



SUPPORTING SMALL BUSINESS WORKFORCE DEVELOPMENT

*for Power and Economic
Opportunity*

An Economic Study

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for Power and Economic Opportunity

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The **James Irvine**
Foundation

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Executive Summary

Small businesses represent an important part of Los Angeles County’s economy. The County’s 259,000 small business employer establishments—stretching from Lancaster in the north to Long Beach in the south, and from Westlake Village in the west to Claremont in the east—employ over 2 million workers. This represents roughly 52 percent of all employment in the region. On top of this, its 1.1 million sole proprietors also contribute to the region’s economic output. Altogether, the County contains approximately 32 percent of California’s universe of small businesses.¹



Small businesses are also vital to Los Angeles County’s residents. They create more jobs for every dollar in sales revenue and spend a higher percentage of their capital on payroll than do other types of businesses.² As engines of job growth, small businesses in the County increase household income and investment in the local economy.

Additionally, small businesses reflect the cultural fabric of Los Angeles County. With nearly 10 million residents across its 88 incorporated cities and numerous unincorporated areas, Los Angeles County is considered one of the most diverse counties in the United States. According to the U.S. Census Bureau, more than 55 percent of households in the County speak a language other than English at home. And 38 percent of businesses in the County are owned by racially and ethnically diverse business owners.

Given these factors, small businesses are positioned to help address a critical problem facing Los Angeles County and the state as a whole: economic stagnation faced by workers with low-wage jobs.



As the U.C. Berkeley Labor Center indicates, 4.3 million working Californians—one out of every three—has a low-wage job, which it defines as work that pays less than \$18.02 per hour (two-thirds of the median full-time wage in California). Since the mid-1990s, low-wage workers in California have experienced much slower real wage growth than higher-wage workers, leading to increasing wage inequality in the state. As of 2021, the annual median earnings for low-wage workers who were

¹ U.S. Census Bureau. 2020 County Business Patterns and 2020 Nonemployer Statistics.

² Elizondo, A. (2021). *The State of Procurement Equity in Los Angeles County*. UCLA Luskin School of Public Affairs. <https://luskin.ucla.edu/urban-planning/student-projects/capstone-project-database>

working full time was only \$25,000, a little over half of the median family income of California's overall workforce.³

The composition of small businesses in Los Angeles County, in terms of their employment reach, industry types, geographical location and ownership diversity, could be conducive to providing a pathway to workers with low wages to develop new skills and advance up the economic ladder. Understanding the extent to which this is possible would be useful for policymakers, civic organizations and educational institutions to design appropriate programs and incentives to help facilitate this upward mobility.

About this Report

The Los Angeles County Economic Development Corporation's Institute for Applied Economics (LAEDC) conducted a comprehensive analysis of small businesses in Los Angeles County to help illuminate the potential of small businesses to support workforce development in the region. Sponsored by The James Irvine Foundation, this analysis was part of a collaborative effort with ArroyoWest, Chaffey College and the Latino Restaurant Association with the ultimate goal of helping workers with low wages increase their power and economic opportunity. This report documents our approach and our findings.

Our study had multiple facets. First, it incorporated data analysis of small business characteristics in Los Angeles County, such as employment, industry, geography and ownership. The intent was to develop a baseline understanding of the types of industries that are clustered in diverse communities. Second, it included an analysis of low-wage jobs as well as the fastest growing jobs in the County. The purpose was to identify the occupations most likely to and least likely to result in economic stagnation, and then to highlight promising industries. Finally, it included a series of roundtables with business owners, support organizations and workforce development experts as well as an informal survey of business owners. The desire was to glean insights with respect to helping small business expand and to creating effective pathways for workers to upskill.

For the purpose of this report, we defined a small business as any independently owned and operated private-sector business having ten or more employees but no more than 99 employees. This definition differs significantly from the traditional definition used by the Small Business Administration, where any company with less than 500 employees is considered small. It also excludes corporate chains and franchises, since they violate the independently owned and operated requirement.

Key Findings

We determined the areas of Los Angeles County that show the highest levels of diversity among small business ownership. In other words, we found the cities where small business owners are most likely to belong to one or more racial and ethnic categories. These areas of diverse small businesses are shown in **Exhibit ES-1**.

³ U.C. Berkeley Labor Center. (2022, May). *Online Data Explorer Provides In-depth Look at California's Low-wage Workforce*. U.C. Berkeley Labor Center Press Release. <https://laborcenter.berkeley.edu/release-low-wage-work-in-california-data-explorer/>

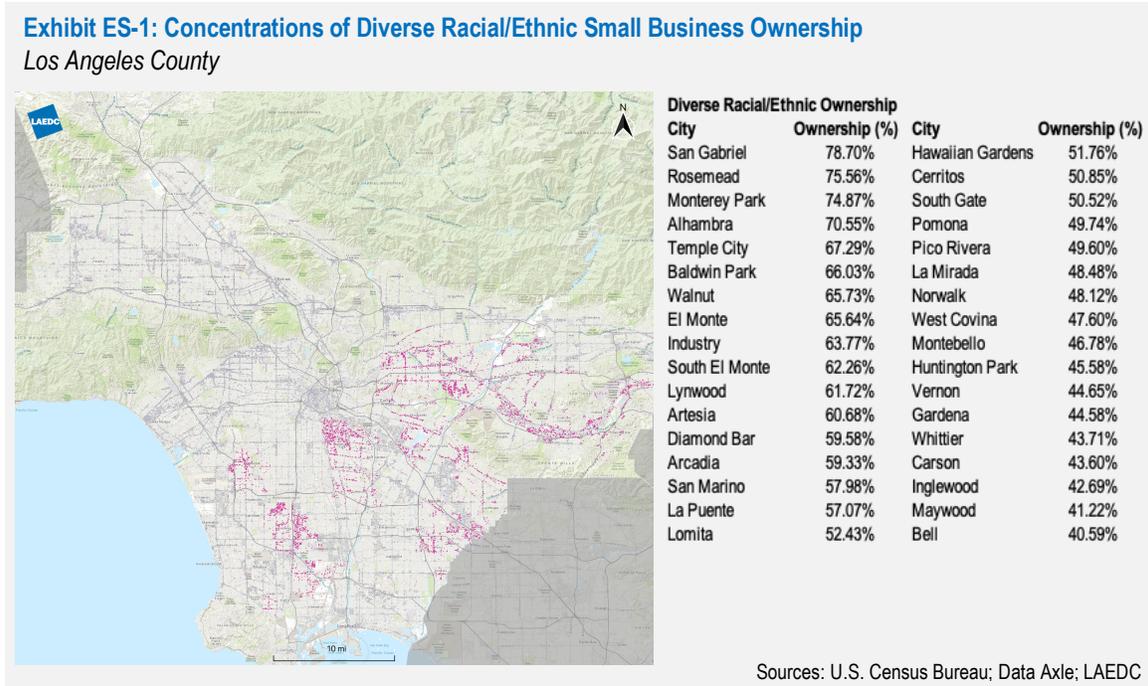


Exhibit ES-1 highlights 34 cities in particular across Los Angeles County.⁴ The levels of diverse small business ownership in these cities range from 78.7 percent in the City of San Gabriel to 40.6 percent in the City of Bell. The small businesses represented by purple dots are companies that are located in these 34 cities, and as a result, they are businesses that have a high likelihood of being BIPOC owned. We identified 7,683 such businesses. Generally, they cover wide swaths of the San Gabriel Valley, the Gateway Cities, and the southern end of the County.

Finding 1: BIPOC small business ownership in Los Angeles County is clustered in 34 cities, primarily in the San Gabriel Valley, the Gateway Cities, and the southern end of the County.



We also identified the specific industries associated with these 7,683 businesses, broken down by employment band. The eight largest industries in each employment band represent about 80 percent or more of their respective businesses, and as a result we designated them as target industries. These are shown in **Exhibit ES-2**. Six of the industries in Exhibit ES-2 are common across all three employment bands: Construction, Manufacturing, Wholesale Trade, Retail Trade, Health Care and Social Assistance, and Accommodation and Food Services. Two industries, Information and Other Services (except Public

⁴ To develop this list, we sorted all 88 cities in Los Angeles County by the percentage of diverse-owned businesses using a Jenks Natural Breaks optimization with four classes, and then taking the top two classes.

Administration), are more relevant to the 10 to 19 employee band alone. Two other industries, Transportation and Warehousing and Professional, Scientific, and Technical Services, apply mainly to the 20 to 49 and 50 to 99 employment bands.

Finding 2: Target industries in areas of diverse small business ownership in Los Angeles County include: Construction; Manufacturing; Wholesale Trade; Retail Trade; Transportation and Warehousing; Information; Professional, Scientific, and Technical Services; Health Care and Social Assistance; Accommodation and Food Services; and Other Services (excluding Public Administration).

Exhibit ES-2: Target Industries in Diverse Areas by Business Size and Number
Los Angeles County

NAICS Code	Industry Name	10 to 19 Employees		20 to 49 Employees		50 to 99 Employees	
		Number of Businesses	Percent of Businesses	Number of Businesses	Percent of Businesses	Number of Businesses	Percent of Businesses
23	Construction	302	6.4%	143	6.5%	37	5.0%
31-33	Manufacturing	717	15.2%	472	21.3%	167	22.6%
42	Wholesale Trade	486	10.3%	276	12.5%	105	14.2%
44-45	Retail Trade	501	10.6%	250	11.3%	90	12.2%
48-49	Transportation and Warehousing	(in All Other)	---	136	6.1%	43	5.8%
51	Information	392	8.3%	(in All Other)	---	(in All Other)	---
54	Professional, Scientific, and Tech Svcs	(in All Other)	---	160	7.2%	55	7.4%
62	Health Care and Social Assistance	565	11.9%	236	10.7%	98	13.2%
72	Accommodation and Food Services	419	8.9%	134	6.1%	32	4.3%
81	Other Services (except Public Admin)	387	8.2%	(in All Other)	---	(in All Other)	---
	All Other Industries	962	20.3%	405	18.3%	113	15.3%
	Total	4731	100.0%	2212	100.0%	740	100.0%

Sources: Data Axle; LAEDC

Our labor market analysis of Los Angeles County produced the 20 occupations that have the largest numerical growth projections between 2022 and 2027; have average hourly earnings of \$21.53 or more; have educational requirements less than an Associate’s degree; and can be found in one or more of the industries listed in Exhibit ES-2. We designated these as target occupations, and they are shown in **Exhibit ES-3**.

Finding 3. Los Angeles County has multiple occupations that are among the fastest growing in number, pay above a living wage, are associated with our target industries, and do not require a college degree. These range from supervisors to truck drivers to licensed nurses to electricians.

Looking at the intersection of target occupations with target industries, it is interesting to note that there is significant overlap. While most of the target occupations can be found in two industries, Health Care and Social Assistance and Other Services (except Public Administration), they also appear in most of the other eight industries. In fact, all of the industries except for construction produce at least half of the target occupations. This



suggests that workforce development efforts should be broad based across many industries rather than restricted to only a few.

