (32.8%), and Latino males are most likely to be employed in natural resources, construction and maintenance (24.4%).

### d. Latinos Employed in STEM

The percent of the employed population that is Latino increased from 33.4% in 2007 to 37.4% in 2017. Science, technology, engineering, mathematics and healthcare occupations are among the fastest-growing occupations in California, and are also among the highest-paid occupations in the state.<sup>56</sup> We refer to these occupations as STEM occupations, which include occupations classified as STEM and STEM-related by the U.S. Census.<sup>57</sup>

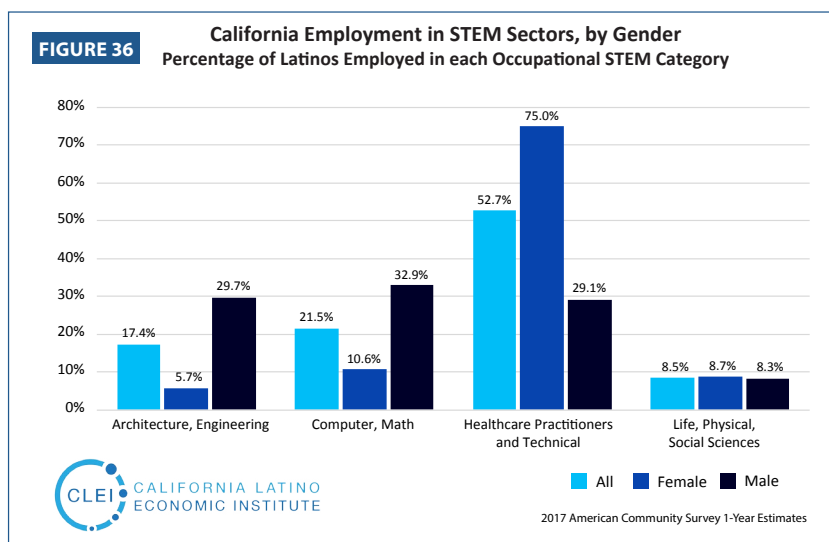
Nearly 12% of the state's employed population is employed in STEM (Figure 35), but only 4.7% of employed Latinos in the state work in STEM occupations, the lowest rate among other race and ethnic groups included in this study.<sup>58</sup>



When STEM employment is examined by gender, we see that a greater share of Latinas (5.6%) work in STEM than Latino males (4.1%), a gap of 1.5 percentage points. Similarly, we see from Figure 35 that a slightly greater share of African-American females (10.6%) work in STEM, compared to African-American males (8.5%), a gap of 2.1 percentage points. Females, and in particular African-American females and Latinas, are more represented in STEM-related healthcare occupations. Therefore, when these occupations are included in the definition of STEM employment, we see less gender disparity within race or ethnic groups.

It should be noted that if healthcare practitioners and technical occupations are excluded from the STEM employment total, the STEM employment rate for Latinos drops to 2.2%. Without including

STEM-related healthcare occupations, the gender disparity in STEM employment among Latinos flips: 1.4% for Latinas, and 2.9% for Latino males. STEM-related healthcare occupations make up 43% of all STEM and STEM-related employment in California, and are predominantly held by females. Therefore, this broader definition of STEM shifts the picture of STEM employment in California by gender, as well as race and ethnicity.



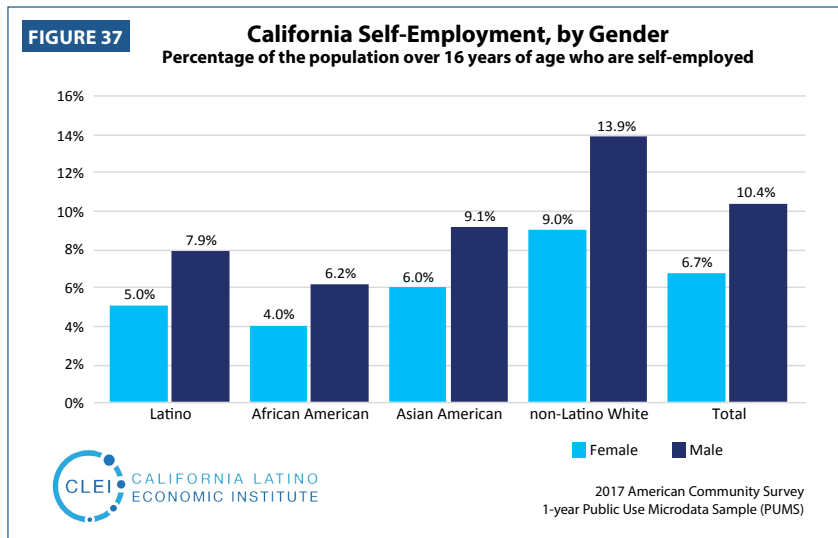
When STEM employment is examined by industry, it is apparent that there are substantial disparities between Latinas and Latino males. Figure 36 shows that the majority (52.7%) of Latinos in STEM work in healthcare practitioner and technical occupations. Latinas are overrepresented in this sector: three-quarters of Latinas in STEM work in these jobs, compared to 29.1% of Latino males, a gender gap of 45.9 percentage points.

The next largest share (21.5%) of Latinos working in STEM are employed in computer and mathematical occupations,<sup>59</sup> but in this occupational category there is a 22.3 percentage point gender gap: 32.9% of STEM-employed Latino males and 10.6% of STEM employed Latinas work in this sector. Figure 32 shows that while Latinas

are considerably underrepresented in both computer and math, and architecture and engineering<sup>60</sup> occupations, near equal shares of STEM-employed Latinos are employed in life, physical and social sciences, with a gender gap of only 0.4 percentage points.<sup>61</sup>

With healthcare practitioners included in the definition of STEM, the gender gap in STEM employment rates for Latinos is small (around one percentage point) and in fact shows that Latinas are employed in STEM at higher rates than Latino males. However, the majority of Latinas are employed in healthcare, and there is still substantial gender disparity in other STEM fields. These data demonstrate that there is considerable work to be done to improve the retention of Latinos in STEM education and employment for Latinos, and Latinas in particular.

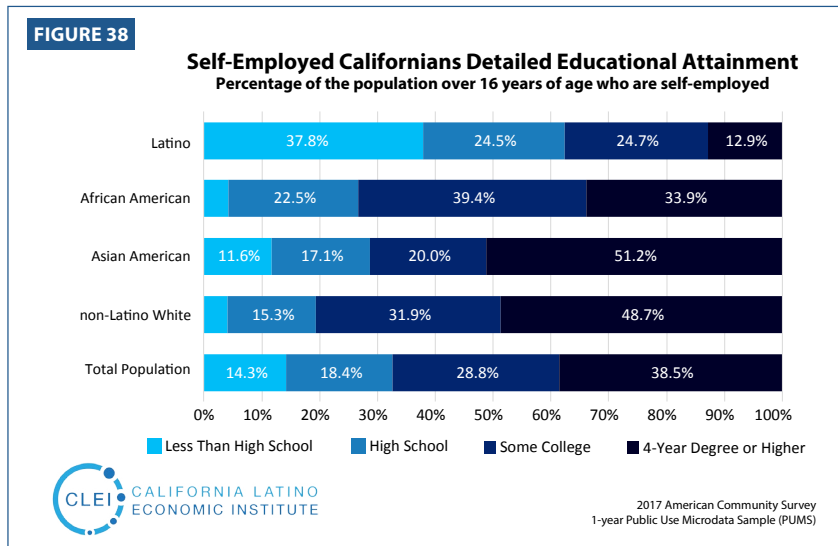
### e. Latino Entrepreneurs



Out of all Latinos in the labor force over 16 years of age, 6.5% are self-employed (either in their own incorporated or non-incorporated business, professional practice or farm). Latino entrepreneurs are a heterogeneous group, however, and self-employment rates can vary greatly within the population.

The population of self-employed Latinos skews younger than the self-employed population for other race or ethnic groups. For example, 27.8% of the non-Latino White self-employed population (the group with the highest rate of self-employment) is under the age of 45 years, compared to 47.3% of the Latino self-employed population. Please see CLEI brief, [The State of Latino Economic Well-Being in California: Employment & Entrepreneurship](#).

Looking at self-employment rates by gender (see Figure 37), we see that 5.0% of Latinas are self-employed compared to 7.9% of Latino males, a gap of 2.9 percentage points. This gender gap is smaller for Latinos than for most other race or ethnic groups. For example, there is a 4.9 percentage point difference between self-employment rates for non-Latino White males and females.



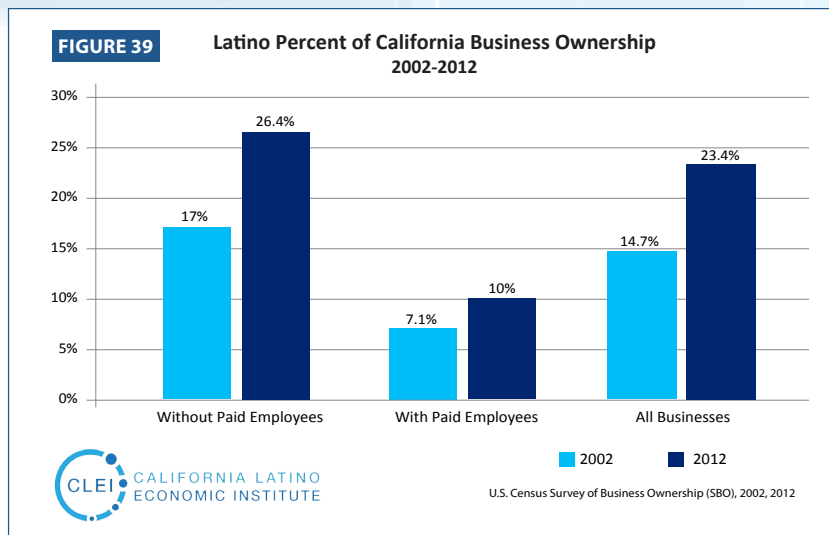
The majority (62.3%) of Latino entrepreneurs in California have a high school degree or less (see Figure 38). The educational composition of self-employed Latinos is considerably different than the educational composition of the self-employed populations of other race or ethnic groups included in this study. Just over 19% of self-employed non-Latino Whites have a high school degree or less, compared to 26.7% of African Americans and 28.7% of Asian Americans.

We see a relatively high share of self-employed Latinos with a high school degree or less, in part because self-employed California Latinos are predominately (63.5%) foreign born, which is the population that generally has lower educational attainment. Please see CLEI brief, [The State of Latino Economic Well-Being in California: Employment & Entrepreneurship](#).

Please note that the data in this section (Section E) on self-employed Californians is sourced from the American Community Survey Public Use Microdata Sample (PUMS). This data provides the share of all individuals in California over the age of 16 years who identify as self-employed. In contrast, the data used in the following sections (Sections F-I) is sourced from the U.S. Census Survey of Business Owners and provides the share of all businesses in California that are owned by someone who self-identifies as Latino.



## f. Percent Latino-led Businesses

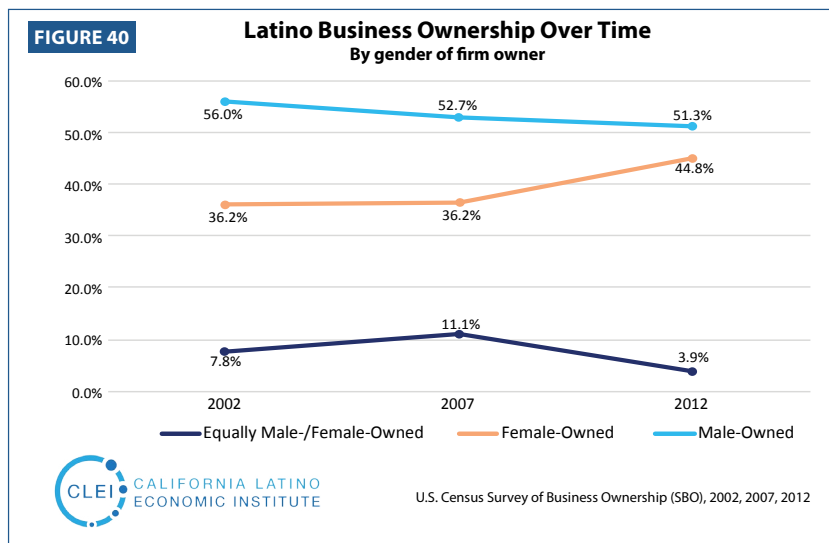


In 2002, 14.7% of all firms in California (with or without paid employees) were owned by Latinos; by 2012, the most current Survey of Business Owners by the U.S. Census that is available, the share of Latino-owned firms increased by 8.7 percentage points to 23.4% (Figure 39). The growth in Latino-owned businesses in the state varies by firm type. Growth was slower from 2002 to 2012 among Latino-owned firms with paid employees (2.9 percentage point increase) than among Latino-owned firms without paid employees (a greater increase of 9.4 percentage points).

Out of all 3.5 million firms listed in the state, 2.8 million are firms without paid employees (81.6%) and only about 640,000 are firms with paid employees (18.4%). Latino-owned firms have a

greater share of firms without paid employees than with paid employees. Of all Latino-owned firms in the state, 92% do not have paid employees. Only 7.1% of all Latino-owned firms are firms with paid employees, while 21.5% of all firms owned by non-Latinos are firms with paid employees. Latinos comprise 10.0% of business owners (with paid employees) in California. Over a quarter of all firms without paid employees are Latino-owned firms (Figure 33).