Exhibit ES-3: Target Occupations in Diverse Areas by Business Size and Number
 Los Angeles County

SOC	Description	2022 - 2027 Change	Avg. Hourly Earnings	Typical Entry Level Education	Work Experience Required	Industry
35-1012	First-Line Supervisors of Food Preparation and Serving Workers	5,625	\$21.92	High school diploma or equivalent	Less than 5 years	31-33, 44-45, 51, 54, 62, 72, 81
53-3033	Light Truck Drivers	3,372	\$22.45	High school diploma or equivalent	None	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81
53-3032	Heavy and Tractor-Trailer Truck Drivers	3,282	\$25.99	Postsecondary nondegree award	None	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 71, 81
21-1093	Social and Human Service Assistants	2,737	\$23.92	High school diploma or equivalent	None	54, 62, 81
39-5012	Hairdressers, Hairstylists, and Cosmetologists	2,460	\$22.66	Postsecondary nondegree award	None	44-45, 51, 54, 62, 72, 81
49-9071	Maintenance and Repair Workers, General	2,398	\$24.79	High school diploma or equivalent	None	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81
29-2061	Licensed Practical and Licensed Vocational Nurses	2,322	\$32.51	Postsecondary nondegree award	None	62, 81
43-6013	Medical Secretaries and Administrative Assistants	1,942	\$22.27	High school diploma or equivalent	None	42, 54, 62, 81
39-9031	Exercise Trainers and Group Fitness Instructors	1,709	\$28.25	High school diploma or equivalent	None	54, 62, 72, 81
25-3021	Self-Enrichment Teachers	1,510	\$28.82	High school diploma or equivalent	Less than 5 years	44-45, 48-49, 62, 72, 81
47-2061	Construction Laborers	1,463	\$25.18	No formal ed. credential	None	23, 31-33, 42, 51, 54, 62, 81
11-9051	Food Service Managers	1,291	\$32.12	High school diploma or equivalent	Less than 5 years	31-33, 44-45, 62, 72, 81
53-2031	Flight Attendants	1,282	\$36.06	High school diploma or equivalent	Less than 5 years	48-49
41-3091	Sales Reps of Svcs, Except Advertising, Ins, Fin Svcs, and Travel	1,256	\$37.64	High school diploma or equivalent	None	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81
31-9011	Massage Therapists	1,029	\$31.05	Postsecondary nondegree award	None	62, 72, 81
41-1011	First-Line Supervisors of Retail Sales Workers	1,003	\$26.10	High school diploma or equivalent	Less than 5 years	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81
27-2011	Actors	934	\$28.37	Some college, no degree	None	51, 54
43-9061	Office Clerks, General	932	\$21.69	High school diploma or equivalent	None	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81
47-2111	Electricians	893	\$36.51	High school diploma or equivalent	None	23, 31-33, 42, 51, 54, 62, 72, 81
53-1047	First-Line Sups of Transp and Material Moving Workers, Except Aircraft Cargo	869	\$29.55	High school diploma or equivalent	Less than 5 years	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81

Sources: Lightcast; Bureau of Labor Statistics; LAEDC

Finding 4. The target occupations in Los Angeles County can be found across many of the target industries.

Our roundtable discussions focused on three broad topics regarding supporting small business workforce development: the types of workforce development programs that are most successful in helping workers upskill and find better employment; the needs of small businesses to operate and grow (and thereby increase hiring); and the ways that government agencies and other organizations can help these efforts. Our survey respondents provided additional detailed insight on these topics.



With respect to workforce development, discussants agreed that career pathways to quality jobs require improvement through strategies like work-based learning, apprenticeships, and increased coordination between schools and local employers. Enhanced career counseling and exposure starting in high school could better position students.

Finding 5. Career pathways to quality jobs require improvement through strategies like work-based learning, apprenticeships, and increased coordination between schools and local employers.

For small businesses, access to flexible, affordable capital remains a significant challenge. This is especially true for microenterprises and early-stage ventures who often do not qualify for traditional financing options. Small businesses also require wide-ranging technical assistance with operations, marketing, financial management, digital skills, legal issues, HR and other areas where educational gaps are common.

Minority and women-owned businesses in particular face disadvantages in accessing both capital and technical assistance programs. This is generally due to their having fewer or less extensive professional networks, which means they are effectively shut out of discussions where deals are made. Another barrier mentioned was distrust of government primarily because of cultural reasons.

Finding 6. Small businesses—especially microenterprises, early-stage ventures, and minority and women-owned businesses—require enhanced access to capital and technical assistance.

One way that government can support small business workforce development is by helping small businesses find ways to grow. Government procurement opportunities, for example, can create avenues for small and diverse businesses to generate revenue. However, many business owners need help navigating extensive bureaucratic requirements and managing their cash flows which can become strained as a result of government payment lags. Additionally, burdensome regulations and policies in niche sectors like cannabis and outdoor dining hinder the competitiveness and growth of affected small businesses.

Government also has a role to play through their workforce development agencies. Working directly with businesses, these agencies can bolster the growth ambitions of small businesses and help develop companies' worker training efforts. However, staffing shortages as well as unpredictable funding for workforce development activities can reduce the effectiveness of these activities. Additionally, better outreach and coordination between workforce development programs could improve utilization.

Finding 7. Government efforts to help small businesses through growth and workforce development are hampered by bureaucracy and inconsistent funding.

Recommendations

Based on the key findings from our analysis of the landscape of small businesses in Los Angeles County, our analysis of the labor market in the County, and our stakeholder roundtables and survey, we make a number of recommendations regarding small business workforce development efforts to promote worker power and economic opportunity in Los Angeles. Small business workforce development initiatives should:

- ❖ Focus outreach, partnership and placement efforts in the San Gabriel Valley, the Gateway Cities, and the southern end of the County
- ❖ Target one or more of the following industries: Construction; Manufacturing; Wholesale Trade; Retail Trade; Transportation and Warehousing; Information; Professional, Scientific, and Technical Services; Health Care and Social Assistance; Accommodation and Food Services; and Other Services
- ❖ Educate and train workers on the occupations in Los Angeles County that are among the fastest growing in number, pay above a living wage, are associated with our target industries, and do not require a college degree
- ❖ Emphasize strategies like work-based learning, apprenticeships, and increased coordination between schools and local employers
- ❖ Leverage community associations (e.g., local and minority chambers of commerce, cultural institutions) to tap into small businesses' formal and informal networks and help increase their awareness of and access to capital and technical assistance
- ❖ Include a collaboration with local governments to help them increase outreach to small businesses regarding procurement opportunities and to recommend ways to help them reduce their regulatory burdens.

1. Introduction

Small businesses represent an important part of Los Angeles County's economy. The County's 259,000 small business employer establishments—stretching from Lancaster in the north to Long Beach in the south, and from Westlake Village in the west to Claremont in the east—employ over 2 million workers. This represents roughly 52 percent of all employment in the region. On top of this, its 1.1 million sole proprietors also contribute to the region's economic output. Altogether, the County contains approximately 32 percent of California's universe of small businesses.⁵



Small businesses are also vital to Los Angeles County's residents. They create more jobs for every dollar in sales revenue and spend a higher percentage of their capital on payroll than do other types of businesses.⁶ As engines of job growth, small businesses in the County increase household income and investment in the local economy.

Additionally, small businesses reflect the cultural fabric of Los Angeles County. With nearly 10 million residents across its 88 incorporated cities and numerous unincorporated areas, Los Angeles County is considered one of the most diverse counties in the United States. According to the U.S. Census Bureau, more than 55 percent of households in the County speak a language other than English at home. And 38 percent of businesses in the County are owned by racially and ethnically diverse business owners.

Given these factors, small businesses are positioned to help address a critical problem facing Los Angeles County and the state as a whole: economic stagnation faced by workers with low-wage jobs, particularly in the BIPOC community.

As the U.C. Berkeley Labor Center indicates, 4.3 million working Californians—one out of every three—has a low-wage job, which it defines as work that pays less than \$18.02 per hour (two-thirds of the median full-time wage in California). Since the mid-1990s, low-wage workers in California have experienced much slower real wage growth than higher-wage workers, leading to increasing wage inequality in the state. As of 2021, the annual median earnings for low-wage workers working full time was only \$25,000, a little over half of the median family income of California's overall workforce.⁷

The composition of small businesses in Los Angeles County, in terms of their employment reach, industry types, geographical location and ownership diversity, could be conducive to providing a

⁵ U.S. Census Bureau. 2020 County Business Patterns and 2020 Nonemployer Statistics.

⁶ Elizondo, A. (2021). *The State of Procurement Equity in Los Angeles County*. UCLA Luskin School of Public Affairs. <https://luskin.ucla.edu/urban-planning/student-projects/capstone-project-database>

⁷ U.C. Berkeley Labor Center. (2022, May). *Online Data Explorer Provides In-depth Look at California's Low-wage Workforce*. U.C. Berkeley Labor Center Press Release. <https://laborcenter.berkeley.edu/release-low-wage-work-in-california-data-explorer/>

pathway to workers with low wages to develop new skills and advance up the economic ladder. Understanding the extent to which this is possible would be useful for policymakers, civic organizations and educational institutions to design appropriate programs and incentives to help facilitate this upward mobility.

About this Report

The Los Angeles County Economic Development Corporation's Institute for Applied Economics (LAEDC) conducted a comprehensive analysis of small businesses in Los Angeles County to help illuminate the potential of small businesses to support workforce development in the region, with a special emphasis on the BIPOC community. Sponsored by The James Irvine Foundation, this analysis was part of a collaborative effort with ArroyoWest, Chafee College and the Latino Restaurant Association with the ultimate goal of helping workers with low wages increase their power and economic opportunity. This report documents our approach and our findings.

Our study had multiple facets. First, it incorporated data analysis of small business characteristics in Los Angeles County, such as employment, industry, geography and ownership. The intent here was to develop a baseline understanding of the types of industries that are clustered in diverse communities. Second, it included an analysis of low-wage jobs as well as the fastest growing jobs in the County. The purpose was to identify the occupations most likely to and least likely to result in economic stagnation, and then highlight promising industries. Finally, it included a series of roundtables with business owners, support organizations and workforce development experts as well as an informal survey of business owners. The desire was to glean insights with respect to helping small business expand and to creating effective pathways for workers to upskill.



We began our study with the presumption that the small businesses best suited to support workforce development had to be both motivated and capable. That is, they could not be so large as to be impersonal and unlikely to implement programs or pursue other efforts to help low-wage workers succeed. At the same time, they could not be so small, like start-ups or microenterprises, such that their primary focus is getting established or staying afloat rather than workforce development.

For the purpose of this report, we defined a small business as any independently owned and operated private-sector business having ten or more employees but no more than 99 employees. This definition differs significantly from the traditional definition used by the Small Business Administration, where any company with less than 500 employees is considered

small. It also excludes corporate chains and franchises, since they violate the independently owned and operated requirement.

Structure of this Report

The structure of this report is as follows:

Section 2 presents the characteristics of our target set of small businesses in Los Angeles County. In it we show high-level data from the U.S. Census Bureau and detailed data on individual businesses from Data Axle to illustrate their size, industries, their geography, and ownership.

Section 3 contains an analysis of occupations in Los Angeles County with low wages and their characteristics. It also includes five-year occupation projections that are used to determine potential target occupations that align with the goals of supporting small business workforce development.

Section 4 describes the results of the five roundtables we conducted to gather unique and detailed perspectives on the growth and operation of small businesses as well as on workforce development. It also summarizes selected results of an unscientific survey of small business owners undertaken to obtain additional insight.

Finally, Section 5 concludes by summarizing our key findings and recommendations.

2. Landscape of Small Businesses in Los Angeles County

In this section, we explore the characteristics of our target set of small businesses in Los Angeles County to better understand their capacity to support workforce development and the upward mobility of workers with low wages. We do so by combining high-level data from the U.S. Census Bureau with detail on individual businesses from Data Axle to illustrate their size, the industries in which they operate, their racial and ethnic ownership, and their geographic location.



Size and Industry

We developed a dataset of businesses covering Los Angeles County’s 88 cities and unincorporated areas using information compiled by Data Axle. While the U.S. Census Bureau’s Annual Business Survey (ABS) provides information on economic and demographic characteristics for businesses and business owners by sex, ethnicity, and race, the most recent Census data at the economic place level (i.e., cities) dates back to 2017, which predates the economic dislocations caused by the Covid-19 pandemic. By contrast, Data Axle regularly verifies the operation of companies in its database so its set of companies is more current. Moreover, Data Axle captures street addresses as well as latitude and longitude coordinates, allowing for the precise location of businesses across the County to be determined.

Using our definition of a small business as any independently owned and operated private-sector business having from 10 to 99 employees, we identified 42,732 such businesses in Los Angeles County. This is shown in **Exhibit 2-1**. We further stratified these businesses into three “employment bands” comprising companies with 10 to 19 employees, companies with 20 to 49 employees, and companies with 50 to 99 employees. These employment bands recognize the fact that there can be significant operational differences even across this subset of small businesses. For example, the median company with 10 to 19 employees

employs 11 workers and has \$1.8 million in sales, whereas the median company with 50 to 99 employees has 60 workers and \$7.6 million in sales. Overall, the median firm employs 15 workers and has \$2.3 million in sales.

Exhibit 2-1: Small Businesses, Employment and Sales Volume, 2023

Los Angeles County

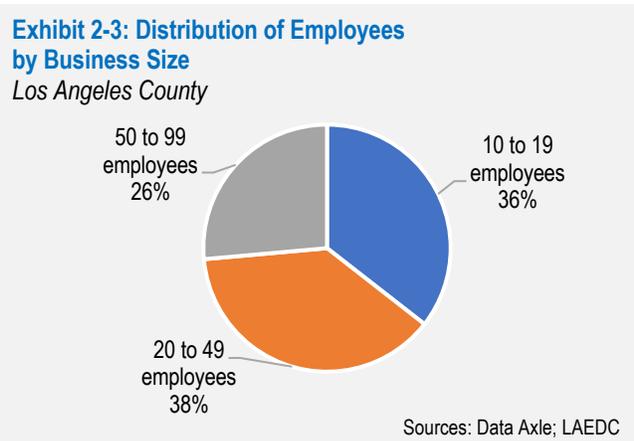
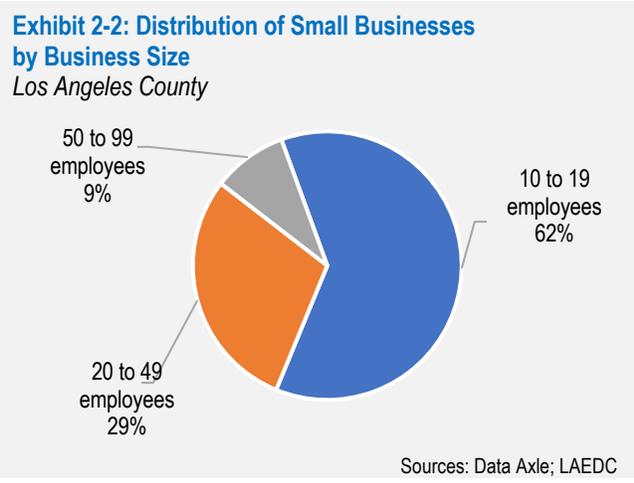
Band	Number of Businesses	Median Employment	Median Sales Volume
10 to 19	26,396	11	\$1,795,500
20 to 49	12,502	25	\$3,602,000
50 to 99	3,834	60	\$7,614,000
Overall	42,732	15	\$2,329,000

Sources: Data Axle; LAEDC

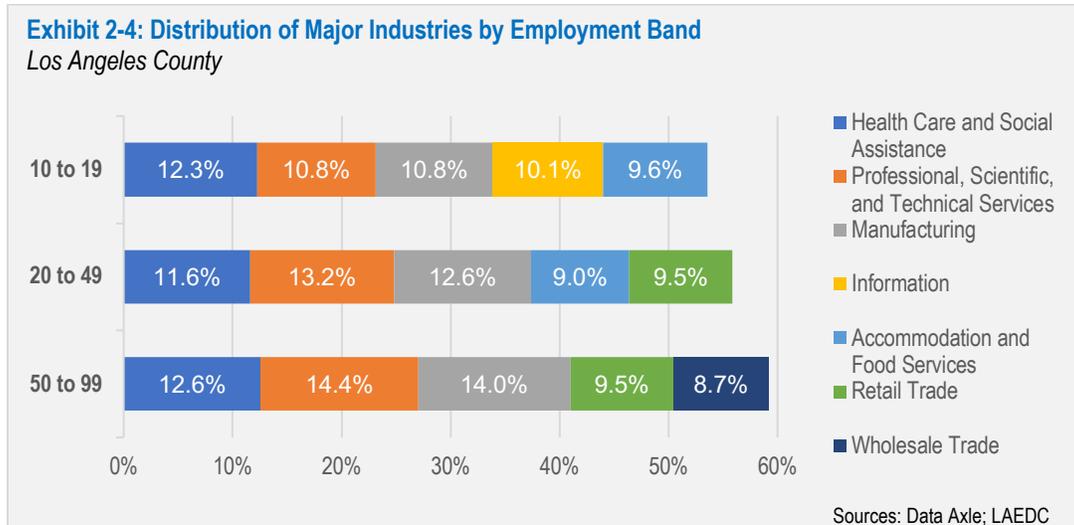
Exhibit 2-2 shows the percentage breakdown of these small businesses by employment band. By far, the employment band with the largest number of businesses is the 10 to 19 band, representing 62 percent of the sample. The 20 to 49 employee band has roughly half as many companies with 29 percent of the sample. The remaining 9 percent of businesses fell in the 50 to 99 employment band.

Despite the lopsided distribution of businesses across the three bands, the results are more evenly distributed when looking at the total number of employees these bands represent. This is indicated in **Exhibit 2-3**, which presents the distribution of employees by business size. It shows that while the 10 to 19 employment band contains over three fifths of the businesses in our sample, it represents only 36 percent of the employees in the sample. The 20 to 49 employee band actually contains more total employees, 38 percent, by virtue of the fact that its median employment level is more than twice that of the 10 to 19 employee band. Finally, the 50 to 99 employee band contains 26 percent of the total employees in our sample. These statistics suggest that initiatives to move the needle with respect to workforce development in Los Angeles County cannot just focus on the smallest of small businesses given their limited employment reach.

Through Data Axle, we identified the 2-digit NAICS industry sector for each of the businesses in our sample, and we aggregated the results to find the most predominant industries in each employment band. These are illustrated in **Exhibit 2-4**. Exhibit 2-4 shows that the five largest industries in each employment band cover 50 to 60 percent of the businesses there: 53.6 percent for the 10 to 19 employment band, 55.9 percent for the 20 to 49 employment band, and 59.2 percent for the 50 to 99 employment band. Additionally, no industry makes up more than 14.4 percent of the businesses in any employment band.



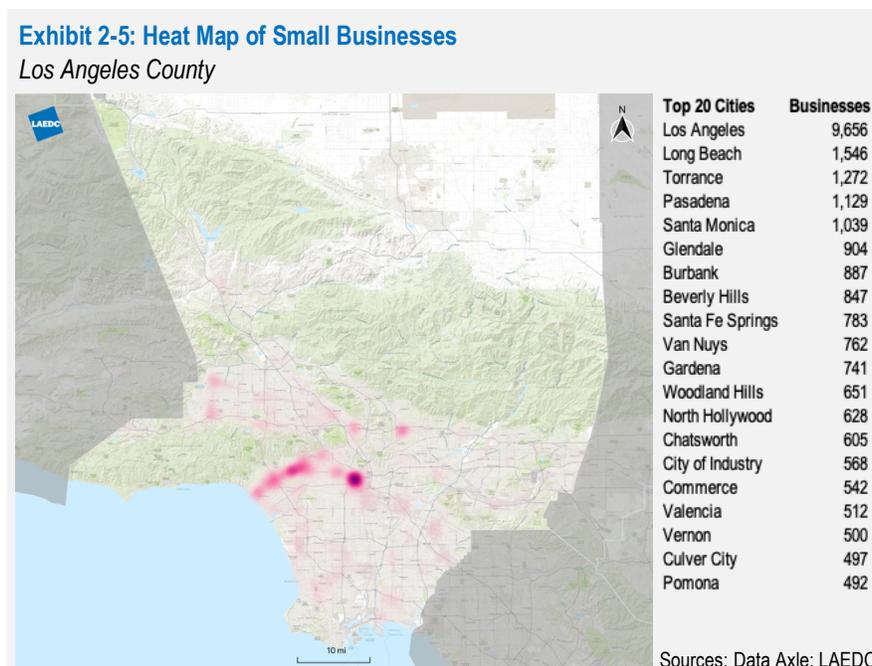
In terms of industry composition, the three largest industries in each band are the same, although their order of importance can differ:



Health Care and Social Assistance; Professional, Scientific and Technical Services; and Manufacturing. These three industries alone represent from 33.9 percent to 41 percent of businesses in their individual employment bands. The remaining two industries then diverge. In the 10 to 19 employment band, the next largest industries are Information and Accommodation and Food Services. In the 20 to 49 employment band, the next largest industries are Retail Trade and Accommodation and Food Services. Finally, in the 50 to 99 employment band, the next largest industries are Retail Trade and Wholesale Trade.

Geographic Location and Ownership

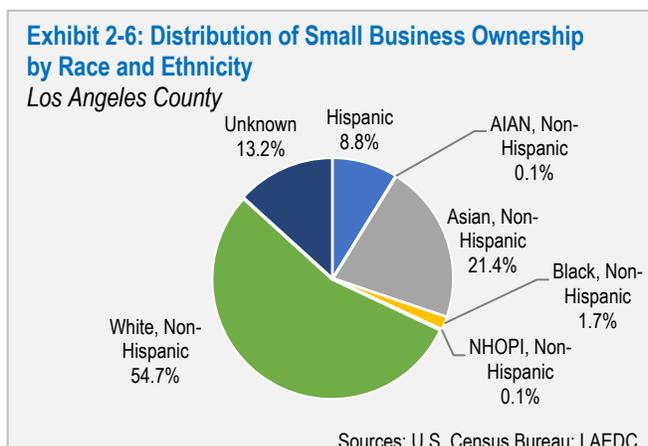
We used the latitude and longitude coordinates provided by Data Axle to map the small businesses in our dataset across Los Angeles County. A heat map of these businesses is shown in **Exhibit 2-5**.



Not surprisingly, the largest concentrations of businesses are located in Los Angeles near downtown and in West Los Angeles. As a whole, Los Angeles had nearly 10,000 businesses in its city boundaries. Additional concentrations are located in Santa Monica, Beverly Hills and Culver City in the west of the Los Angeles Basin; in the San Gabriel Valley around Pasadena; and in a handful of cities in the San Fernando Valley including Glendale, Woodland Hills and Chatsworth. Other smaller clusters can be seen dotting the County primarily in the southern portion, with the exception of Valencia in the northwest of the County. Although there are businesses to the north in the Lancaster and Palmdale area, there are not enough to indicate any type of clustering on the map.