## g. Latino Business Ownership Over Time by Gender



The majority of California firms are owned by males. However, the share of Latino-owned firms that are owned by Latinas increased between 2002 and 2012 (Figure 40). In 2002, 36.2% of all Latino-owned firms (including firms with and without paid employees) were owned by Latinas; in 2012 this share increased by 8.6 percentage points to 44.8%.<sup>62</sup>

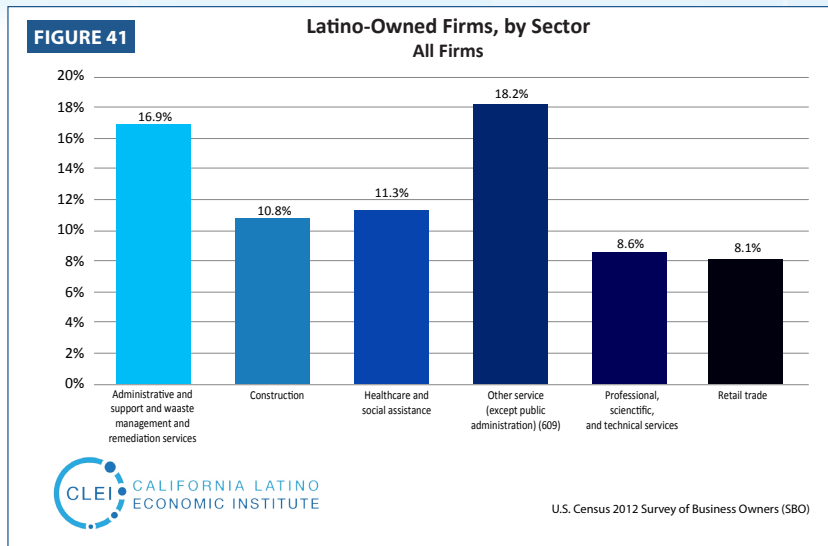
The gender gap among Latino-owned firms has steadily decreased from a 19.8 percentage point gap in 2002 to a 6.5 percentage point gap in 2012. The gender gap among non-Latino firms has also decreased during this time period, but has always been, and remains, much greater than the gender gap among Latino-owned firms: a 27.8 percentage point gap in 2002 and an 18-point gap in 2012.<sup>63</sup>

While greater gender parity among Latino-owned businesses is promising, researchers note that,

in addition to a desire for more lucrative work or for pursuing a passion, entrepreneurship among Latinas can also be spurred by discriminatory barriers to employment or by less-than-proportionate compensation in the labor market.<sup>64</sup>



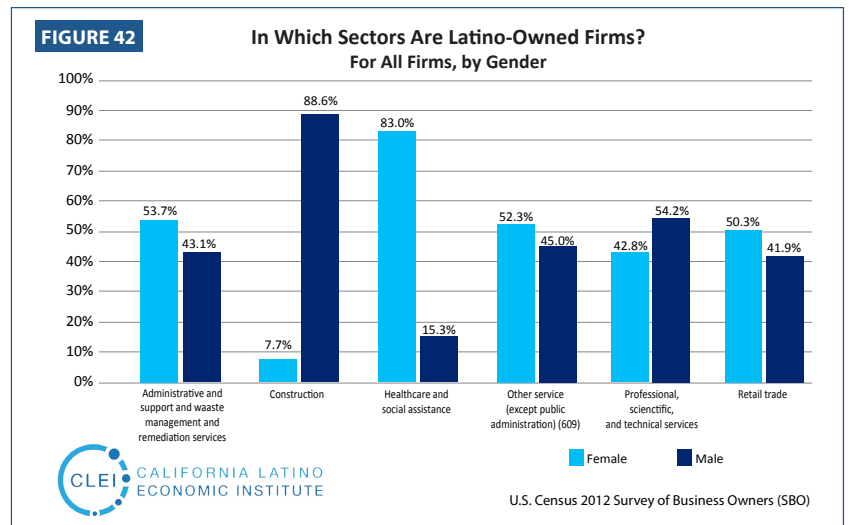
## h. Business Sectors



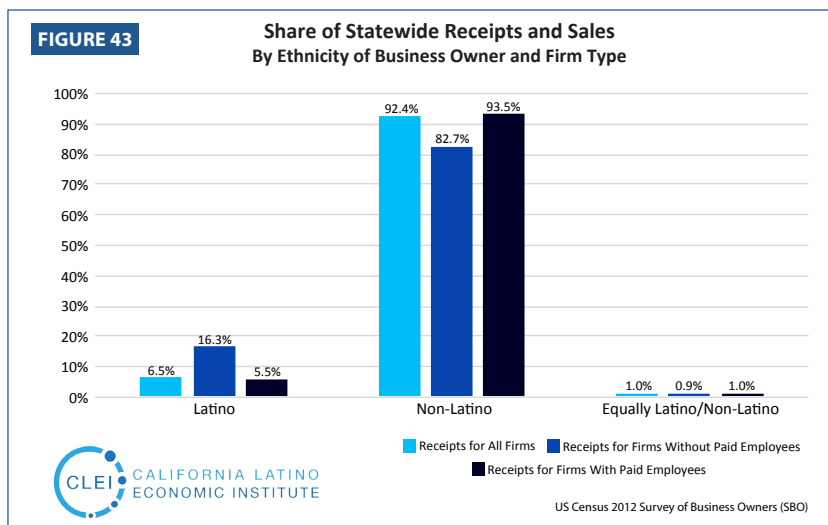
Of all firms owned by Latinos (with or without paid employees), the largest percentage is in the services sector (18.2%), with nearly 17% in administrative, support and waste management sectors, and only 8.1% in the retail trade sector (Figure 41).

Of these top 6 industries for Latinos in the state (with or without paid employees), nearly 89% of construction firms are owned by males, and 83% of health care and social assistance firms are owned by females (Figure 42).<sup>65</sup>

For all other industries, Latinas own between 7.3% and 10.6% more firms than Latino males, with the exception of firms that provide professional, scientific and technical services where Latino males own 11.4% more firms than Latinas.



## i. Share of Statewide Receipts and Sales



Latino firms tend to be smaller and bring in less in receipts and sales. The average yearly receipts of a non-Latino firm is more than four times higher than that of a Latino-owned firm: Latino firms (with or without paid employees) average \$121,306 per firm in sales, receipts, or value of shipments, while the average for all non-Latino firms is \$528,265. While Latino-owned firms make up nearly one-quarter of all firms (with and without paid employees) in California, Latino-owned firms bring in 6.5% (an estimated \$98,901,378 out of the estimated state total of \$1,510,325,910 for firms classifiable by ethnicity) of total annual sales, receipts, or value of shipments in the state (Figure 43).<sup>66</sup>

Latino firms account for 16.3% of all receipts for firms without paid employees (an estimated \$23,452,780 out of \$143,734,643), and 5.5% of receipts for firms with paid employees (an estimated \$75,448,598 out of \$1,366,591,267).<sup>67</sup>

The five largest sectors for Latino-owned firms in California (firms with and without paid employees), are administrative and support and waste management and remediation services sector (16.9%), health care and social assistance (11.3%), construction (10.8%), and professional, scientific, and technical services (8.6%.) Just over 18% of all Latino-owned firms are in a sector categorized as “other services”, which includes repairs, religious activities, grant making, advocacy, laundry, personal care, death care, and other personal services.

There are substantial differences between the compositions of industries for Latina and Latino-owned firms. For example, 21% of Latina-owned businesses are in health care and social assistance, compared to 3.4% of Latino male-owned firms. On the other hand, 18.7% of Latino male-owned firms are in the construction industry, compared to 1.8% of Latina-owned firms. Similar shares of Latina and Latino-owned firms are in the professional, scientific and technical services industry (which includes, but is not exclusive to, STEM occupations)—9.1% of Latino firms are in this industry, compared to 8.7% of Latina firms.

Please see CLEI brief, [The State of Latino Economic Well-Being in California: Employment & Entrepreneurship](#), for further analysis of the barriers that Latinos face related to income, age, gender, education and nativity.<sup>68</sup>





## 5. What are the Geographic “Hot Spots” of Economic Opportunity and Challenge for Latinos in California?

Thus far in this report, we have discussed the economic well-being of Latinos in California by individually examining the four key related factors of income distribution, education, housing and entrepreneurship, while also highlighting the significant regional disparities between Latinos and other racial or ethnic groups in each of these domains. In order to identify the combined impact of these factors at the regional and community level, we created a composite index called the Latino Economic Index (LEI). The goal of the index is to provide a visual economic snapshot that will assist policy makers, advocates and other Latino leaders in identifying communities with high levels of Latino economic vulnerability in need of systematic investment, and possibly to learn lessons from areas with greater Latino economic strengths.

To calculate the index, we used a subset of the data indicators included in the CLEI study (based on data quality and availability at the census tract level). All domain scores were then combined. This index was mapped so that areas experiencing multiple economic challenges can be visually identified and put into a regional context. A higher index score indicates higher Latino outcomes, a lower index score indicates lower outcomes (tracts with low population, large margins of error, or at least one domain with missing data were not included). Index scores can be ranked to indicate the relative well-being of Latinos in different regions and communities in California. The index does not indicate disparities between Latinos and other racial and ethnic groups. For a comprehensive explanation of the LEI, please see the document LEI Methods and Technical Documentation.<sup>69</sup> The following indicators were used to represent each domain in the index:

### Education:

- Percentage of the Latino population that has attained higher education
- UC/CSU eligibility rate of Latino high school graduates
- Latino high school graduation rate
- Percentage of Latino 4th graders proficient in math
- Percentage of experienced teachers working in nearby schools

### Housing:

- Percentage of Latino household units that are owner-occupied
- Percentage of Latino households without adequate housing (including cost-burdened Latinos)

### Income:

- Percentage of the Latino population that is employed
- Per capita income of Latinos

### Employment and Entrepreneurship

- Percentage of the Latino employed population working in management, business, science or the arts
- Percentage of Latino college graduates with a degree in a STEM field
- Percentage of businesses in the county that are Latino-owned
- Percentage of higher-paying jobs held by Latinos
- Job growth rate for Latinos

**Table 2. Latino Economic Index (LEI):  
Average of Tract Index Scores, by Region**

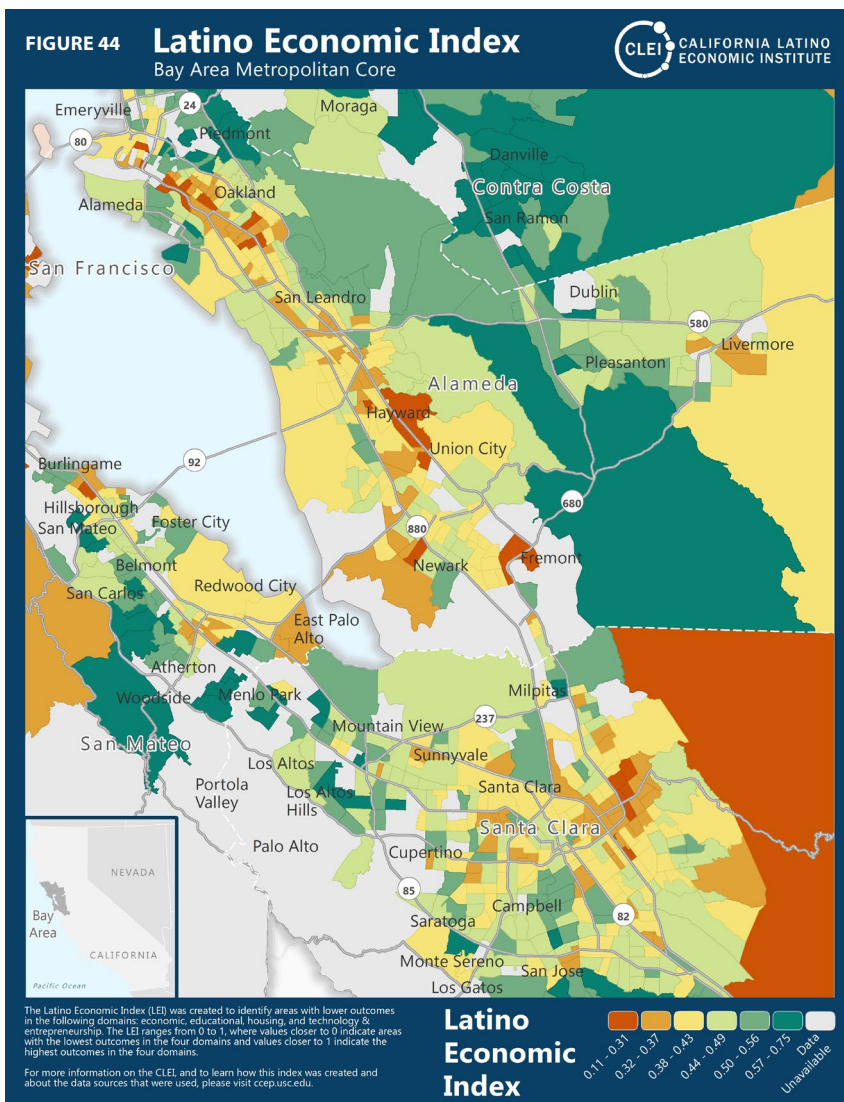
Region Name	Mean Index Score	Minimum Index Score	Maximum Index Score	Count of Census Tracts in Region
Bay Area	0.42	0.17	0.69	1,321
Central Coast	0.38	0.21	0.69	221
Los Angeles Region	0.45	0.21	0.75	3,678
North State	0.30	0.15	0.50	139
Sacramento Region	0.41	0.17	0.66	469
San Diego	0.47	0.23	0.75	589
San Joaquin Valley	0.39	0.18	0.66	740
Statewide	0.43	0.11	0.75	7,305

Table 2 shows the highest and lowest LEI index score averages for each California region. Index census tract averages vary by region from 0.30 in the North State to 0.47 in San Diego County. The statewide average for census tract index scores is 0.43. Latino communities with an overall low index score can be found across California’s regions, from the metro cores of Los Angeles and the Bay Area to rural communities in the San Joaquin Valley and the North State regions. The index also identifies communities within regions where Latinos are faring well economically. In the following section, we visually map LEI scores of communities, identifying areas that are “hot spots” of economic challenge or opportunity for Latinos. Overall, the index highlights that the variation in Latino outcomes seen within regions is much greater than when looking at outcomes on only the regional level.

# Latino Economic Index: BAY AREA

**Table 3. Latino Economic Index (LEI): Bay Area**

Latino Economic Index (LEI): Bay Area 10 Lowest Scoring Communities		Latino Economic Index (LEI): Bay Area 10 Highest Scoring Communities	
Communities	Average of Index Score	Communities	Average of Index Score
San Geronimo	0.20	Atherton	0.68
Dixon	0.24	Lafayette	0.66
San Anselmo	0.26	Piedmont	0.65
Boyes Hot Springs	0.28	West Menlo Park	0.65
Cloverdale	0.29	Blackhawk	0.64
Marin City	0.30	Danville	0.59
Fetters Hot Springs-Agua Caliente	0.32	Stanford	0.58
Fairfax	0.33	Castle Hill	0.57
Byron	0.33	San Ramon	0.57
Rodeo	0.33	Woodside	0.57



The Latino Economic Index (LEI) identifies communities (defined by U.S. Census Places)<sup>70</sup> experiencing multiple economic challenges, as well as communities that are seeing greater economic outcomes. Figure 45 (page 30) shows index scores for the greater Bay Area region. Bay Area communities (sometimes those next door to each other) have significant differences in the outcomes Latinos are experiencing with some communities performing three times as well as others. While the Bay Area's regional average score is 0.42, community index scores within the Bay Area are the most disparate of any region in California, ranging from 0.20 to 0.68.

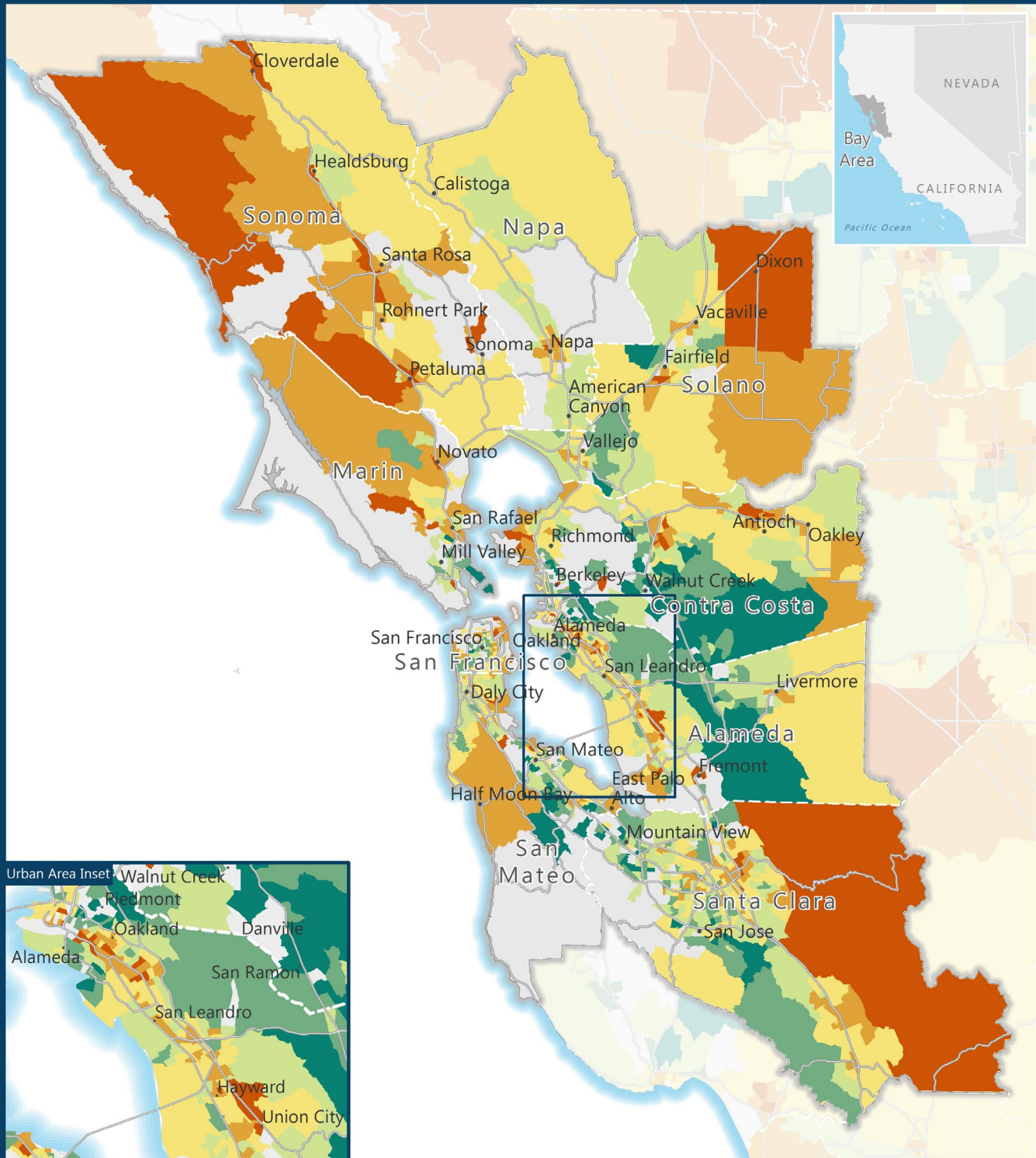
In Table 3, we can see the communities within the Bay Area with the ten lowest average index scores, as well as the ten highest average scores. Dixon, Cloverdale, and Rodeo are among the region's communities with the lowest average index score (0.24, 0.29 and 0.33, respectively) and Atherton, Piedmont and Danville are those with the highest average index score (0.68, 0.65 and 0.59, respectively). Figure 44 shows index scores for the Bay Area metropolitan core (eastern and southern Bay Area) where there is some of the greatest disparity in scores within the Bay Area, as a whole. In this core, the index clearly identifies the communities where Latino residents are experiencing better outcomes, although, it should be noted, that many of these communities have smaller proportions of Latinos compared to the communities scoring lower in the index.

It should be noted that while the LEI indicates the well-being of Latinos compared to Latinos in other communities and regions, we also know that disparities between Latinos and other racial or ethnic groups are significant in the Bay Area. In our analysis (earlier in this report) of individual measures of economic well-being, the Bay Area was found to be the state's region with the greatest disparities in outcomes between Latinos and other racial or ethnic groups. This was the case on nearly every individual measure the study examined, from median household income and housing cost burden to measures of educational attainment.

FIGURE 45

# Latino Economic Index

## Bay Area



The Latino Economic Index (LEI) was created to identify areas with lower outcomes in the following domains: economic, educational, housing, and technology & entrepreneurship. The LEI ranges from 0 to 1, where values closer to 0 indicate areas with the lowest outcomes in the four domains and values closer to 1 indicate the highest outcomes in the four domains.

For more information on the CLEI, and to learn how this index was created and about the data sources that were used, please visit [ccep.usc.edu](http://ccep.usc.edu).

### Latino Economic Index



# Latino Economic Index: CENTRAL COAST REGION

Table 4. Latino Economic Index (LEI): Central Coast

Latino Economic Index (LEI): Central Coast 10 Lowest Scoring Communities		Latino Economic Index (LEI): Central Coast 10 Highest Scoring Communities	
Communities	Average of Index Score	Communities	Average of Index Score
Soledad	0.21	Ridgemark	0.57
Sand City	0.30	Del Monte Forest	0.54
Castroville	0.32	Carmel-by-the-Sea	0.50
Greenfield	0.32	Del Rey Oaks	0.48
King City	0.33	Pacific Grove	0.47
Seaside	0.33	Monterey	0.46
Grover Beach	0.34	Goleta	0.45
Marina	0.34	Vandenberg AFB	0.44
Cambria	0.35	Woodlands	0.44
Santa Maria	0.35	Montecito	0.44

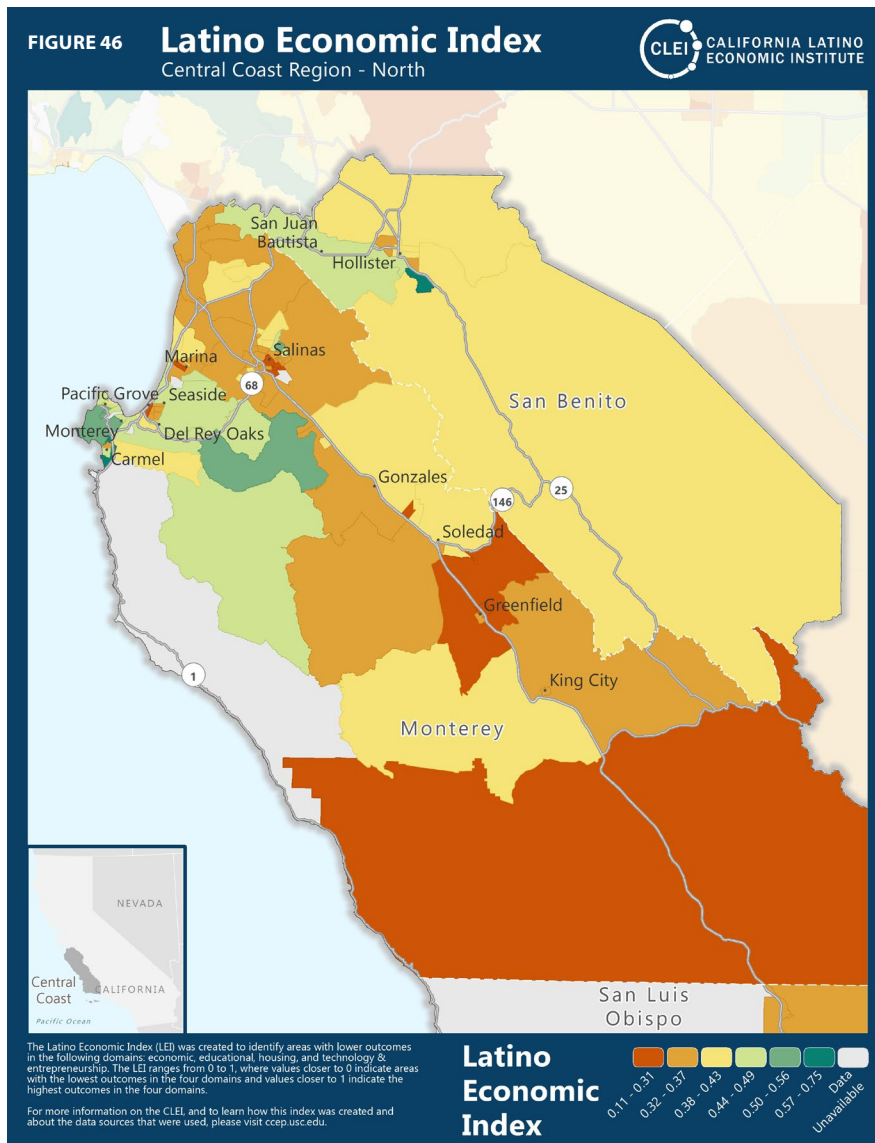


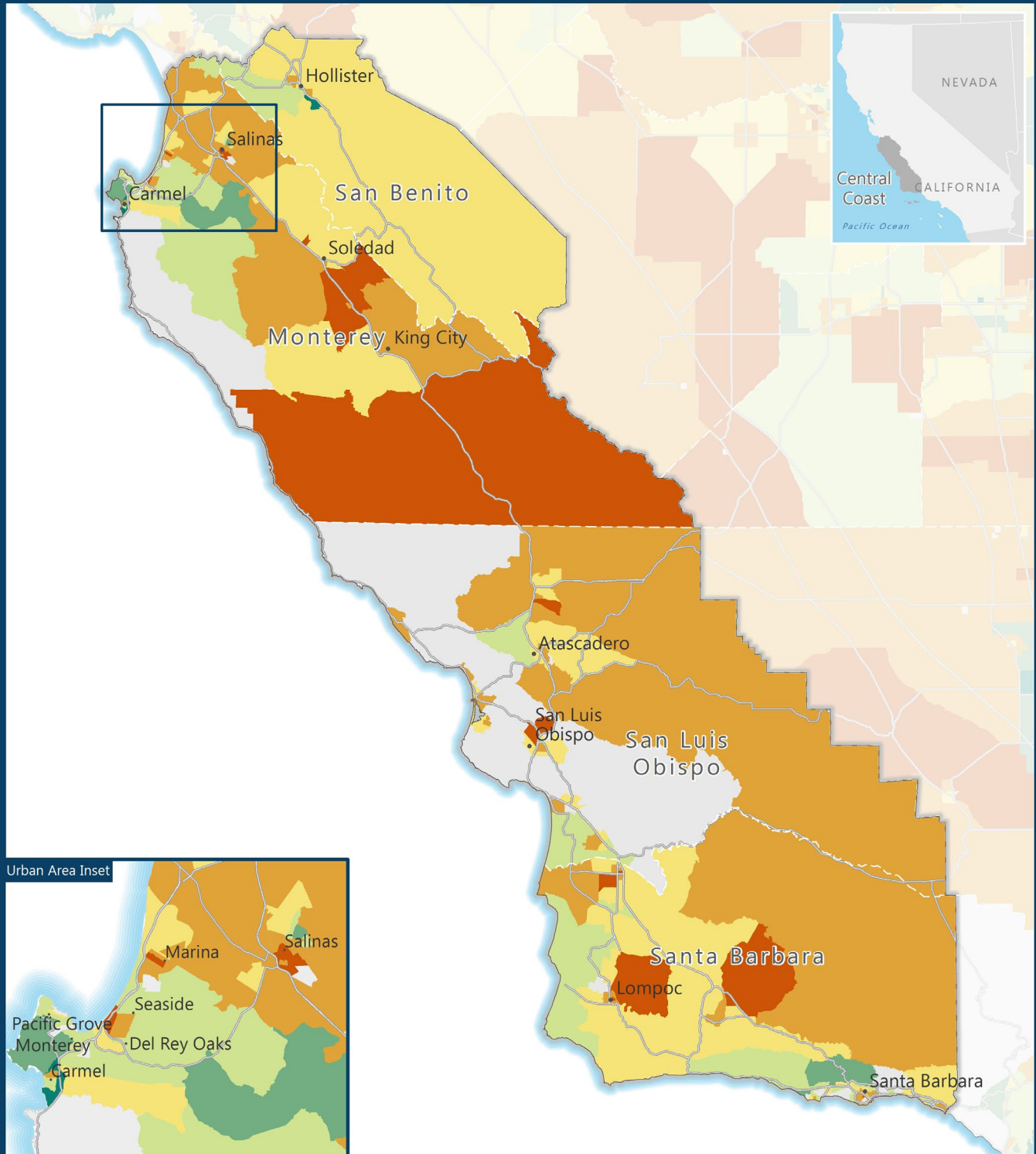
Figure 47 (page 32) shows LEI scores for the Central Coast region. Central Coast communities have significant differences in the outcomes Latinos are experiencing with some communities performing more than twice as well as others. The Central Coast's average index score is 0.38, the second lowest of all California's regions. Community index scores within the Central Coast region range from 0.21 to 0.57.