We used the Census Bureau’s ABS to help determine the overall extent of BIPOC ownership of small businesses across the County as well as to identify areas of concentration within it. While Data Axle captures the race and ethnicity of individual business owners, this information is self-reported and we considered it to be less reliable because of potential undercounting. **Exhibit 2-6**, then, illustrates small business ownership by race and ethnicity in Los Angeles County overall.⁸ It shows that White, Non-Hispanic business owners represent the majority of small business ownership in the County at 54.7 percent. Asian, Non-Hispanic owners, Hispanic owners, and Black, Non-Hispanic owners make up the next largest identifiable categories at 21.4 percent, 8.8 percent and 1.7 percent, respectively. American Indian and Alaska Native (AIAN) and Native Hawaiian and Other Pacific Islander (NHOPI) owners each constitute 0.1 percent.



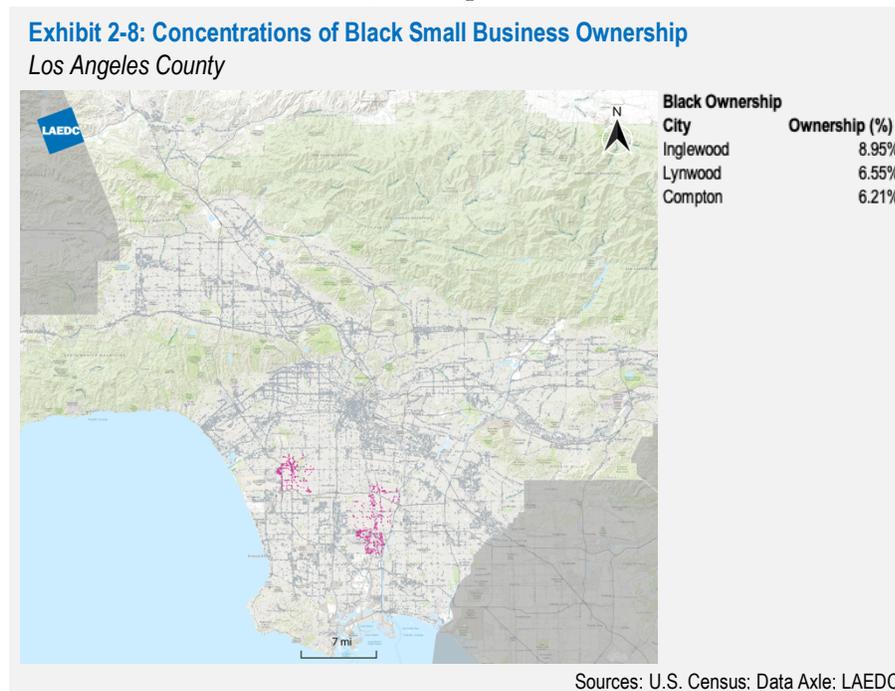
We also applied the official ABS estimates of racial/ethnic ownership by economic place to the businesses within our Data Axle sample according to the city in their listed address. In other words, we did not attempt to identify the racial/ethnic ownership of each business in our dataset. Instead, we essentially gave each business a probability of having an owner belonging to a specific racial/ethnic classification based on their address.

⁸ As noted earlier, the Census Bureau’s ABS data at the economic place level is from 2017. Consequently, we had to assume that its ownership percentages by race and ethnicity remained constant through to the present.

Exhibit 2-7 shows the thirteen cities in Los Angeles County where we determined small business owners have the highest likelihood of being Asian.⁹ Twelve of these cities are located in the San Gabriel Valley, with the lone exception being Artesia in the southeast portion of the County. Based on the Census Bureau’s figures, nearly three-quarters of the small businesses in the City of San Gabriel are Asian owned while South El Monte has the lowest percentage of Asian ownership on the list at 46.7 percent. The map identifies in purple all of the small businesses in our dataset that are located in the thirteen cities and thus are *more likely* to be Asian owned. The grey dots represent all of the other businesses in our sample.



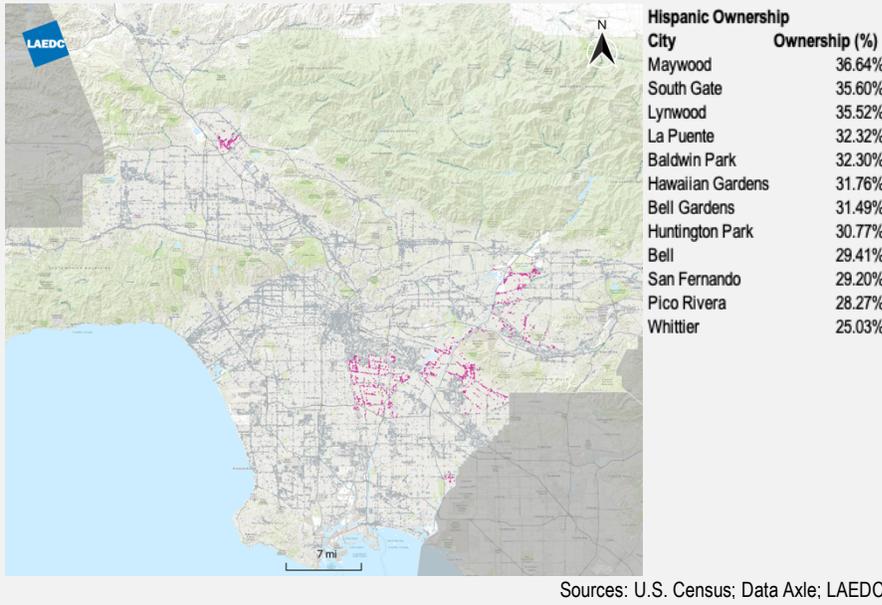
As illustrated in **Exhibit 2-8**, the highest concentrations of Black owned businesses occur in three cities in the southern end of the County:



Inglewood, Lynwood and Compton. The map highlights the small businesses in our dataset located in these three cities and, as a result, have the highest likelihood of being Black owned. Note, however, that even in these cities the percentages of Black owned businesses is rather small. Only about 9.0 percent of businesses in Inglewood are Black owned, whereas those

⁹ To develop this list, we sorted all 88 cities in Los Angeles County by the percentage of Asian-owned businesses using a Jenks Natural Breaks optimization with four classes, and then taking the top class.

Exhibit 2-9: Concentrations of Hispanic Small Business Ownership
Los Angeles County



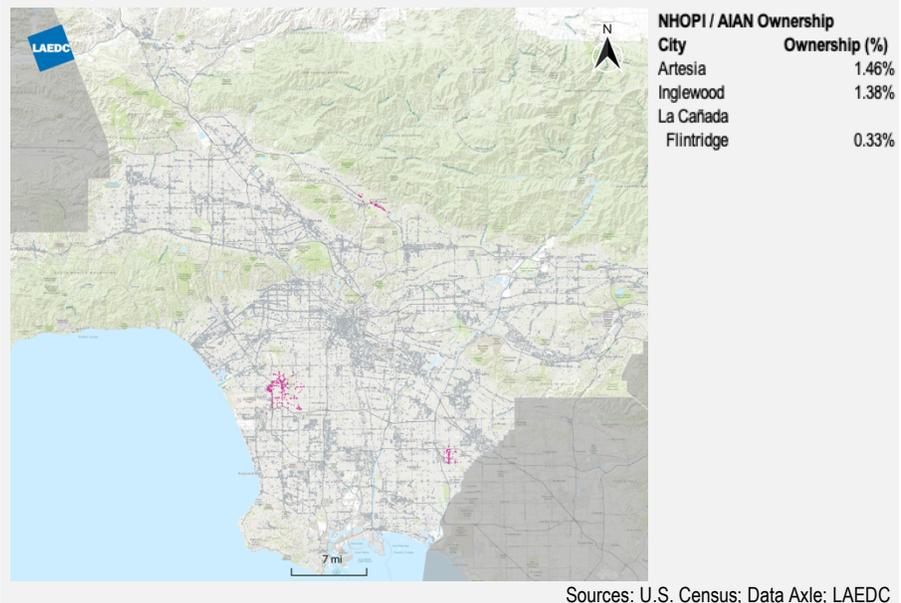
numbers are 6.6 percent and 6.2 percent for Lynwood and Compton, respectively. This contrasts with the City of San Gabriel mentioned earlier, where 74.4 percent of businesses are Asian owned.

Exhibit 2-9 shows four clusters of Hispanic owned small businesses in Los Angeles County. Two are located in the L.A. basin, with one incorporating the cities of Maywood, South Gate, Lynwood, Hawaiian

Gardens, Huntington Park, Bell Gardens and Bell, and the other incorporating Pico Rivera and Whittier. Another cluster centers around La Puente and Baldwin Park in the San Gabriel Valley, and the last contains the City of San Fernando in the San Fernando Valley. It should be noted that despite there being 12 cities listed as having concentrations of Hispanic owned businesses, the concentrations themselves are not overly large. Only 36.6 percent of businesses in Maywood, the city on the list with the largest concentration, are actually Hispanic owned small businesses according to the Census Bureau.

Finally, **Exhibit 2-10** highlights the clusters of NHOPI and AIAN owned small businesses. These concentrations are fairly small and located in just three cities: Artesia, Inglewood, and La Cañada Flintridge.

Exhibit 2-10: Concentrations of NHOPI and AIAN Small Business Ownership
Los Angeles County



3. Labor Market in Los Angeles County

In this section, we examine the labor market in Los Angeles County, specifically as it pertains to workers in jobs with low wages. This labor market overview includes an analysis of occupations with low wages and their characteristics. It also includes five-year occupation projections, with an eye to highlighting potential target occupations that align with the goals of supporting small business workforce development. It is built on data from Lightcast, the California Employment Development Department (EDD) and the U.S. Bureau of Labor Statistics (BLS).



Occupations with Low Wages

For this analysis, we use the “living wage” as a benchmark to identify occupations with low wages. The living wage is considered the minimum income required for a worker to maintain a basic but decent life, covering essential needs such as food, housing, and clothing. While there are different ways one could calculate the level of the living wage appropriate to the Los Angeles region, for simplicity we adopt the living wage as determined by the Massachusetts Institute of Technology (MIT) Living Wage Calculator, which indicates that an adult living in the Los Angeles Metropolitan Statistical Area (MSA) without any children would require \$21.53 an hour to meet their basic needs.¹⁰

According to MIT, the living wage for an adult with no children in the Los Angeles MSA is \$21.53 an hour.

Occupational Employment and Wage Statistics data from EDD for Los Angeles County show a total of 741 occupations in 2022. Of the 690 occupations for which EDD provided hourly mean wages, 121 (17.5%) have an hourly mean wage less than \$21.53 an hour. The hourly mean wage for these occupations ranges from \$16.31 (Sewers, Hand) to \$21.52 (Nursing Assistants and Production Workers, All Other).

One should keep in mind that a given occupation has a distribution of wages rather than a single, static amount. That is, wages can be higher or lower in a given occupation based on qualifications, tenure and other factors; the hourly mean wage represents the overall average.

When considering the distribution of wages for these occupations, it is notable that it is right-skewed where the hourly median wages are less than the hourly mean wages. This means that the majority of workers in these occupations make less—sometimes significantly less—than the hourly mean wage. For the Sewers, Hand occupation, for example, the median wage is \$15.63. For Nursing Assistants and Production Workers, All Other, the median wages are \$19.84 and \$18.24, respectively.

¹⁰ See <https://livingwage.mit.edu/>



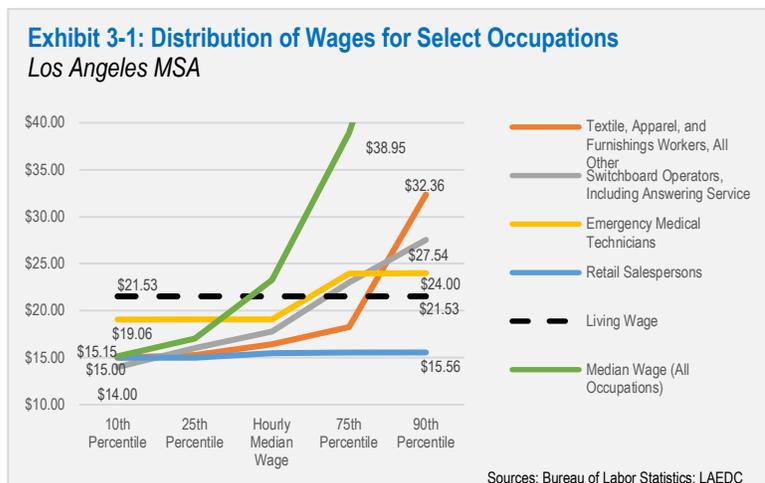
Additionally, for 76 occupations (10.3%) for which EDD provided wage data, the 75th percentile hourly wage is less than \$21.53. This means that 75 percent of the workers in those occupations are making less than the living wage, while 25 percent are making at or above it.

Exhibit 3-1 illustrates more clearly how occupational wages relate to the living wage by focusing on a few select occupations for the Los Angeles MSA using BLS data: Textile, Apparel, and Furnishings Workers, All Other; Switchboard Operators, Including Answering Service; Emergency Medical Technicians; and Retail Salespersons.¹¹ The hourly median wages for the four occupations all fall below \$21.53, so at least half of the workers in these industries make less than the living wage. At the 75th percentile of wages, Textile Workers and Retail Salespersons remain below the living wage while the other two occupations have surpassed it. At the 90th percentile, retail salespersons still remain below the living wage. This compares to the median wage across all occupations, which starts below the living wage but quickly skyrockets above it.

Apparel, and Furnishings Workers, All Other; Switchboard Operators, Including Answering Service; Emergency Medical Technicians; and Retail Salespersons.¹¹ The hourly median wages for the four occupations all fall below \$21.53, so at least half of the workers in these industries make less than the living wage. At the 75th percentile of wages, Textile Workers and Retail Salespersons remain below the living wage while the other two occupations have surpassed it. At the 90th percentile, retail salespersons still remain below the living wage. This compares to the median wage across all occupations, which starts below the living wage but quickly skyrockets above it.

Exhibit 3-1 is important because it highlights the fact that that certain low-wage occupations will not allow for upward mobility even if workers in those occupations advance. For example, a retail salesperson earning \$15.56 per hour still faces a substantial gap between their earnings and the living wage, despite earning more than 90 percent of all retail salespeople.

With respect to occupation groups, **Exhibit 3-2** shows the 22 groups in descending order of average hourly earnings. They range from a high of \$73.90 for Legal Occupations to a low of \$18.46 for Healthcare Support Occupations. All but four of the 22 groups have average hourly earnings that exceed the living wage, with the remaining exceptions being Personal Care and Service Occupations, Building and Grounds Cleaning and Maintenance Occupations, and Food Preparation and Serving Related Occupations.



¹¹ We use BLS data at the MSA level for this example because they, unlike EDD at the county level, provide occupational wage distributions that include both the 10th and 90th percentiles.

Exhibit 3-2: Average Hourly Wages by Occupation Group
Los Angeles County

SOC Code	Occupational Group Title	May 2022 Employment	Mean Hourly Wage	% of Occupation Workers in Low-Wage Jobs
23-0000	Legal Occupations	50,500	\$73.90	0.0%
11-0000	Management Occupations	310,530	\$70.34	0.0%
15-0000	Computer and Mathematical Occupations	117,080	\$59.17	0.0%
29-0000	Healthcare Practitioners and Technical Occupations	245,180	\$56.25	0.0%
17-0000	Architecture and Engineering Occupations	62,370	\$55.66	0.0%
27-0000	Arts, Design, Entertainment, Sports, and Media Occupations	188,330	\$53.64	3.2%
19-0000	Life, Physical, and Social Science Occupations	35,960	\$45.31	0.0%
13-0000	Business and Financial Operations Occupations	289,740	\$44.02	0.0%
25-0000	Educational Instruction and Library Occupations	260,400	\$38.76	6.2% of those shown
47-0000	Construction and Extraction Occupations	117,000	\$33.92	0.4%
21-0000	Community and Social Service Occupations	101,360	\$32.69	8.4%
49-0000	Installation, Maintenance, and Repair Occupations	116,820	\$31.10	3.2%
33-0000	Protective Service Occupations	116,730	\$30.95	51.5%
41-0000	Sales and Related Occupations	361,620	\$27.46	56.9%
43-0000	Office and Administrative Support Occupations	546,360	\$25.36	14.7%
53-0000	Transportation and Material Moving Occupations	385,680	\$24.65	58.2%
51-0000	Production Occupations	207,930	\$23.71	50.1%
45-0000	Farming, Fishing, and Forestry Occupations	4,770	\$22.68	48.6%
39-0000	Personal Care and Service Occupations	86,250	\$21.40	64.6%
37-0000	Building and Grounds Cleaning and Maintenance Occupations	105,630	\$20.62	89.5%
35-0000	Food Preparation and Serving Related Occupations	385,040	\$18.75	89.9%
31-0000	Healthcare Support Occupations	375,560	\$18.46	83.3%

Sources: Employment Development Department; LAEDC

Exhibit 3-2 also shows the percentage of workers in each of the groups whose occupations have average hourly earnings below \$21.53. Seven of the out of the 22 groups have no such workers, including Legal Occupations; Management Occupations; Computer and Mathematical Occupations; Healthcare Practitioners and Technical Occupations; Architecture and Engineering Occupations; Life, Physical, and Social Science Occupations; and Business and Financial Operations Occupations. Among the remaining groups, Food Preparation and Serving Related Occupations have the highest percentage of workers earning wages below the living wage (89.9%), followed by Building and Grounds Cleaning and Maintenance Occupations (89.5%) and Healthcare Support Occupations (83.3%).

Exhibit 3-3 focuses on the eight groups whose occupations have average hourly earnings below the living wage for more than half of their workers. It shows the distribution of wages across the



occupation groups, including the mean, median, 25th percentile and 75th percentile hourly wages. Four of the groups show 75th percentile hourly wages of more than \$25 an hour, which is solidly above the living wage and suggests opportunities for economic advancement by workers in these groups given enough time and experience. For two of the groups, Building and Grounds Cleaning and Maintenance Occupations and Personal Care and Service Occupations, the 75th percentile hourly wage marginally exceeds the

Exhibit 3-3: Distribution of Wages by Low-Wage Occupation Group
Los Angeles County

SOC Code	Occupational Group Title	Mean Hourly Wage	25th Percentile Hourly Wage	50th Percentile Hourly Wage	75th Percentile Hourly Wage
51-0000	Production Occupations	\$23.71	\$17.51	\$19.75	\$25.73
33-0000	Protective Service Occupations	\$30.95	\$17.67	\$20.05	\$41.11
41-0000	Sales and Related Occupations	\$27.46	\$16.56	\$18.36	\$30.10
53-0000	Transportation and Material Moving Occupations	\$24.65	\$17.28	\$19.22	\$25.40
39-0000	Personal Care and Service Occupations	\$21.40	\$15.99	\$17.25	\$21.97
31-0000	Healthcare Support Occupations	\$18.46	\$15.68	\$16.74	\$18.42
37-0000	Building and Grounds Cleaning and Maintenance Occupations	\$20.62	\$17.05	\$18.52	\$22.76
35-0000	Food Preparation and Serving Related Occupations	\$18.75	\$15.86	\$17.21	\$18.62

Sources: Employment Development Department; LAEDC

living wage, indicating only limited opportunities for advancement. The remaining two groups, Food Preparation and Serving Related Occupations and Healthcare Support Occupations, have 75th percentile hourly wages that fall below the living wage, suggesting poor advancement prospects.

Education and Low-Wage Occupations

Occupations with low wages are often associated with lower educational backgrounds. It is useful to explore the extent to which this is the case. Doing so can help illuminate current labor force imbalances. Additionally, it can help inform the development of continuing education programs for adult learners that can help support upward mobility.

Using occupation data for Los Angeles County from Lightcast, **Exhibit 3-4** shows the extent to which different educational levels are required to obtain jobs with average hourly earnings below \$21.53. The vast majority of occupations with low wages (92.8%) require either no formal education or a high school diploma or equivalent, consistent with conventional wisdom. Another 4.8 percent require a postsecondary nondegree award (i.e., certificate) or some college without a completed degree. Interestingly, a handful of low-wage occupations require a college degree. These include Dietetic Technicians (Associate’s degree), Tutors (Bachelor’s degree), and Rehabilitation Counselors and Counselors, All Others (Master’s degree).

Exhibit 3-4: Distribution of Education Requirements for Low-Wage Occupations
Los Angeles County

Education Requirement	Percentage of Occupations
No formal education	36.5%
High school diploma or equivalent	56.3%
Postsecondary nondegree award	3.6%
Some college, no degree	1.2%
Associate’s degree	0.6%
Bachelor’s degree	0.6%
Master’s degree	1.2%
Doctoral or professional degree	0.0%
Total	100.0%

Sources: Employment Development Department; LAEDC

Exhibit 3-5 looks at educational requirements for the occupations in the eight low-wage occupation groups listed in Exhibit 3-3. Recall that these occupations groups are defined as having average hourly earnings below the living wage for more than half of their workers. This definition is less restrictive, in that some occupations can have average hourly wages above the living wage and others below.

Overall, Exhibit 3-5 shows similar results to Exhibit 3-4. Again, the vast majority of occupations with low wages (88.3%) require either no formal education or a high school diploma or equivalent, although

Exhibit 3-5: Distribution of Education Requirements for Low-Wage Occupation Groups
 Los Angeles County

Education Requirement	Percentage of Occupations
No formal education	23.6%
High school diploma or equivalent	64.7%
Postsecondary nondegree award	8.0%
Some college, no degree	0.0%
Associate's degree	1.8%
Bachelor's degree	1.8%
Master's degree	0.0%
Doctoral or professional degree	0.0%
Total	100.0%*

*Total does not sum due to rounding

Sources: Employment Development Department; LAEDC

there is an increased emphasis on completing high school. There is also an increased emphasis on postsecondary nondegree awards (8.0% vs 3.6%), Associate's degrees (1.8% vs 0.6%), and Bachelor's degrees (1.8% vs 0.6%), but these increases are relatively minor. Otherwise, these occupational groups have no other formal education requirements. This is encouraging because it suggests that only minimal educational interventions might be necessary to help facilitate upward mobility for workers in these groups.

Target Occupations

We used short-term occupation projections data from Lightcast and the U.S. Bureau of Labor Statistics to produce a list of target occupations. These target occupations consist of the top 20 occupations that meet a number of desirable criteria derived from the analysis above:

- ❖ The occupations have the largest numerical growth projections between 2022 and 2027
- ❖ They have average hourly earnings of \$21.53 or more
- ❖ They have educational requirements less than an Associate's degree.