Table 4 identifies the communities within the Central Coast with the ten lowest average index scores, as well as the ten highest average scores. Soledad, Greenfield, and King City are among the region's communities with the lowest average index scores (0.21, 0.32 and 0.33, respectively) and Carmel-by-the-Sea, Monterey, and Montecito are among the highest average index score (0.50, 0.46 and 0.44, respectively). Figure 46 shows index scores for the North Central Coast region where there is a comparatively large Latino population. For example, we see Latinos experiencing a range of outcomes in the Salinas area depending on the surrounding community in which they reside.

FIGURE 47

# Latino Economic Index

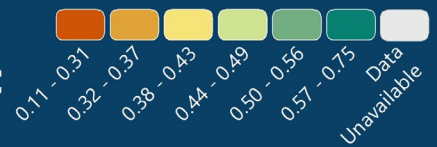
## Central Coast



The Latino Economic Index (LEI) was created to identify areas with lower outcomes in the following domains: economic, educational, housing, and technology & entrepreneurship. The LEI ranges from 0 to 1, where values closer to 0 indicate areas with the lowest outcomes in the four domains and values closer to 1 indicate the highest outcomes in the four domains.

For more information on the CLEI, and to learn how this index was created and about the data sources that were used, please visit [ccep.usc.edu](http://ccep.usc.edu).

### Latino Economic Index





# Latino Economic Index: LOS ANGELES REGION

Table 5. Latino Economic Index (LEI): Los Angeles

Latino Economic Index (LEI): Los Angeles Region 10 Lowest Scoring Communities		Latino Economic Index (LEI): Los Angeles Region 10 Highest Scoring Communities	
Communities	Average of Index Score	Communities	Average of Index Score
Oasis	0.31	Calabasas	0.72
Piñon Hills	0.33	Rolling Hills	0.71
March ARB	0.33	Rolling Hills Estates	0.68
Big Bear Lake	0.34	Topanga	0.66
Lynwood	0.34	La Cañada Flintridge	0.65
Cudahy	0.34	Leona Valley	0.65
Oxnard	0.35	San Marino	0.64
Homestead Valley	0.35	Seal Beach	0.63
Desert Edge	0.35	Manhattan Beach	0.63
Bell Gardens	0.35	La Habra Heights	0.62

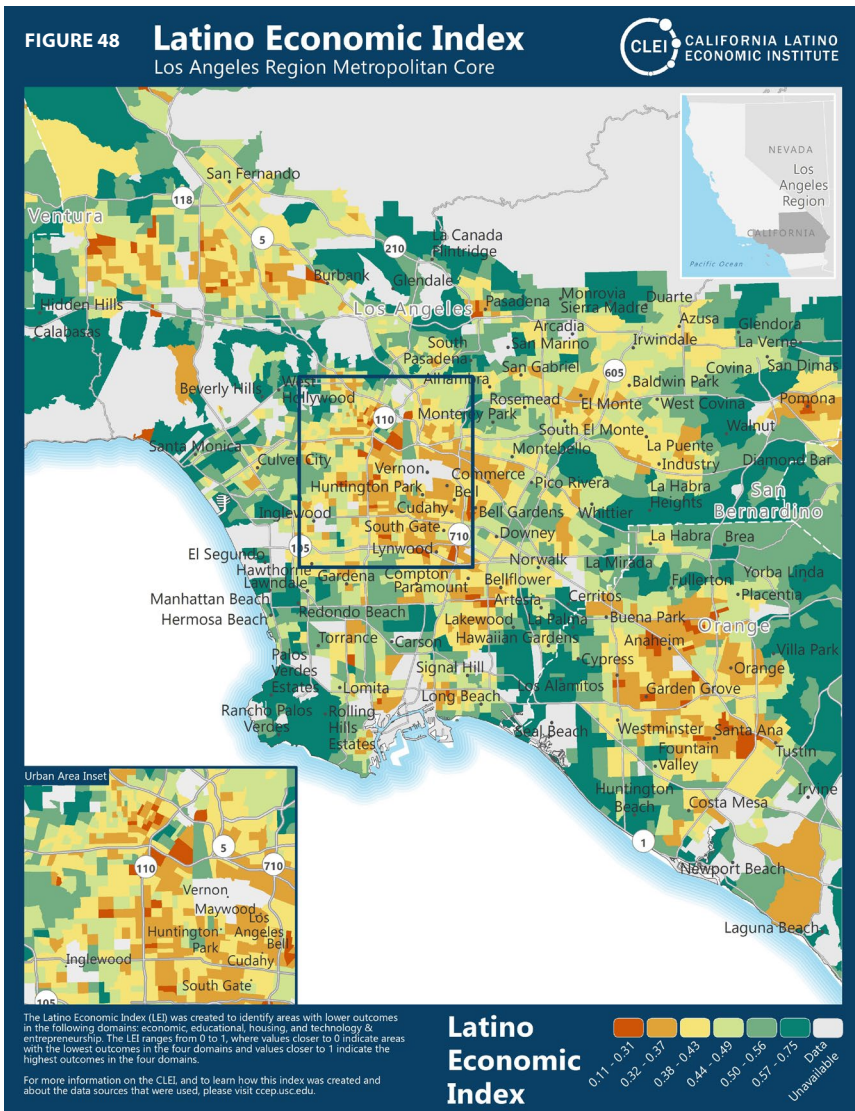


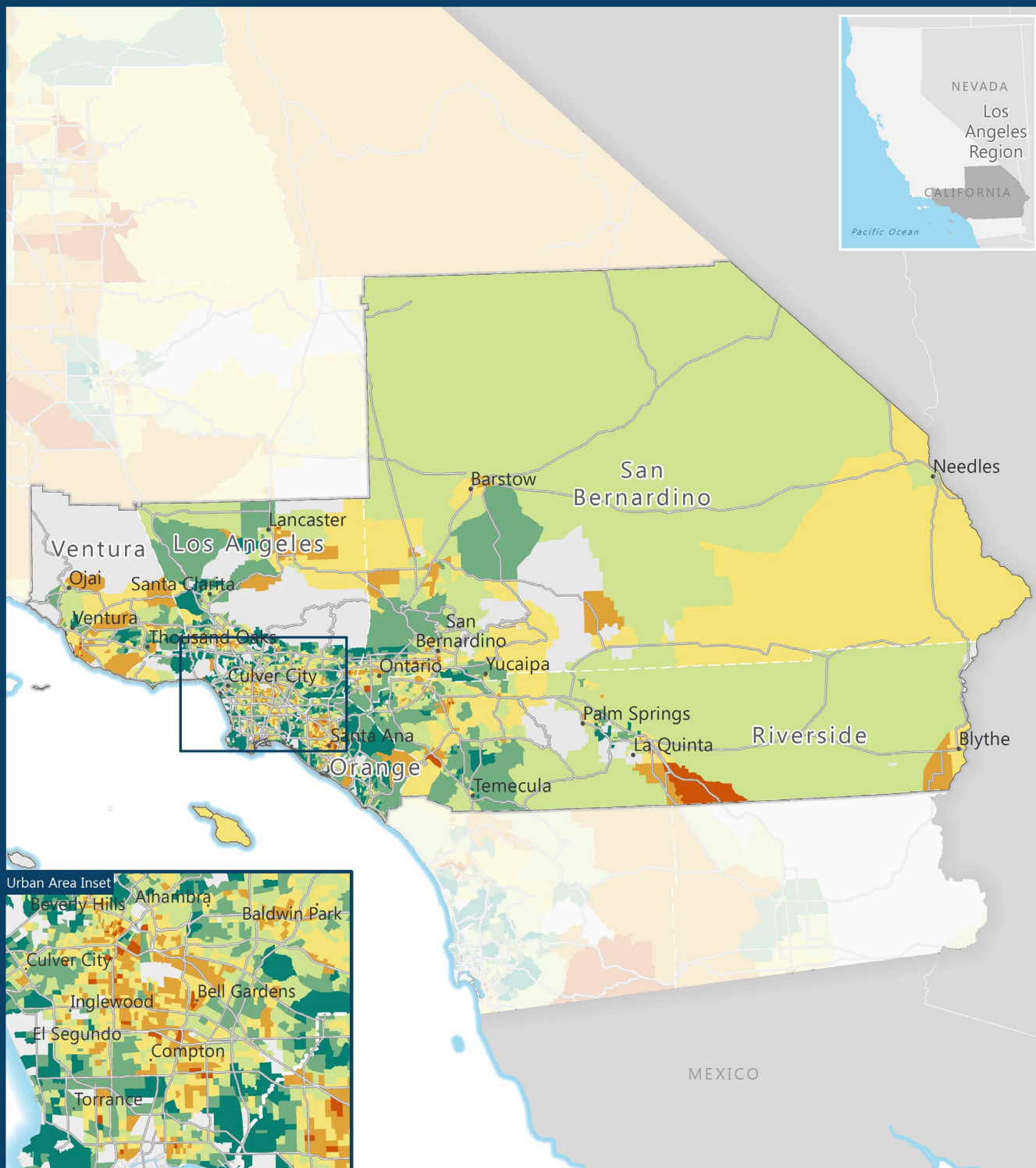
Figure 49 (page 34) shows LEI scores for the Los Angeles region. The Los Angeles region's average index score is 0.45, the second highest regional score in California. However, the Los Angeles region also experiences the second largest disparity in index scores among its communities of any California region, from 0.31 to 0.72. Looking at only the Los Angeles metropolitan core (Figure 48), we see some of the greatest disparity in index scores for the Los Angeles region within short geographic distances. In this core, Latinos in the perimeter generally experience higher outcomes than Latinos in the urban centers.

In Table 5, we can see the communities within the Los Angeles region with the ten lowest average index scores, as well as the ten highest average scores. Lynwood, Oxnard and Bell Gardens are among the region's communities with the lowest average index score (0.34, 0.35 and 0.35, respectively) and Calabasas, Rolling Hills Estates and Manhattan Beach are among the highest average index score (0.72, 0.68 and 0.63, respectively). It should be noted that the Los Angeles region has the largest number of communities of any California region and, thus, there are many more communities that score comparatively low on the index in addition to these listed communities.

FIGURE 49

# Latino Economic Index

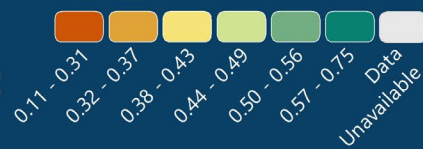
Los Angeles Region



The Latino Economic Index (LEI) was created to identify areas with lower outcomes in the following domains: economic, educational, housing, and technology & entrepreneurship. The LEI ranges from 0 to 1, where values closer to 0 indicate areas with the lowest outcomes in the four domains and values closer to 1 indicate the highest outcomes in the four domains.

For more information on the CLEI, and to learn how this index was created and about the data sources that were used, please visit [ccep.usc.edu](http://ccep.usc.edu).