The resulting list of target occupations is shown in **Exhibit 3-6**.



Exhibit 3-6: Target Occupations in Diverse Areas by Business Size and Number
Los Angeles County

SOC	Description	2022 - 2027 Change	Avg. Hourly Earnings	Typical Entry Level Education	Work Experience Required
35-1012	First-Line Supervisors of Food Preparation and Serving Workers	5,625	\$21.92	High school diploma or equivalent	Less than 5 years
53-3033	Light Truck Drivers	3,372	\$22.45	High school diploma or equivalent	None
53-3032	Heavy and Tractor-Trailer Truck Drivers	3,282	\$25.99	Postsecondary nondegree award	None
21-1093	Social and Human Service Assistants	2,737	\$23.92	High school diploma or equivalent	None
39-5012	Hairdressers, Hairstylists, and Cosmetologists	2,460	\$22.66	Postsecondary nondegree award	None
49-9071	Maintenance and Repair Workers, General	2,398	\$24.79	High school diploma or equivalent	None
29-2061	Licensed Practical and Licensed Vocational Nurses	2,322	\$32.51	Postsecondary nondegree award	None
43-6013	Medical Secretaries and Administrative Assistants	1,942	\$22.27	High school diploma or equivalent	None
39-9031	Exercise Trainers and Group Fitness Instructors	1,709	\$28.25	High school diploma or equivalent	None
25-3021	Self-Enrichment Teachers	1,510	\$28.82	High school diploma or equivalent	Less than 5 years
47-2061	Construction Laborers	1,463	\$25.18	No formal ed. credential	None
11-9051	Food Service Managers	1,291	\$32.12	High school diploma or equivalent	Less than 5 years
53-2031	Flight Attendants	1,282	\$36.06	High school diploma or equivalent	Less than 5 years
41-3091	Sales Reps of Srvc, Except Advertising, Ins, Fin Srvc, and Travel	1,256	\$37.64	High school diploma or equivalent	None
31-9011	Massage Therapists	1,029	\$31.05	Postsecondary nondegree award	None
41-1011	First-Line Supervisors of Retail Sales Workers	1,003	\$26.10	High school diploma or equivalent	Less than 5 years
27-2011	Actors	934	\$28.37	Some college, no degree	None
43-9061	Office Clerks, General	932	\$21.69	High school diploma or equivalent	None
33-3051	Police and Sheriff's Patrol Officers	922	\$50.99	High school diploma or equivalent	None
47-2111	Electricians	893	\$36.51	High school diploma or equivalent	None

Sources: Lightcast; Bureau of Labor Statistics; LAEDC

This list of target occupations is interesting for a number of reasons. First, these 20 occupations alone are projected to have more than 38,000 job openings through 2027, a sizeable number. Second, the average hourly wages are sometimes significantly above \$21.53. Third, the education requirements are minimal. Finally, only one of these jobs is in an occupation group that we have characterized as having poor advancement prospects (First-Line Supervisors of Food Preparation and Serving Workers). Altogether, these observations suggest the ability to “move the needle” measurably with respect to economic mobility in Los Angeles County.

4. Small Business Roundtables

During our study, we conducted five roundtables to gather unique and detailed perspectives on the growth and operation of small businesses as well as on workforce development. The roundtables covered the following topics: job quality and mobility for workers with low-wage jobs; community development financial institutions (CDFI) and capital and technical assistance for small businesses; BIPOC small businesses; the landscape of support for small, diverse businesses; and the entrepreneur experience. Additionally, we conducted an unscientific survey of small business owners to obtain additional insight. This section summarizes the findings from the roundtables and the survey.



Roundtable 1: Job Quality and Mobility

The roundtable on job quality and mobility for workers with low wages comprised stakeholders in education and workforce development. The focus was threefold: to understand how people get into jobs with low wages and why they stay; special characteristics of those who can find themselves in jobs with low wages; and what kinds of programs work with respect to upskilling workers and helping them advance to more lucrative employment.

The main takeaways from the roundtable on job quality and mobility follow:

- ❖ There is a need for clearer career pathways from education to high-quality jobs. Starting career conversations early in high school helps students make informed choices and prevents them from landing in low-wage jobs. Increased counseling and work-based learning in 9th and 10th grade is impactful.
- ❖ Micro-credentialing, apprenticeships, and other programs that directly connect school and training to in-demand jobs can help students avoid low-wage work.
- ❖ Soft skills development is critical but often lacking. Educational institutions and workforce programs need to prioritize teaching employability skills like communication, teamwork, and problem-solving.
- ❖ Small businesses face barriers in connecting to educational institutions and work-based learning programs. Building partnerships between schools and small- and mid-size companies could increase hiring and internship opportunities.



- ❖ Entrepreneurial interest is growing amongst younger generations across industries like technology, manufacturing, and cosmetology. Providing training, mentoring and funding sources can help nurture new small business creation.
- ❖ Blending online and in-person learning can increase access and flexibility for students while still providing hands-on technical training where needed.
- ❖ Wraparound support services like childcare, transportation and mental health assistance are key to helping students overcome barriers to program completion and job success.
- ❖ There is a need to educate small businesses, especially minority-owned, on available workforce development resources, as fear and mistrust of government holds some back.
- ❖ Strategic initiatives to upskill incumbent healthcare workers could help address labor shortages in high-demand occupations like caregivers.



Roundtable 2: CDFI and Capital and Technical Assistance

The roundtable on CDFI and capital and technical assistance included stakeholders in finance and business assistance. The purpose was to understand the operational needs of small businesses to help them start and expand. Growing businesses need to hire additional workers, and as a result they present opportunities to directly support worker mobility and advancement.

The primary takeaways from the roundtable on CDFI and capital and technical assistance included the following:

- ❖ Access to capital remains the top need especially for microbusinesses and smaller businesses. Grants were crucial during the pandemic but many businesses now have debt burdens as a result. Affordable financing is still lacking.
- ❖ Beyond capital, small businesses need wide-ranging technical assistance on business operations, financial management, digital skills, and marketing. Educational gaps persist regarding business fundamentals.
- ❖ Communication gaps exist between public agencies and small businesses



and microbusinesses regarding available support programs. Improved outreach methods are needed to increase awareness and participation.

- ❖ Workforce development opportunities tend to be more viable for medium-sized to large-sized small firms vs. microbusinesses and very small firms. Very small firms rely more on informal networks and are less engaged in formal programs.
- ❖ Industry networking and peer learning can spur innovation and growth for small firms. Business accelerators and incubators facilitate this interaction.
- ❖ Public contracting is an opportunity for revenue growth but small firms need technical assistance to navigate the bureaucracy to tap into this resource, as well as to handle cashflow issues that can result from government delays.
- ❖ Childcare, flexible work options, transportation are key areas of support needed by the workforce that impact small business hiring and operations.
- ❖ The local business ecosystem benefits when anchor firms commit to their local community via local procurement, skills training, facilities and other initiatives.



Roundtable 3: BIPOC Small Businesses

The roundtable on BIPOC small businesses primarily involved small business owners from diverse backgrounds. The intent of this roundtable was to understand their motivations behind starting and operating their businesses, to learn about their desires for expansion, and to identify any special challenges they face.

The major takeaways from the roundtable on BIPOC small businesses included the following:

- ❖ BIPOC small businesses need wide-ranging technical assistance, and access to affordable capital remains a necessity as well.
- ❖ Staffing shortages are severely hampering the growth ambitions of small firms. Workforce partners can help identify transferable skills and connect businesses to worker pipelines.
- ❖ Smaller minority-owned businesses face particular disadvantages in accessing capital and technical assistance. Sometimes fear and



mistrust of government prevent businesses from reaching out for help. Sometimes operating “off the books” or a general lack of sophistication prevent businesses from being prepared to access help.

- ❖ Entrepreneurial training and networking platforms focused on minority business owners can help nurture business growth mindsets as well as facilitate peer learning.
- ❖ Small businesses are eager for growth but scaling is extremely difficult. Providing customized coaching and workforce development support through this expansion phase is vital.



Roundtable 4: Landscape of Support

The roundtable on the landscape of support for small businesses included government agencies with small business procurement efforts, chambers of commerce, and private sector capital and technical assistance organizations. The purpose of this roundtable was to obtain the perspective of support organizations with respect to the characteristics or traits that help small businesses to be successful.

The main takeaways from the landscape of support roundtable consisted of the following:

- ❖ Workforce development programs that offset hiring and training costs are underutilized by small employers. Small employers need a clear definition of workforce programs and eligibility to utilize them effectively. Better outreach and coordination as well as customized guidance are needed.
- ❖ Peer sharing among business owners in their networks helps to spread awareness about available assistance. Additionally, networks can help business owners better appreciate the value of non-financial assistance like mentoring. Efforts to facilitate networking and the showcasing of success stories are beneficial in building trust among small business owners.
- ❖ Small businesses need help navigating local bureaucracy with respect to things like licensing and permits. Local governments can help ease compliance burdens by centralizing digital resources (i.e., “one-stop shop”) so that answers and instructions are easier to find.
- ❖ Small business owners wear many hats and have limited time, making it difficult for service providers to



coordinate assistance. Solutions like online scheduling tools and checklists can help to facilitate engagement.

- ❖ Many minority and women business owners lack financial acumen and digital skills. Providing business training and coaching is important, in addition to providing capital for growth.
- ❖ Supply chain opportunities exist for small and diverse firms, but many lack the sophistication needed to bid successfully. Providing technical assistance on public procurement is important.
- ❖ Language barriers persist with certain communities, highlighting the need for multilingual business advisors and accessible, translated program information.



Roundtable 5: The Entrepreneur Experience

The final roundtable on the entrepreneur experience was intended to obtain insights from microbusinesses. These businesses are too small to have a marked impact on workforce development *today*. However, most larger businesses that are in a position to hire initially start out as very small businesses, so understanding what it takes to create more microbusinesses is useful.

The major takeaways from the roundtable on the entrepreneur experience included the following:

- ❖ Passion, the desire for autonomy, and the ability to control their own destinies are the top motivations for starting a business, rather than money or wealth building. Other motivations include leaving a family legacy and giving back to the community.
- ❖ It typically takes two to three years to achieve enough financial stability where small business owners can start thinking about growth and hiring. It is important to provide small businesses support through this challenging period.
- ❖ Access to affordable capital and technical assistance are important.
- ❖ Networking is critical, both in terms of mentors to provide guidance and in terms of corporate decision-makers to become clients or customers.
- ❖ Entrepreneurs who come from underrepresented backgrounds face particular disadvantages breaking into



“insider” corporate networks where deals happen. Increasing accountability around diversity in selection processes is needed.

- ❖ Burdensome regulations and policies in areas like outdoor dining, cannabis etc. hinder small business growth and competitiveness in niche sectors. Advocacy to ease policy barriers could be helpful.

Selected Survey Results

We conducted an unscientific, online survey of business owners in the greater Los Angeles regions. The intent of the survey was to obtain additional feedback and insight from business owners on their actual experiences with respect to starting, growing and operating their businesses, and to use this information to corroborate what we heard during the roundtables. The survey was open to any business owner wishing to take it, and we did not weight the results.

We received a total of 216 responses. Statistics on the respondents are provided in the Appendix. Selected results from the survey follow:

Exhibit 4-1 presents owners’ motivations for starting their businesses. The primary reason identified was that they were following their passion (26.9%). The next two reasons cited were that they identified a need in their community (15.7%) and that they wanted to become more economically prosperous or affluent (12.5%). Together, these three reasons accounted for roughly 55 percent of respondents.

Exhibit 4-1: Owner Motivations for Starting Business

Response	Number of Respondents	Percentage of Respondents
Followed a passion	58	26.9%
Identified a need in my community/area	34	15.7%
Wanted to be more economically prosperous or affluent	27	12.5%
Wished to no longer be an employee of someone else	19	8.8%
Had a need to supplement monthly income or avoid poverty	13	6.0%
Inherited my business	7	3.2%
Other	20	9.3%
Not Reported	38	17.6%
Total	216	100.0%*

*Total may not sum due to rounding

Source: LAEDC

We asked about the length of time it took for owners to start their businesses. **Exhibit 4-2** presents these results. About a third of businesses were up and running within 6 months, with 12.0 percent being operational within one month. Another 10.6 percent required 7 months to one year. Interestingly, some took a fairly long time to get established. About 17.1 percent took 1 to 2 years start their businesses, while 21.3 percent took more than 3 years.

Exhibit 4-2: Length of Time to Start Business

Response	Number of Respondents	Percentage of Respondents
Less than one month	26	12.0%
1 to 3 months	23	10.6%
4 to 6 months	23	10.6%
7 months to a year	23	10.6%
1 to 2 years	37	17.1%
3 to 5 years	20	9.3%
More than 5 years	26	12.0%
Not Reported	38	17.6%
Total	216	100.0%*

*Total may not sum due to rounding

Source: LAEDC

Exhibit 4-3 shows the biggest obstacles that owners faced when starting their businesses. Consistent with what we learned during the roundtables, the primary barrier was access to capital. Over 37 percent of respondents cited upfront costs as their primary obstacle. This was followed by the need to acquire customers (18.5%), a general lack of business knowledge (7.9%), and state or local regulations (6.0%). These four reasons represented nearly 70 percent of responses.

Exhibit 4-3: Biggest Obstacle to Starting Business

Response	Number of Respondents	Percentage of Respondents
Upfront costs (financing, inventory, etc)	81	37.5%
Acquiring customers	40	18.5%
General lack of business knowledge	17	7.9%
State or local regulations	13	6.0%
Finding time	6	2.8%
Finding partners	3	1.4%
Generating an idea	3	1.4%
Writing a business plan	2	0.9%
Other	13	6.0%
Not Reported	38	17.6%
Total	216	100.0%*

*Total may not sum due to rounding

Source: LAEDC

We asked what would have been most helpful to owners as they started their businesses, and the results are shown in **Exhibit 4-4**. Having access to capital was the most cited issue (41.2%), followed by having a larger professional network or a professional mentor (17.6%) and by having a stronger local business community (6.9%). These three issues accounted for nearly two thirds of the responses.

Exhibit 4-4: What Would Have Been Most Helpful to Starting Business

Response	Number of Respondents	Percentage of Respondents
Access to capital	89	41.2%
A larger professional network or a professional mentor	38	17.6%
A stronger local business community	15	6.9%
Better resources published by your city/the county	12	5.6%
Social media training	1	0.5%
Other	15	6.9%
Not Reported	46	21.3%
Total	216	100.0%*

*Total may not sum due to rounding

Source: LAEDC

The need for a networks and mentors to provide guidance was something we heard repeatedly through the roundtables. Additionally, roundtable participants described how the local business community was useful in information sharing, allowing businesses to learn about support programs and resources informally.



Finally, we asked owners about their main motivations for growing or maintaining their businesses. These responses are shown in **Exhibit 4-5**. The primary motivation cited was the desire to sustain their livelihood with greater economic stability (18.1%). This was followed by the interest in employing more people (17.6%) and in increasing revenue (13.9%). These three reasons accounted for nearly 50 percent of responses. The desire to employ more people is an interesting and optimistic finding. It suggests that it may be possible to use small businesses to assist in workforce development efforts to increase worker mobility and economic empowerment.

Exhibit 4-5: Main Motivation for Growing or Maintaining Business

Response	Number of Respondents	Percentage of Respondents
Sustaining my livelihood with greater economic stability	39	18.1%
Employing more people	38	17.6%
Increasing revenue	30	13.9%
Selling my business for more money	13	6.0%
Improving my standing in my community/renown as a business owner	10	4.6%
Improving my livelihood	9	4.2%
Increasing salaries of employees	9	4.2%
Franchising my business	5	2.3%
Other	15	6.9%
Not Reported	48	22.2%
Total	216	100.0%*

*Total may not sum due to rounding

Source: LAEDC

5. Key Findings and Recommendations

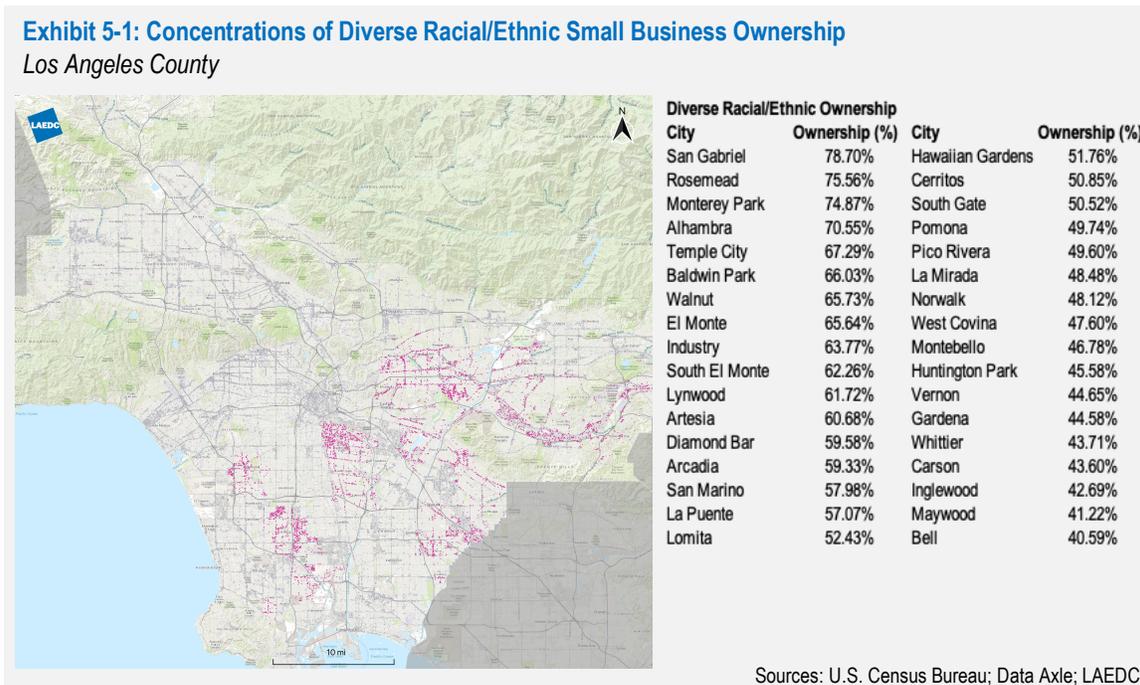
This section combines findings from our analysis of the landscape of small businesses in Los Angeles County, our analysis of the labor market in the County, and our stakeholder roundtables and survey with respect to supporting small business workforce development. It presents recommendations for policymakers, civic organizations and educational institutions to design appropriate programs and incentives to help facilitate the upward mobility of workers with low-wage jobs.



Key Findings

We applied the Census ABS percentages to our Data Axle dataset to determine the areas of Los Angeles County that show the highest levels of diversity among small business ownership. In other words, we found the cities where small business owners are most likely belong to one or more of the racial and ethnic categories examined earlier in Section 2. These areas of diverse small businesses are shown in **Exhibit 5-1**.

Exhibit 5-1 highlights 34 cities in particular across Los Angeles County.¹² The levels of diverse small business ownership in these cities range from 78.7 percent in the City of San Gabriel to 40.6 percent in the City of Bell. The small businesses in purple are companies that according to Data Axle are



¹² To develop this list, we sorted all 88 cities in Los Angeles County by the percentage of diverse-owned businesses using a Jenks Natural Breaks optimization with four classes, and then taking the top two classes.

located in these 34 cities. Consequently, they are businesses that have a high likelihood of being BIPOC owned. We identified 7,683 such businesses. Generally, they cover wide swaths of the San Gabriel Valley, the Gateway Cities, and the southern end of the County.

Finding 1: BIPOC small business ownership in Los Angeles County is clustered in 34 cities, primarily in the San Gabriel Valley, the Gateway Cities, and the southern end of the County.

We also identified the specific industries associated with these 7,683 businesses, broken down by employment band. The eight largest industries in each employment band represent about 80 percent or more of their respective businesses, and as a result we designated them as target industries. These are shown in **Exhibit 5-2**.



Six of the industries in Exhibit 5-2 are common across all three employment bands: Construction, Manufacturing, Wholesale Trade, Retail Trade, Health Care and Social Assistance, and Accommodation and Food Services. Two industries, Information and Other Services (except Public Administration), are more relevant to the 10 to 19 employee band alone. Two other industries, Transportation and Warehousing and Professional, Scientific, and Technical Services, apply mainly to the 20 to 49 and 50 to 99 employment bands.

Finding 2: Target industries in areas of diverse small business ownership in Los Angeles County include: Construction; Manufacturing; Wholesale Trade; Retail Trade; Transportation and Warehousing; Information; Professional, Scientific, and Technical Services; Health Care and Social Assistance; Accommodation and Food Services; and Other Services (excluding Public Administration).

Exhibit 5-2: Target Industries in Diverse Areas by Business Size and Number

Los Angeles County

NAICS Code	Industry Name	10 to 19 Employees		20 to 49 Employees		50 to 99 Employees	
		Number of Businesses	Percent of Businesses	Number of Businesses	Percent of Businesses	Number of Businesses	Percent of Businesses
23	Construction	302	6.4%	143	6.5%	37	5.0%
31-33	Manufacturing	717	15.2%	472	21.3%	167	22.6%
42	Wholesale Trade	486	10.3%	276	12.5%	105	14.2%
44-45	Retail Trade	501	10.6%	250	11.3%	90	12.2%
48-49	Transportation and Warehousing	(in All Other)	---	136	6.1%	43	5.8%
51	Information	392	8.3%	(in All Other)	---	(in All Other)	---
54	Professional, Scientific, and Tech Svcs	(in All Other)	---	160	7.2%	55	7.4%
62	Health Care and Social Assistance	565	11.9%	236	10.7%	98	13.2%
72	Accommodation and Food Services	419	8.9%	134	6.1%	32	4.3%
81	Other Services (except Public Admin)	387	8.2%	(in All Other)	---	(in All Other)	---
	All Other Industries	962	20.3%	405	18.3%	113	15.3%
	Total	4731	100.0%	2212	100.0%	740	100.0%

Sources: Data Axle; LAEDC

Utilizing data from Lightcast and the U.S. Bureau of Labor Statistics, our labor market analysis of Los Angeles County produced the 20 occupations that have the largest numerical growth projections between 2022 and 2027; have average hourly earnings of \$21.53 or more; have educational requirements less than an Associate’s degree; and can be found in one or more of the industries listed in Exhibit 5-2. We designated these as target occupations, and they are shown in **Exhibit 5-3**.