## Latino Economic Index



# Latino Economic Index: NORTH STATE REGION

Table 6. Latino Economic Index (LEI): North State

Latino Economic Index (LEI): North State 10 Lowest Scoring Communities		Latino Economic Index (LEI): North State 10 Highest Scoring Communities	
Communities	Average of Index Score	Communities	Average of Index Score
Crescent Mills	0.15	Butte Creek Canyon	0.40
Crescent City	0.21	Daphnedale Park	0.36
Thermalito	0.22	Forest Ranch	0.35
Berry Creek	0.23	Willows	0.34
Magalia	0.25	Shasta Lake	0.34
Oroville	0.25	Kelly Ridge	0.33
Arcata	0.25	Redding	0.33
Yreka	0.27	Chico	0.33
Paradise	0.27	Palermo	0.33
Mount Shasta	0.27	Red Bluff	0.32

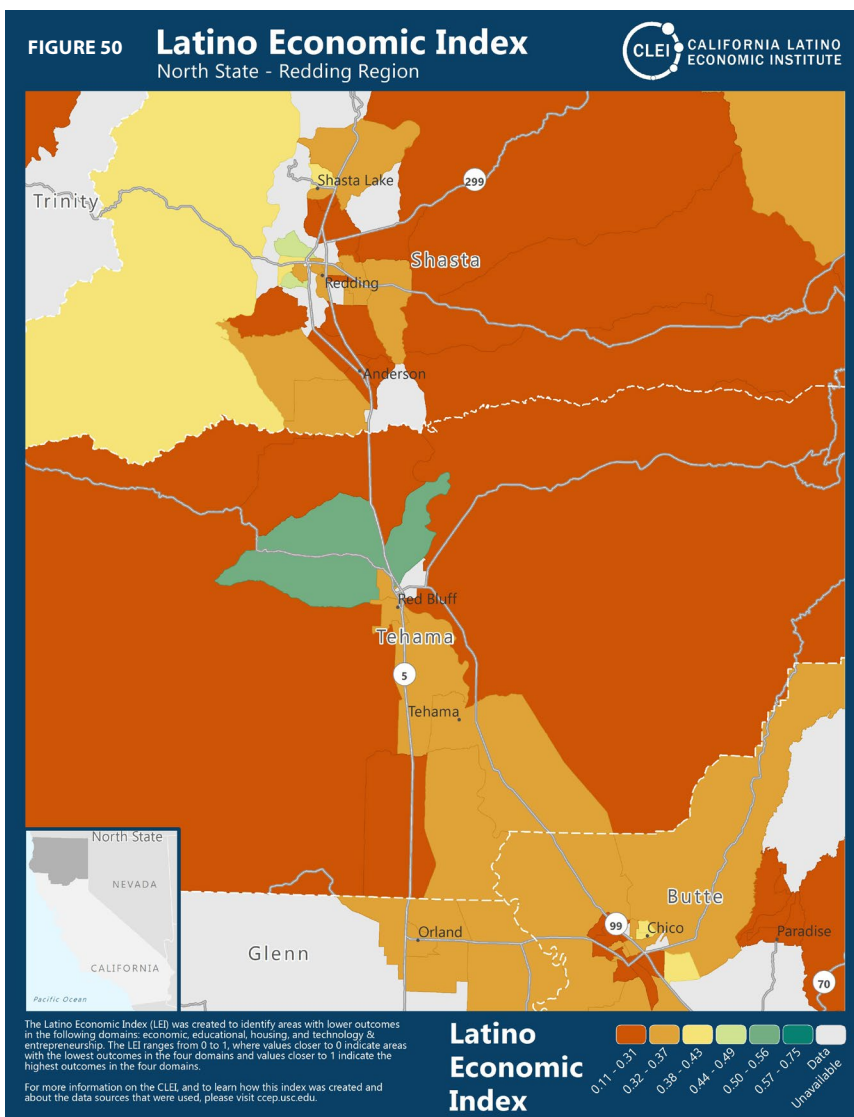


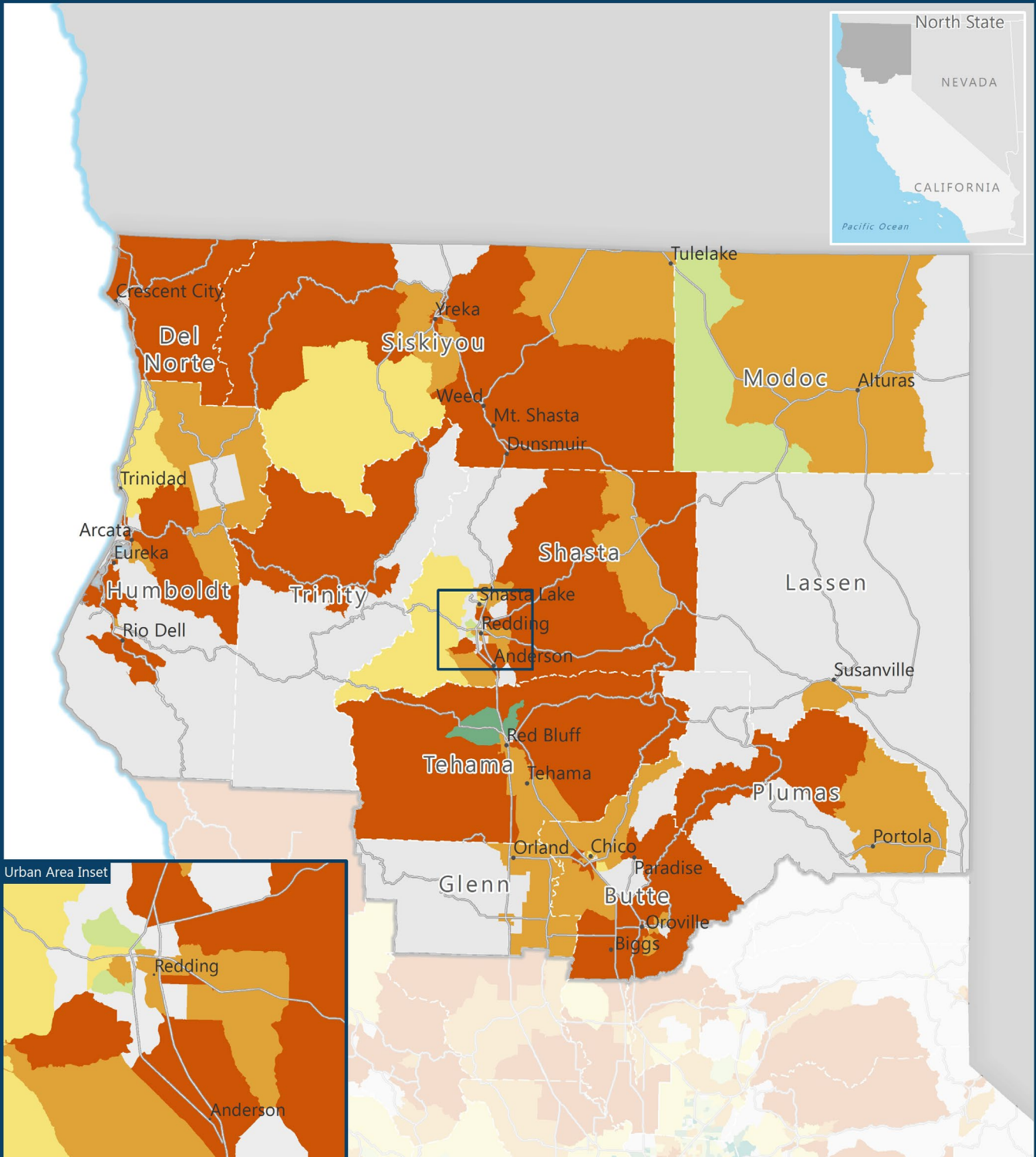
Figure 51 (page 36) shows LEI scores for the North State region. The region's average index score is 0.30, the lowest of all California's regions. At the same time, the range of community scores seen across the North State is the smallest of any region, from 0.15 to 0.40. The index score of 0.15 is the lowest index score of any community in the regions examined by this study. Communities in this region see more similar outcomes for Latinos than in other regions.

In Table 6, we can see the communities within the North State region with the ten lowest average index scores, as well as the ten highest average scores. Crescent City, Oroville and Yreka are among the region's communities with the lowest average index score (0.21, 0.25 and 0.27 respectively) and Shasta Lake, Chico and Red Bluff are among the highest average index score (0.34, 0.33 and 0.32, respectively). Figure 50 shows index scores for the Redding area of the North State region where there is some of the greatest disparity in scores for the North State region, as a whole.

FIGURE 51

# Latino Economic Index

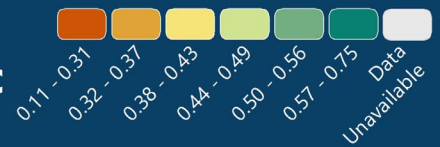
## North State



The Latino Economic Index (LEI) was created to identify areas with lower outcomes in the following domains: economic, educational, housing, and technology & entrepreneurship. The LEI ranges from 0 to 1, where values closer to 0 indicate areas with the lowest outcomes in the four domains and values closer to 1 indicate the highest outcomes in the four domains.

For more information on the CLEI, and to learn how this index was created and about the data sources that were used, please visit [ccep.usc.edu](http://ccep.usc.edu).

### Latino Economic Index



# Latino Economic Index: SACRAMENTO REGION

Table 7. Latino Economic Index (LEI): Sacramento Region

Latino Economic Index (LEI): Sacramento Region 10 Lowest Scoring Communities		Latino Economic Index (LEI): Sacramento Region 10 Highest Scoring Communities	
Communities	Average of Index Score	Communities	Average of Index Score
South Lake Tahoe	0.21	El Dorado Hills	0.58
Georgetown	0.24	Granite Bay	0.54
Pollock Pines	0.24	Folsom	0.50
McClellan Park	0.26	Davis	0.50
Marysville	0.28	Elk Grove	0.47
Kings Beach	0.28	Orangevale	0.47
Diamond Springs	0.28	Fair Oaks	0.47
Live Oak	0.30	Loomis	0.46
Auburn	0.31	Gold River	0.46
Yuba City	0.32	Roseville	0.45

LEI scores for the Sacramento region are mapped in Figure 53 (page 38). The region's average index score is 0.41 and community index scores range from 0.21 to 0.58, the third largest disparity of any region. In Table 7, we can see the communities within the Sacramento region with the ten lowest average index scores, as well as the ten highest average scores. South Lake Tahoe, Marysville and Yuba City are among the region's communities with the lowest average index score (0.21, 0.28 and 0.32, respectively) and El Dorado Hills, Davis and Roseville are among the highest average index score (0.58, 0.50 and 0.45, respectively). Figure 52 shows index scores for the Sacramento metropolitan core where there is some of the greatest disparity in scores for the Sacramento region, as a whole.

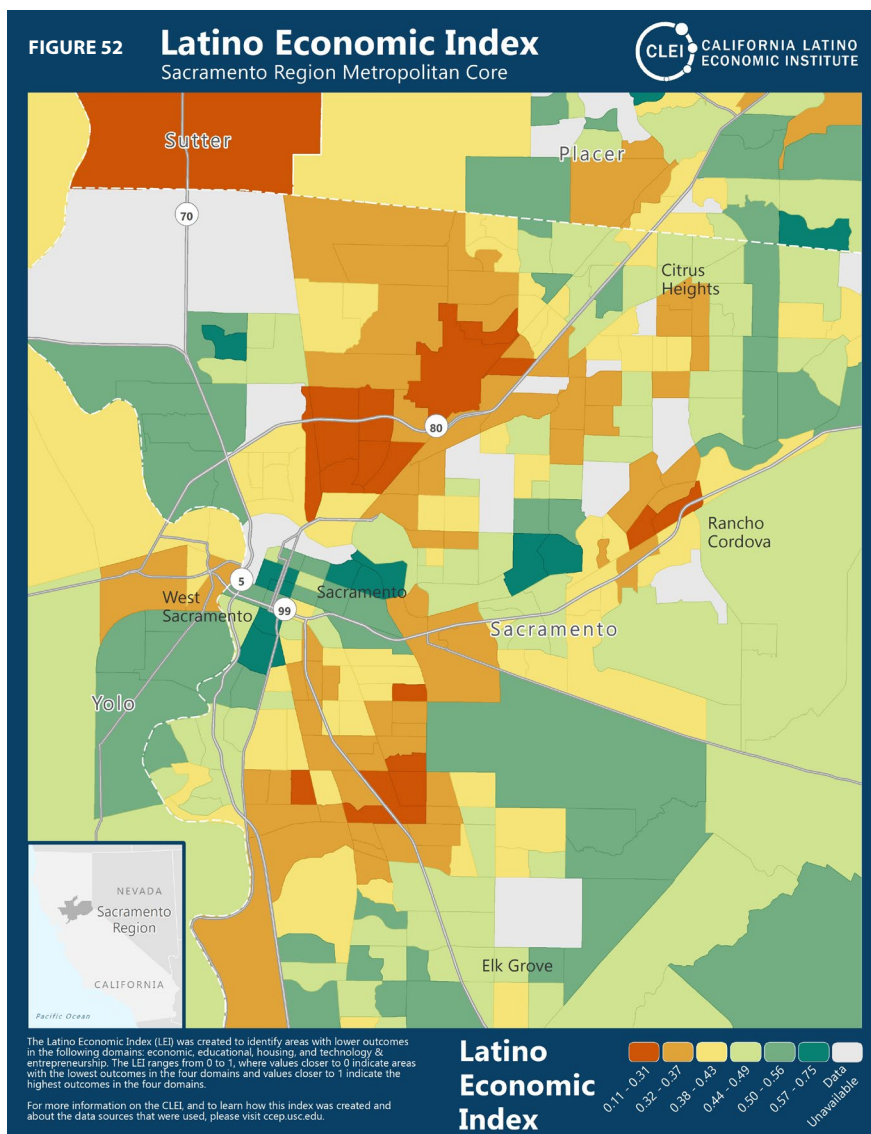
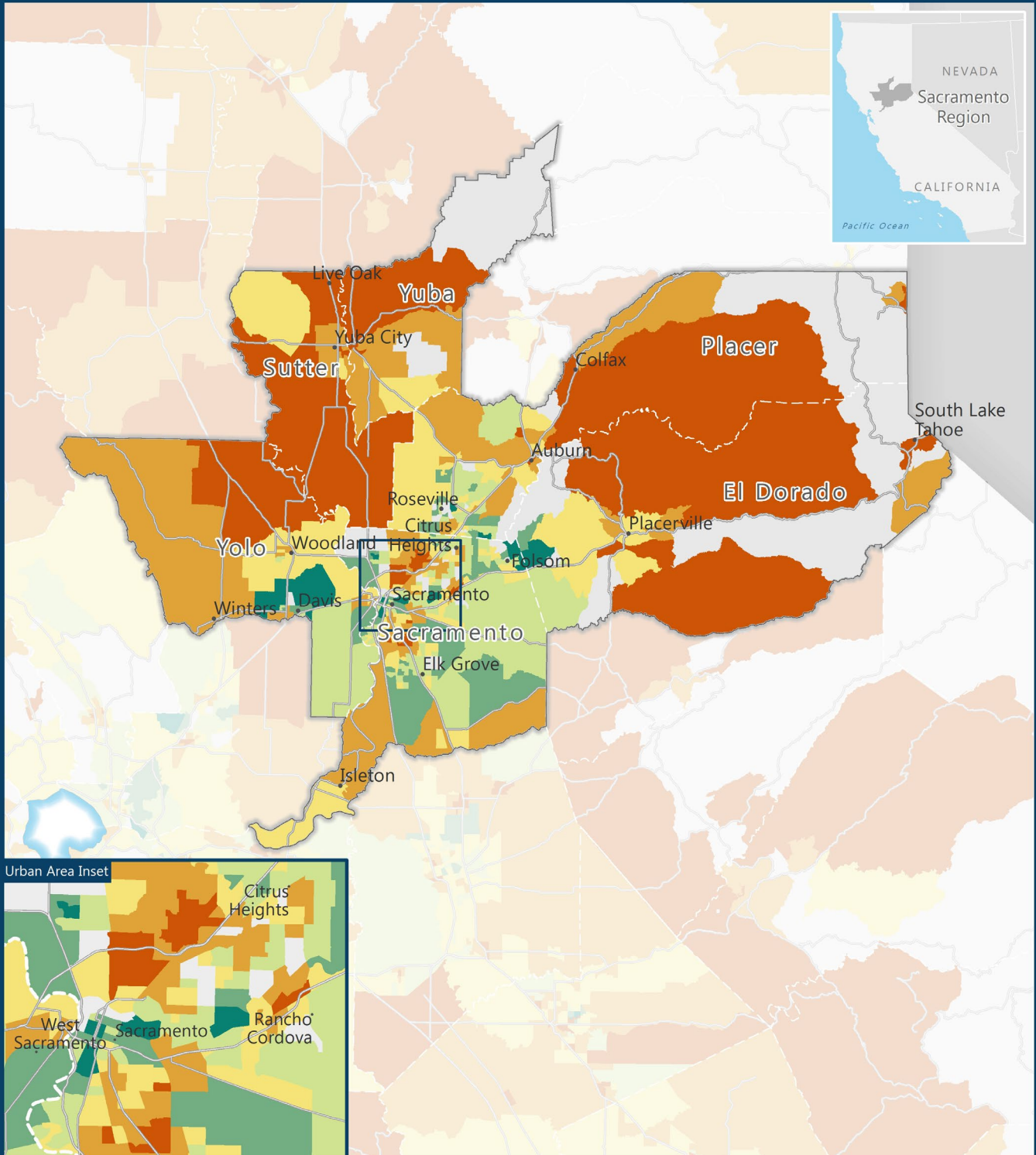