Finding 3. Los Angeles County has multiple occupations that are among the fastest growing in number, pay above a living wage, are associated with our target industries, and do not require a college degree. These range from supervisors to truck drivers to licensed nurses to electricians.

Exhibit 5-3: Target Occupations in Diverse Areas by Business Size and Number

Los Angeles County

SOC	Description	2022 - 2027 Change	Avg. Hourly Earnings	Typical Entry Level Education	Work Experience Required	Industry
35-1012	First-Line Supervisors of Food Preparation and Serving Workers	5,625	\$21.92	High school diploma or equivalent	Less than 5 years	31-33, 44-45, 51, 54, 62, 72, 81
53-3033	Light Truck Drivers	3,372	\$22.45	High school diploma or equivalent	None	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81
53-3032	Heavy and Tractor-Trailer Truck Drivers	3,282	\$25.99	Postsecondary nondegree award	None	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 71, 81
21-1093	Social and Human Service Assistants	2,737	\$23.92	High school diploma or equivalent	None	54, 62, 81
39-5012	Hairdressers, Hairstylists, and Cosmetologists	2,460	\$22.66	Postsecondary nondegree award	None	44-45, 51, 54, 62, 72, 81
49-9071	Maintenance and Repair Workers, General	2,398	\$24.79	High school diploma or equivalent	None	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81
29-2061	Licensed Practical and Licensed Vocational Nurses	2,322	\$32.51	Postsecondary nondegree award	None	62, 81
43-6013	Medical Secretaries and Administrative Assistants	1,942	\$22.27	High school diploma or equivalent	None	42, 54, 62, 81
39-9031	Exercise Trainers and Group Fitness Instructors	1,709	\$28.25	High school diploma or equivalent	None	54, 62, 72, 81
25-3021	Self-Enrichment Teachers	1,510	\$28.82	High school diploma or equivalent	Less than 5 years	44-45, 48-49, 62, 72, 81
47-2061	Construction Laborers	1,463	\$25.18	No formal ed. credential	None	23, 31-33, 42, 51, 54, 62, 81
11-9051	Food Service Managers	1,291	\$32.12	High school diploma or equivalent	Less than 5 years	31-33, 44-45, 62, 72, 81
53-2031	Flight Attendants	1,282	\$36.06	High school diploma or equivalent	Less than 5 years	48-49
41-3091	Sales Reps of Svcs, Except Advertising, Ins, Fin Svcs, and Travel	1,256	\$37.64	High school diploma or equivalent	None	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81
31-9011	Massage Therapists	1,029	\$31.05	Postsecondary nondegree award	None	62, 72, 81
41-1011	First-Line Supervisors of Retail Sales Workers	1,003	\$26.10	High school diploma or equivalent	Less than 5 years	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81
27-2011	Actors	934	\$28.37	Some college, no degree	None	51, 54
43-9061	Office Clerks, General	932	\$21.69	High school diploma or equivalent	None	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81
47-2111	Electricians	893	\$36.51	High school diploma or equivalent	None	23, 31-33, 42, 51, 54, 62, 72, 81
53-1047	First-Line Sups of Transp and Material Moving Workers, Except Aircraft Cargo	869	\$29.55	High school diploma or equivalent	Less than 5 years	23, 31-33, 42, 44-45, 48-49, 51, 54, 62, 72, 81

Sources: Lightcast; Bureau of Labor Statistics; LAEDC



Looking at the intersection of target occupations with target industries, it is interesting to note that there is significant overlap. While most of the target occupations can be found in two industries, Health Care and Social Assistance and Other Services (except Public Administration), they also appear in most of the other eight industries. In fact, all of the industries except for construction produce at least half of the target occupations. This suggests that workforce development efforts should be broad based across many industries rather than restricted to only a few.

Finding 4. The target occupations in Los Angeles County can be found across many of the target industries.

Our roundtable discussions focused on three broad topics regarding supporting small business workforce development: the types of workforce development programs that are most successful in helping workers upskill and find better employment; the needs of small

businesses to operate and grow (and thereby increase hiring); and the ways that government agencies and other organizations can help these efforts. Our survey respondents provided additional detailed insight on these topics.

With respect to workforce development, discussants agreed that career pathways to quality jobs require improvement through strategies like work-based learning, apprenticeships, and increased coordination between schools and local employers. Enhanced career counseling and exposure starting in high school could better position students.

Finding 5. Career pathways to quality jobs require improvement through strategies like work-based learning, apprenticeships, and increased coordination between schools and local employers.

For small businesses, access to flexible, affordable capital remains a significant challenge. This is especially true for microenterprises and early-stage ventures who often do not qualify for traditional financing options. Small businesses also require wide-ranging technical assistance with operations, marketing, financial management, digital skills, legal issues, HR and other areas where educational gaps are common.

Minority and women-owned businesses in particular face disadvantages in accessing both capital and technical assistance programs. This is generally due to their having fewer or less extensive professional networks, which means they are effectively shut out of discussions where deals are made. Another barrier mentioned was distrust of government primarily because of cultural reasons.

Finding 6. Small businesses—especially microenterprises, early-stage ventures, and minority and women-owned businesses—require enhanced access to capital and technical assistance.

One way that government can support small business workforce development is by helping small businesses find ways to grow. Government procurement opportunities, for example, can create avenues for small and diverse businesses to generate revenue. However, many business owners need help navigating extensive bureaucratic requirements and managing their cash flows which can become strained as a result of government payment lags. Additionally, burdensome regulations and policies in niche sectors like cannabis and outdoor dining hinder the competitiveness and growth of affected small businesses.

Government also has a role to play through their workforce development agencies. Working directly with businesses, these agencies can bolster the growth ambitions of small businesses and help develop companies' worker training efforts. However, staffing shortages as well as unpredictable funding for workforce development activities can reduce the effectiveness of these activities. Additionally, better outreach and coordination between workforce development programs could improve utilization.

Finding 7. Government efforts to help small businesses through growth and workforce development are hampered by bureaucracy and inconsistent funding.

Recommendations

Based on the key findings from our analysis of the landscape of small businesses in Los Angeles County, our analysis of the labor market in the County, and our stakeholder roundtables and survey, we make a number of recommendations regarding small business workforce development efforts to promote worker power and economic opportunity in Los Angeles. Small business workforce development initiatives should:

- ❖ Focus outreach, partnership and placement efforts in the San Gabriel Valley, the Gateway Cities, and the southern end of the County
- ❖ Target one or more of the following industries: Construction; Manufacturing; Wholesale Trade; Retail Trade; Transportation and Warehousing; Information; Professional, Scientific, and Technical Services; Health Care and Social Assistance; Accommodation and Food Services; and Other Services
- ❖ Educate and train workers on the occupations in Los Angeles County that are among the fastest growing in number, pay above a living wage, are associated with our target industries, and do not require a college degree



- ❖ Emphasize strategies like work-based learning, apprenticeships, and increased coordination between schools and local employers
- ❖ Leverage community associations (e.g., local and minority chambers of commerce, cultural institutions) to tap into small businesses' formal and informal networks and help increase their awareness of and access to capital and technical assistance
- ❖ Include a collaboration with local governments to help them increase outreach to small businesses regarding procurement opportunities and to recommend ways to help them reduce their regulatory burdens.

Appendix

Methodology Developing the Sample of Small Businesses

We collected a list of businesses in Los Angeles County from Data Axle for which the number of employees is between 10 and 99 employees (66,222 total entities). We categorized these businesses as “small businesses.”

In our analysis we wanted to focus only on small, private non-farm businesses in the county. Consequently, we removed all entries listed as public institutions (such as government entities, non-profit organizations, schools, colleges, universities, parks, parking lots) or farming establishments. To do this we filtered and removed entries based on their registered NAICS code. We undertook the following steps:

- ❖ We removed all businesses with NAICS codes beginning with 99, 92, 813, 814, and 11, which represent Nonclassifiable Establishments; Public Administration; Religious or Civic Organizations; Private Households; and Agriculture, Forestry, Fishing and Hunting, respectively
- ❖ We removed transportation (81293) and parks (71219004)
- ❖ We removed public schools (6111, 6112, 6113), hospitals (622), banks and credit unions (5221, 52221). We removed all Freddie Mac entries, large financial transaction businesses (522320) such as Pls Check Cashers, Bank of America centers, Capital Bankcard, and Western Union. We also scrutinized junior colleges, colleges, universities, and professional schools (611210, 611310, 611410, 611420, 611511, 611519, 611610, 611630, 611691, 611699, 611710, 624410) and removed all schools that are not consulting, technical, trade, or vocational schools
- ❖ We removed businesses with cumulative employment over 99 employees. To do this we first removed all businesses that appear 10 or more times, encompassing franchise businesses such as McDonald’s and Denny’s, as well as any other large business with multiple locations. We then removed all businesses where their cumulative employment is over 99, regardless of the number of locations they have
- ❖ Finally, we removed any large companies that may have slipped through the previous stages as well as libraries (519210), major movie theaters (512131), and major new car dealerships (441110)

By the final stage, we had narrowed down the list from 66,222 entities down to 42,732 small businesses in Los Angeles County.

Summary Statistics on Survey of Small Businesses

The following presents summary statistics on the 216 respondents to our unscientific, online survey of small business owners:

Exhibit A-1: Small Business Size

Category	Number of Respondents	Percentage of Respondents
Zero	4	1.9%
1 to 9	154	71.3%
10 to 19	18	8.3%
20 to 49	10	4.6%
50 to 99	4	1.9%
100+	1	0.5%
Not Reported	25	11.6%
Total	216	100.0%*

*Total does not sum due to rounding

Source: LAEDC

Exhibit A-2: Race and Ethnicity of Owners (at least 51% ownership)

Category	Number of Respondents	Percentage of Respondents
Asian or Pacific Islander	26	12.0%
Black	38	17.6%
Latino/Latina	46	21.3%
Native American	1	0.5%
White	67	31.0%
Other	18	8.3%
Mixed	15	6.9%
Not Reported	5	2.3%
Total	216	100.0%*

*Total does not sum due to rounding

Source: LAEDC

Exhibit A-3: Gender of Business Owners (at least 51% ownership)

Category	Number of Respondents	Percentage of Respondents
Male	76	35.2%
Female	125	57.9%
Non-binary	2	0.9%
Equally shared	7	3.2%
Not Reported	6	2.8%
Total	216	100.0%

Source: LAEDC

Exhibit A-4: Industries of Small Businesses

NAICS Code	Industry	Number of Respondents	Percentage of Respondents
11	Agriculture, Forestry, Fishing and Hunting	2	0.9%
23	Construction	8	3.7%
31-33	Manufacturing	12	5.6%
42	Wholesale Trade	9	4.2%
44-45	Retail Trade	26	12.0%
48-49	Transportation and Warehousing	3	1.4%
51	Information	5	2.3%
52	Finance and Insurance	8	3.7%
53	Real Estate and Rental and Leasing	7	3.2%
54	Professional, Scientific, and Technical Services	29	13.4%
55	Management of Companies and Enterprises	1	0.5%
61	Educational Services	8	3.7%
62	Health Care and Social Assistance	9	4.2%
71	Arts, Entertainment, and Recreation	13	6.0%
72	Accommodation and Food Services	17	7.9%
81	Other Services	27	12.5%
	Unsure	7	3.2%
	Not Reported	25	11.6%
Total	Total	216	100.0%

Source: LAEDC



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