FIGURE 53

# Latino Economic Index

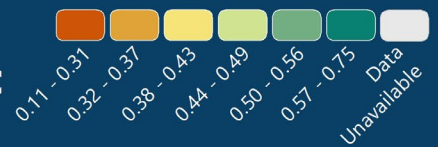
## Sacramento Region



The Latino Economic Index (LEI) was created to identify areas with lower outcomes in the following domains: economic, educational, housing, and technology & entrepreneurship. The LEI ranges from 0 to 1, where values closer to 0 indicate areas with the lowest outcomes in the four domains and values closer to 1 indicate the highest outcomes in the four domains.

For more information on the CLEI, and to learn how this index was created and about the data sources that were used, please visit [ccep.usc.edu](http://ccep.usc.edu).

### Latino Economic Index



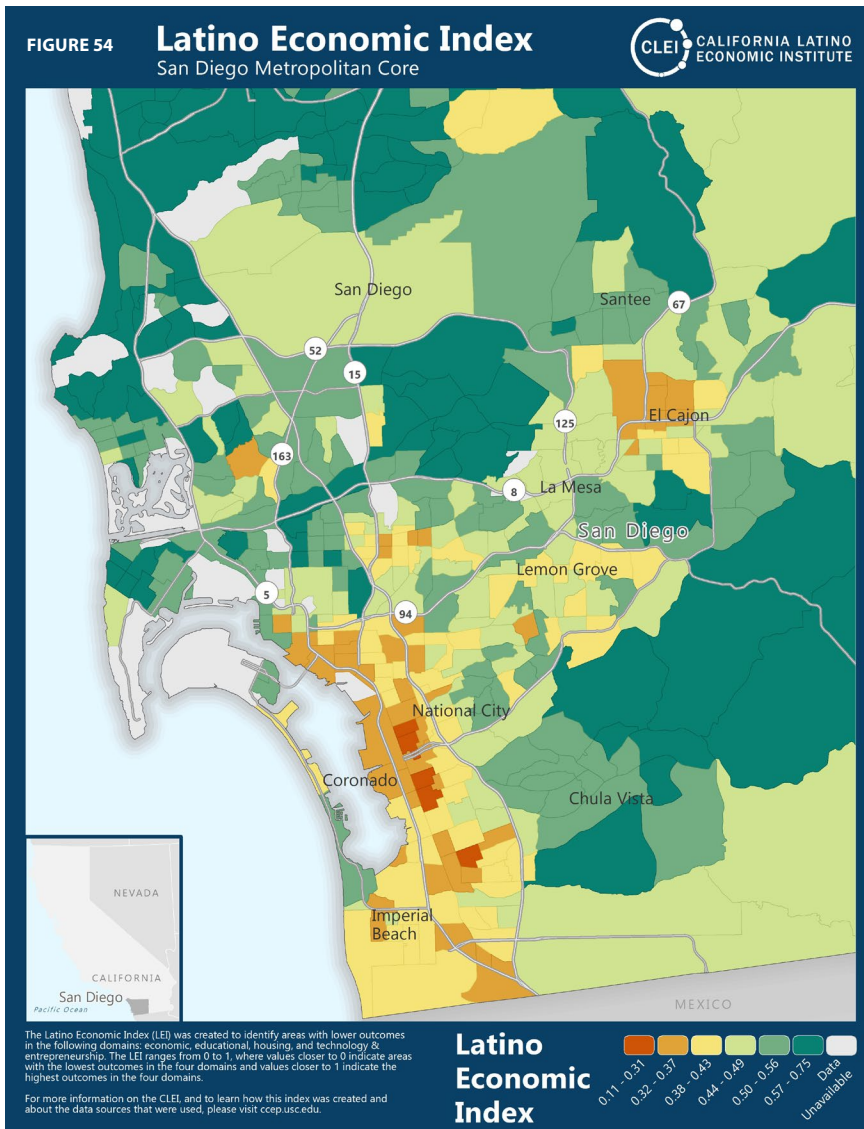
# Latino Economic Index: SAN DIEGO COUNTY

**Table 8. Latino Economic Index (LEI): San Diego**

Latino Economic Index (LEI): San Diego 5 Lowest Scoring Communities		Latino Economic Index (LEI): San Diego 5 Highest Scoring Communities	
Communities	Average of Index Score	Communities	Average of Index Score
Vista	0.33	Eucalyptus Hills	0.59
Bostonia	0.36	Fairbanks Ranch	0.58
National City	0.37	Jamul	0.57
Valley Center	0.38	Carlsbad	0.56
Oceanside	0.39	Poway	0.53

Figure 55 (page 40) shows LEI scores for San Diego County. The region’s average index score is 0.47, the highest score of all regions in California. At the same time, the range of community scores seen across San Diego county is the second smallest of any region, from 0.33 to 0.59. This means that Latinos in San Diego County are experiencing some of the most positive outcomes for Latinos in the state, while also seeing fewer disparities in index score across communities. However, it should also be noted that, in our analysis earlier in this report, San Diego County was found to be one of the state’s regions with the some of the greatest disparities in outcomes between Latinos and other racial or ethnic groups on individual measures (i.e. median household income, housing cost burden, and high school graduation rates). According to the LEI, while Latinos have more positive outcomes in San Diego County, compared to Latinos in other regions, disparities between Latinos and other racial or ethnic groups are significant.

In Table 8, we can see the communities within San Diego County with the five lowest average index scores, as well as the five highest average scores. National City and Oceanside are among the region’s communities with the lowest average index score (0.37 and 0.39, respectively) and Carlsbad and Poway are among the highest average index score (0.56 and 0.53, respectively). Figure 54 shows index scores for the San Diego metropolitan core.

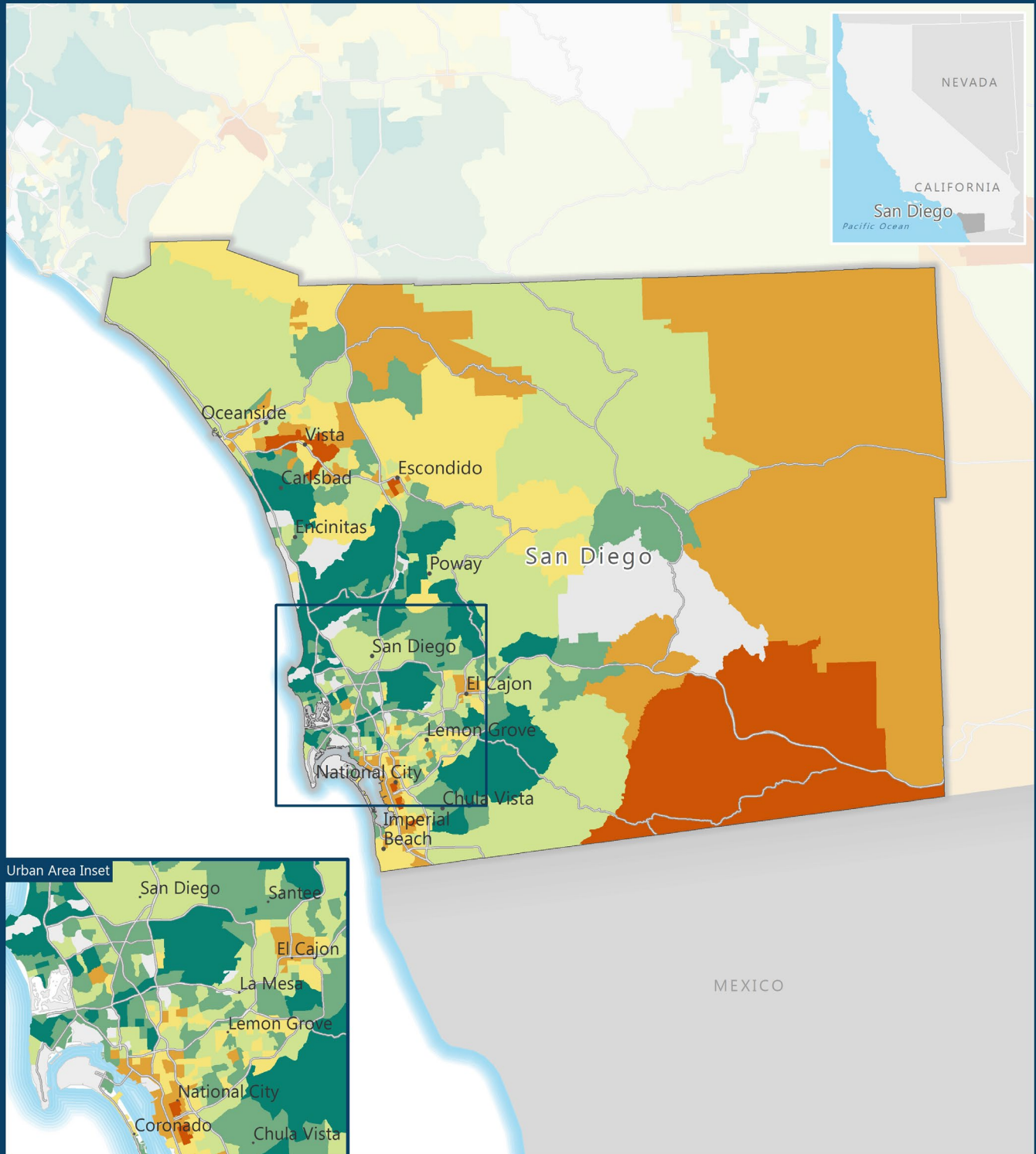


Note: Table 8 presents 5 communities (instead of ten) due to the smaller number of census places in San Diego County.

FIGURE 55

# Latino Economic Index

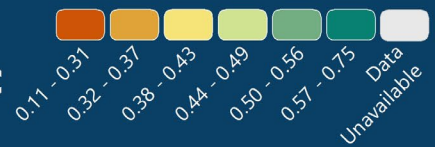
## San Diego



The Latino Economic Index (LEI) was created to identify areas with lower outcomes in the following domains: economic, educational, housing, and technology & entrepreneurship. The LEI ranges from 0 to 1, where values closer to 0 indicate areas with the lowest outcomes in the four domains and values closer to 1 indicate the highest outcomes in the four domains.

For more information on the CLEI, and to learn how this index was created and about the data sources that were used, please visit [ccep.usc.edu](http://ccep.usc.edu).

### Latino Economic Index





# Latino Economic Index: SAN JOAQUIN VALLEY

Table 9. Latino Economic Index (LEI): San Joaquin Valley

Latino Economic Index (LEI): San Joaquin Valley 10 Lowest Scoring Communities		Latino Economic Index (LEI): San Joaquin Valley 10 Highest Scoring Communities	
Communities	Average of Index Score	Communities	Average of Index Score
Newman	0.26	Rosedale	0.57
Chowchilla	0.27	Greenacres	0.52
Corcoran	0.27	Clovis	0.49
Pixley	0.29	Hughson	0.47
Woodlake	0.29	Greenfield	0.46
Madera	0.30	California City	0.46
Parkwood	0.30	Tehachapi	0.44
Patterson	0.31	Old Fig Garden	0.44
Lockeford	0.31	Visalia	0.44
Merced	0.32	Bakersfield	0.44

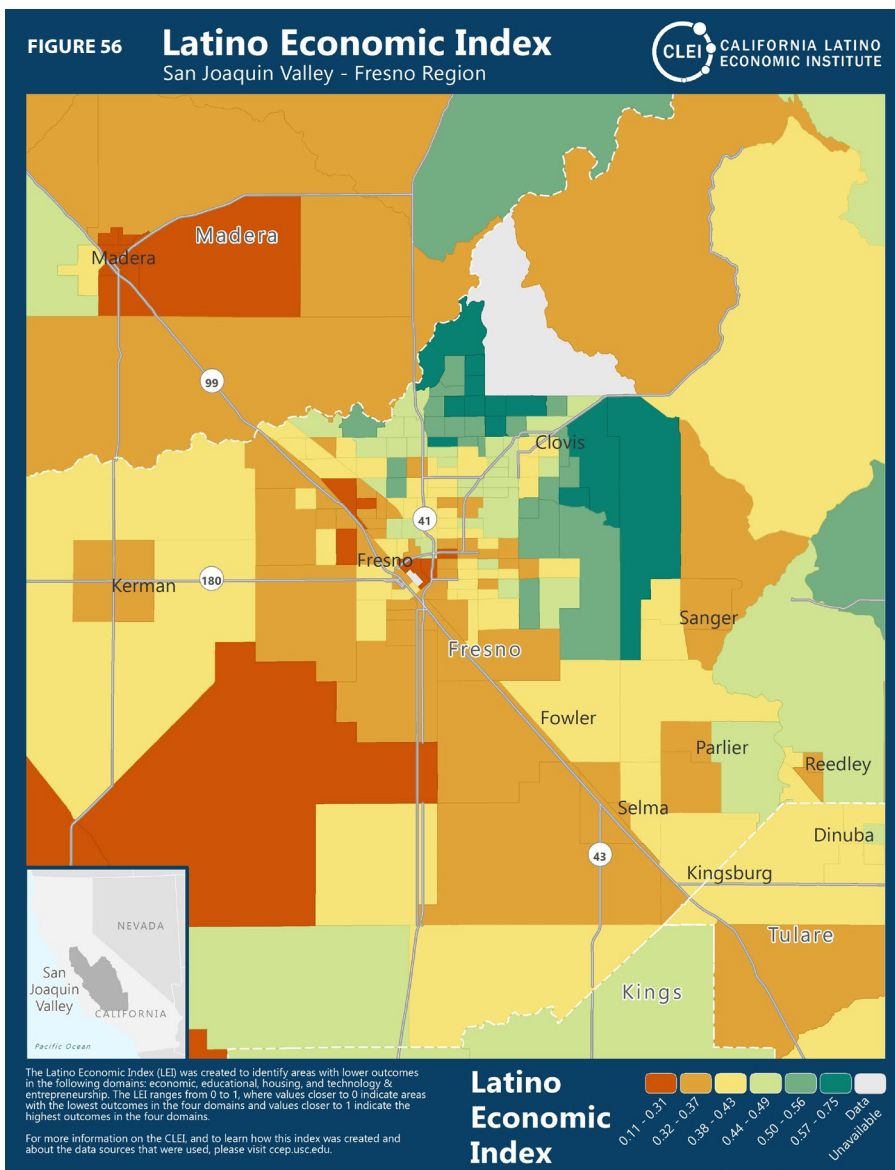


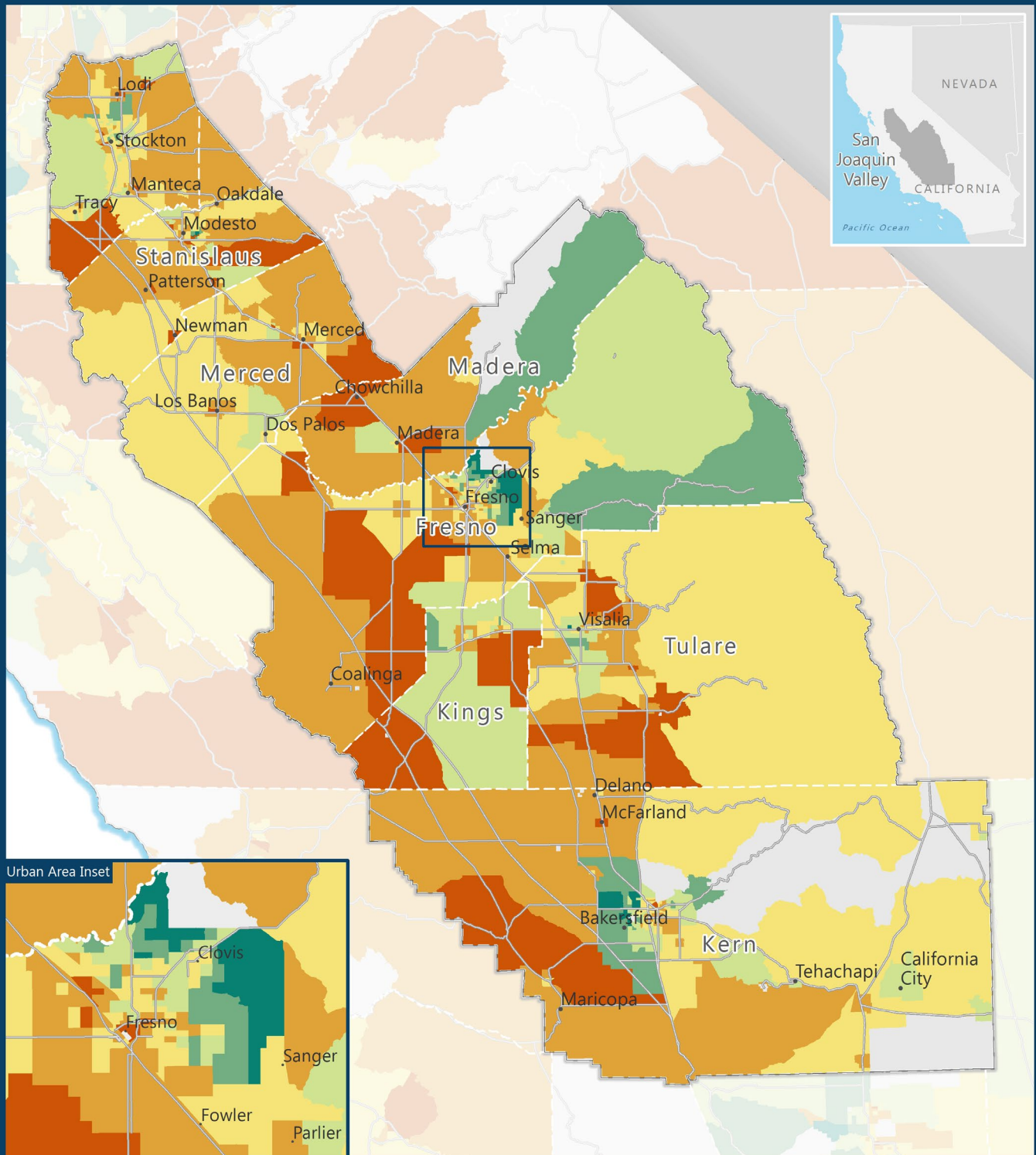
Figure 57 (page 42) shows LEI scores for the San Joaquin Valley. The region’s average index score is 0.39, the third lowest of all California’s regions. The San Joaquin Valley also experiences the third lowest disparity in index scores among its communities of any California region, from 0.26 to 0.57. In Table 9, we can see the communities within the San Joaquin Valley with the ten lowest average index scores, as well as the ten highest average scores. Chowchilla, Madera and Merced are among the region’s communities with the lowest average index score (0.27, 0.30 and 0.32, respectively) and Rosedale, Clovis and Visalia are among the highest average index score (0.57, 0.49 and 0.44, respectively).

Generally, the San Joaquin Valley experiences poor outcomes in its large rural communities and a great deal of disparity in its suburban population centers. For example, Figure 56 shows index scores for the Fresno suburban area of the San Joaquin Valley. Here we see some of the greatest disparity in scores for the San Joaquin Valley when comparing the city core and closely surrounding neighborhoods to the communities to the east.

FIGURE 57

# Latino Economic Index

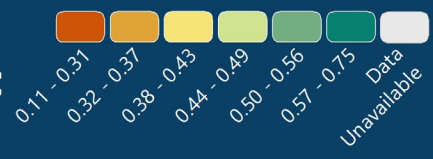
## San Joaquin Valley



The Latino Economic Index (LEI) was created to identify areas with lower outcomes in the following domains: economic, educational, housing, and technology & entrepreneurship. The LEI ranges from 0 to 1, where values closer to 0 indicate areas with the lowest outcomes in the four domains and values closer to 1 indicate the highest outcomes in the four domains.

For more information on the CLEI, and to learn how this index was created and about the data sources that were used, please visit [ccep.usc.edu](http://ccep.usc.edu).

### Latino Economic Index



## Reducing Inequality to Build the Latino Middle Class

This report provides a profile of the state of Latino economic well-being in California. Latinos in the state have made large gains over the last decade in many indicators linked to economic well-being: decreases in poverty rates; increases in college enrollment, high school graduation rates and the percentage of UC/CSU eligible; as well as great growth in entrepreneurship. Latinas, in particular, have experienced significant achievements in higher education and business.

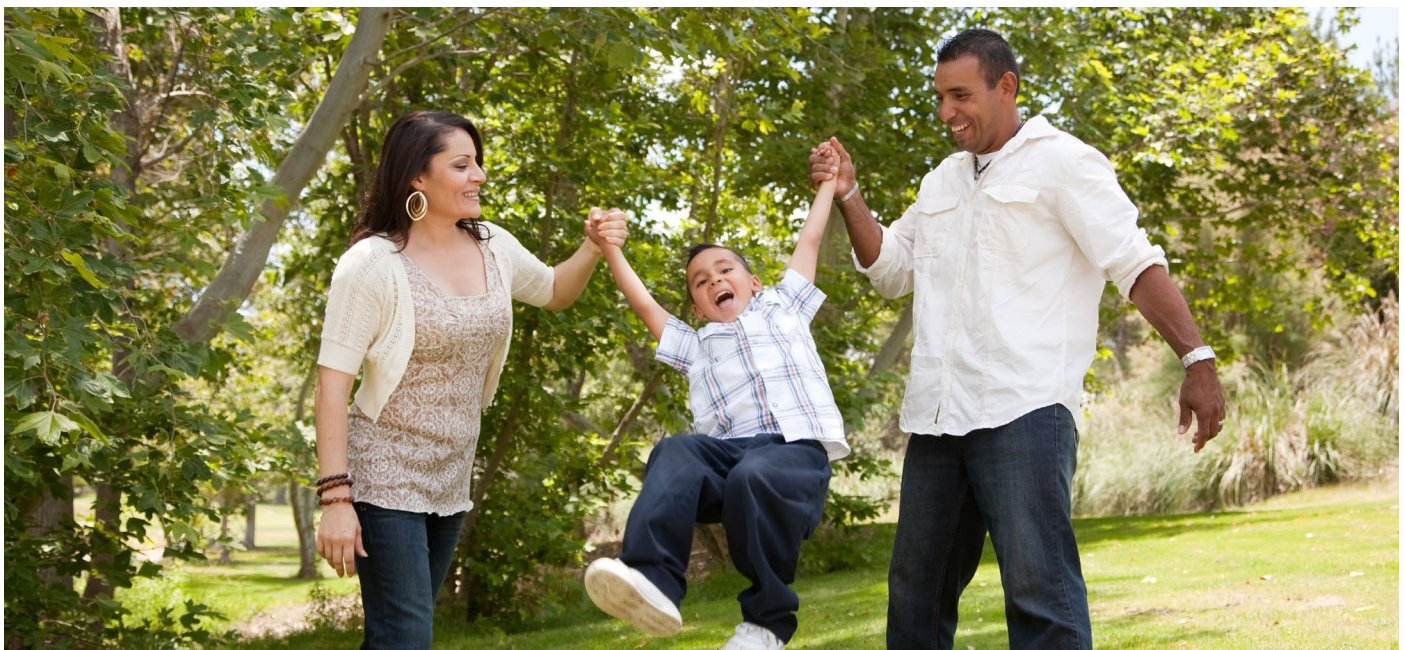
Although improving, Latino economic health in the state, comparatively, is not strong. On every measure examined in this study, Latino outcomes are below those of the general population, and far below those of non-Latino Whites and Asian Americans. Latinos are overrepresented in lower-income groups, while also underrepresented among California's highest-earning households. Latino poverty rates remain high despite seeing the largest decrease of any racial or ethnic group over the past decade. Even with significant gains in educational attainment, the Latino dropout rate remains high. There is still much work to be done to ensure higher college enrollment and that Latinos enrolled in college have the resources to finish in order to share in a middle-class lifestyle that is often associated with being a college graduate.

As with the rest of California's population homeownership remains desirable for Latinos, but the study's findings suggest that solutions aimed at increasing homeownership for the Latino population alone are not sufficient. The state's large, cost-burdened Latino renter population cannot achieve the savings and financial stability necessary for homeownership without access to affordable rental housing. While Latino business owners represent a significant share of California's entrepreneurs, Latino firms are greatly underrepresented in the state's annual receipts and sales. Research by the Stanford Graduate School of Business has attributed this, in part, to barriers Latinos face when accessing capital, and found that many Latino business owners are unaware of existing government funding programs for small businesses.<sup>71</sup> In order to support the improved economic well-being of Latinos, including an expanded middle class, it is crucial to help Latino business owners connect to the financial services they need and to address banking practices that disproportionately disadvantage Latinos.

At the same time, this study identified the significant variation in outcomes for Latinos across California's regions and detailed, through the LEI, the even greater disparities present within regions. Latinos continue to face significant structural challenges in housing, educational attainment and entrepreneurial efforts that, together, serve as barriers to higher income and overall economic stability at every geographic level. California's current policies are failing the Latino middle class and by extension, the state's long-term economic prosperity.

Meaningful action toward expanding the Latino middle class in California must address the structural and institutional barriers that reproduce disparities in education, housing and entrepreneur outcomes for Latinos in the state. In developing effective strategies and policies to promote economic growth, policy makers should consider both regional patterns of disparity and address community level "hot spots" identified by the Latino Economic Index.

CLEI looks forward to engaging stakeholders, community leaders, and elected officials in conversations to address the opportunities and disparities identified by the research. The organization is committed to advancing an economic agenda that expands the Latino middle class in California.



1. U.S. Census Population estimates, July 1, 2018. See: <https://www.census.gov/quickfacts/fact/table/CA,US/PST045218>.
2. UnidosUS (formerly National Council of La Raza), "Latinos in the Golden State: An Analysis of Economic and Demographic Trends," 2016. <https://www.unidosus.org/about-us/media/press/releases/nclr-CA-economy-report-13017>, and "Measure of America. A Portrait of California 2014–2015" 2014. <http://www.measureofamerica.org/california2014-15/>.
3. Pew Research Center. 2015. "The American Middle Class is Losing Ground: No longer the majority and falling behind financially." <http://www.pewsocialtrends.org/2015/12/09/the-american-middle-class-is-losing-ground/>. Alissa Quart (2018). "Squeezed: Why our Families Can't Afford America". New York, NY (Ecco).
4. The Census Bureau poverty definition - Following the Office of Management and Budget's (OMB) Statistical Policy Directive 14, the Census Bureau uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. If a family's total income is less than the family's threshold, then that family and every individual in it is considered in poverty. The official poverty thresholds do not vary geographically, but they are updated for inflation using Consumer Price Index (CPI-U). The official poverty definition uses money income before taxes and does not include capital gains or noncash benefits (such as public housing, Medicaid, and food stamps). For more information: [How the Census Bureau Measures Poverty](#)
5. 2000 U.S. Census and 2010, 2017 American Community Survey 1-Year Estimates
6. Regions defined to include the following counties. Sacramento region: El Dorado, Placer, Sacramento. Sutter, Yolo, Yuba; Bay Area: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma; LA region: Los Angeles, Orange, Riverside, San Bernardino, Ventura; San Joaquin Valley: Fresno, Kern, King, Madera, Merced, San Joaquin, Stanislaus, Tulare; North State: Butte, Del Norte, Lassen, Modoc, Siskiyou, Humboldt, Shasta, Tehama, Trinity, Plumas, Glenn; Central Coast: Monterey, San Benito, San Luis Obispo, Santa Barbara; San Diego: San Diego
7. We adjusted for cost-of-living Inflation increases with the following formula: adjusted estimate = 2000 estimate \* (2017 CPI-U-RS / 2000 CPI-U-RS). See, <https://www.census.gov/topics/income-poverty/income/guidance/current-vs-constant-dollars.html>
8. Housing and person files from the Public Use Microdata Sample (PUMS) 2017 1-year estimates were used in this analysis. The household income was first adjusted for inflation using the census-published adjustment factor. Then it was adjusted for household size and scaled to a uniform household size of three people. According to the 2017 American Community Survey 1-year Estimates, the average household size in California is 2.97. So we rounded up to a uniform household size of 3, allowing for the comparison of differently-sized households.\* The adjusted household income for all adults (18 years and older) was classified with person-weighted quintiles, and each quintile contains one-fifth of the adult population in California. The lower-income group was composed of the first and second quintile of the adjusted household income for the total adult population. Meanwhile, the third and fourth quintile made up the middle-income group (or middle class), and the fifth quintile made up the upper-income group. For example, an individual whose adjusted household income fell within the range of the 3rd quintile would be considered middle income. Quintiles provided a population-driven definition of the middle class, with an income range based on the actual distribution of household income. Because there is no household income published for people in group quarters, people living in institutional and non-institutional group quarters were excluded from the analysis. \*We used the equivalence scale adjustment method, where the adjusted household income equals the household income divided by the square root of the household size. The adjusted household income was then scaled to a three-person household size by multiplying the adjusted household income by the square root of 3.  
See: <http://www.latinoeconomicinstitute.org/tags/research>
9. Pew Research Center. 2016. "America's Shrinking Middle Class: A Close Look at Changes within Metropolitan Areas." <http://www.pewsocialtrends.org/2016/05/11/americas-shrinking-middle-class-a-close-look-at-changes-within-metropolitan-areas/>.
10. The State of Latino Economic Well-Being in California: A Profile of the Latino Middle Class. <http://www.latinoeconomicinstitute.org/tags/research>
11. The State of Latino Economic Well-Being in California: A Profile of the Latino Middle Class <http://www.latinoeconomicinstitute.org/tags/research>
12. Wolff, Edward N. 2016. "Household Wealth Trends in the United States, 1962 to 2013: What Happened over the Great Recession?" The Russell Sage Foundation Journal of the Social Sciences 2 (6): 24-43.
13. Pew Research Center. 2012. Hispanics Say They Have the Worst of a Bad Economy. <http://www.pewhispanic.org/2012/01/26/hispanics-say-they-have-the-worst-of-a-bad-economy/>.
14. The State of Latino Economic Well-Being in California: Homeownership and the Latino Middle Class <http://www.latinoeconomicinstitute.org/tags/research>
15. In Brief 1 in this series, we analyzed the entire population of adult Latinos in order to understand the characteristics of those living in the middle class. Households can be composed of families or non-related individuals, and the data included all people in a household, since an individual who lives in an owner-occupied household with a middle-class household income may benefit from a middle-class household—for example, a young adult living with their family—even though the individual may not be the homeowner. Figure 9 in Brief 1 of this series shows the percentage of Latinos living in households that are owner-occupied. While these numbers are similar to those in Figure 2 in this brief, we focus on Latino heads of household who are the homeowners.
16. California Association of Realtors (CAR) reported the 2017 4th quarter median home price of a single-family home to be \$550,990. Based on estimated monthly payments of \$2,780, including principal, interest, and taxes on a 30-year fixed-rate mortgage at a 4.17 percent interest rate, the CAR estimates a minimum annual income of \$111,260 was needed to qualify for a home purchase. <https://www.car.org/aboutus/mediacenter/newsreleases/2018releases/4th-qtr-2017-hai>
17. American Community Survey 2017 1-year Estimates
18. American Community Survey 2017 1-year Estimates
19. Calculation based on ACS 2017 1-year Estimates Public Use Microdata Sample (PUMS).
20. California Association of Realtors (CAR). 2018. 4th Quarter 2017 Housing Affordability report. <https://www.car.org/aboutus/mediacenter/newsreleases/2018releases/4th-qtr-2017-hai>

- 21 Author's calculation based on ACS 2017 1-year Estimates Public Use Microdata Sample (PUMS). The percentage of housing units that are owner-occupied.
- 22 2017 American Community Survey 1-year Public Use Microdata Sample (PUMS)
- 23 2013-2017 American Community Survey 5-Year Estimates
- 24 U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS) 2005-2009 and 2011-2015 5-Year Estimates
- 25 2011-2015 U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS).
- 26 California Budget & Policy Center. 2017. Californians in All Parts of the State Pay More Than They Can Afford for Housing. <https://calbudgetcenter.org/resources/californians-parts-state-pay-can-afford-housing/>.
- 27 U.S. Department of Housing and Urban Development, Comprehensive Housing Affordability Strategy (CHAS). [https://www.huduser.gov/portal/datasets/cp/CHAS/bg\\_chas.html](https://www.huduser.gov/portal/datasets/cp/CHAS/bg_chas.html).
- 28 See CLEI Website: <http://www.latinoeconomicinstitute.org/>
- 29 2017 American Community Survey 1-year Public Use Microdata Sample (PUMS) Estimates - Head of Household-based Analysis
- 30 The State of Latino Economic Well-Being in California: Homeownership and the Latino Middle Class <http://www.latinoeconomicinstitute.org/tags/research>
- 31 2017 American Community Survey 1-Year Public Use Microdata Sample (PUMS) Estimates
- 32 California Association of Realtors (CAR). 2018. 4th Quarter 2017 Housing Affordability report. <https://www.car.org/aboutus/mediacenter/newsreleases/2018releases/4th-qtr-2017-hai>.
- 33 Author's calculation based on American Community Survey 2017 1-year Estimates Public Use Microdata Sample (PUMS).
- 34: 2017 American Community Survey 1-Year Public Use Microdata Sample (PUMS) Estimates
- 35 Villalobos, Michael A.B. 2009. An Investigation of Academic Outcomes of Participants in UC Davis Student Retention Programs
- 36 California Department of Education, 2014-2016 3-Year Average
- 37 California Department of Education, 2000, 2010 and 2017
- 38 U.S. Census 2000, American Community Survey 1-Year Estimates 2010, 2017
- 39 2017 American Community Survey 1-year Estimates. Includes STEM and STEM-related occupations.
- 40 California Department of Education 2016-2018 3-Year Average
- 41 California Department of Education, 2016-2018 3-Year Average
- 42 The State of Latino Economic Well-Being in California: Education and the Latino Middle Class <http://www.latinoeconomicinstitute.org/tags/research>
- 43 Gramlich, John. 2017. Pew Research Center. Hispanic dropout rate hits new low, college enrollment at new high. <http://www.pewresearch.org/fact-tank/2017/09/29/hispanic-dropout-rate-hits-new-low-college-enrollment-at-new-high/>
- 44 Hugo Lopez, Mark and Fry, Richard. 2013. Pew Research Center. Among recent high school grads, Hispanic college enrollment rate surpasses that of whites.
- 45 According to the 2017 American Community Survey 1-year Estimates.
- 46 According to the 2017 American Community Survey 1-year Estimates.
- 47 U.S. Census Survey of Business Owners (SBO) 2012.
- 48 Fueling California's Economic Growth: A Study on Latino Small Business and Capital Access. 2017. National Association for Latino Community Asset Builders (NALCAB), Roberto Barragan.
- 49 State of Latino Entrepreneurship 2017. Stanford Graduate School of Business Latino Entrepreneurship Initiative.
- 50 Vilorio, Dennis. STEM 101: Intro to Tomorrow's Jobs. Occupational Outlook Quarterly. Spring 2014. <https://www.bls.gov/careeroutlook/2014/spring/art01.pdf>
- 51 Fayer, Stella, Lacey, Alan, and Watson, Audrey. 2017. STEM Occupations: Past, Present, and Future. U.S. Bureau of Labor Statistics. <https://www.bls.gov/spotlight/2017/science-technology-engineering-and-mathematics-stem-occupations-past-present-and-future/pdf/sciencetechnology-engineering-and-mathematics-stem-occupations-past-present-and-future.pdf>
- 52 California Labor Market Trends. 2015. Employment Development Department, State of California. <https://www.labormarketinfo.edd.ca.gov/Publications/Trend-Reports/STEM-California-August-2015.pdf>
- 53 U.S. Census Bureau. STEM, STEM-related, and Non-STEM Occupation Code List 2010. <https://www.census.gov/topics/employment/industryoccupation/guidance/code-lists.html>
- 54 According to the 2017 American Community Survey 1-year Estimates.
- 55 Calculations by the author using 2017 American Community Survey 1-Year Estimates
- 56 Employment Development Department, State of California: Employment Projections, <https://www.labormarketinfo.edd.ca.gov/data/employment-projections.html>; Top 100 Fastest Growing Occupations in California, 2016-2026, <https://www.labormarketinfo.edd.ca.gov/>
- 57 U.S. Census Bureau. STEM, STEM-related, and Non-STEM Occupation Code List 2010. <https://www.census.gov/topics/employment/industryoccupation/guidance/code-lists.html>
- 58 Includes computer and math occupations, architecture and engineering occupations, and life, physical and social science occupations.
- 59 As defined by the U.S. Census, computer and mathematical occupations include: computer and information research scientists and analysts, software developers and programmers, database and systems administrators and network architects, miscellaneous computer occupations, including computer support specialists, and mathematical science occupations.
- 60 As defined by the U.S. Census, architecture and engineering occupations include: architects, surveyors and cartographers, engineers, and drafters, engineering and mapping technicians.
- 61 As defined by the U.S. Census, life, physical and social science occupations include: life and physical scientists, social scientist and related workers, and life, physical and social science technicians.
- 62 Calculations by the author, based on the U.S. Census Survey of Business Owners (SBO) 2002, 2007, 2012.
- 63 Calculations by the author, based on the U.S. Census Survey of Business Owners (SBO) 2002, 2007, 2012.
- 64 Cameron, Abigail E. & Cabaniss, Emily R. 2018. Forging Their Own Path to the Labor Market: Hispanic Women Business Owners in North Carolina. Social Currents, Vol. 5(4) 369-385; and

- 65 U.S. Census 2012 Survey of Business Owners (SBO)
- 66 U.S. Census 2012 Survey of Business Owners (SBO)
- 67 U.S. Census 2012 Survey of Business Owners (SBO)
- 68 The State of Latino Economic Well-Being in California: Employment & Entrepreneurship  
<http://www.latinoeconomicinstitute.org/tags/research>
- 69 LEI Methods and Technical Documentation
- 70 U.S. Census definition at: <https://www.census.gov/content/dam/Census/data/developers/understandingplace.pdf>
- 71 See State of Latino Entrepreneurship 2015. Stanford Graduate School of Business Latino Entrepreneurship Initiative at:  
<https://www.gsb.stanford.edu/faculty-research/publications/state-latino-entrepreneurship-2015>