

Self-Employment in California

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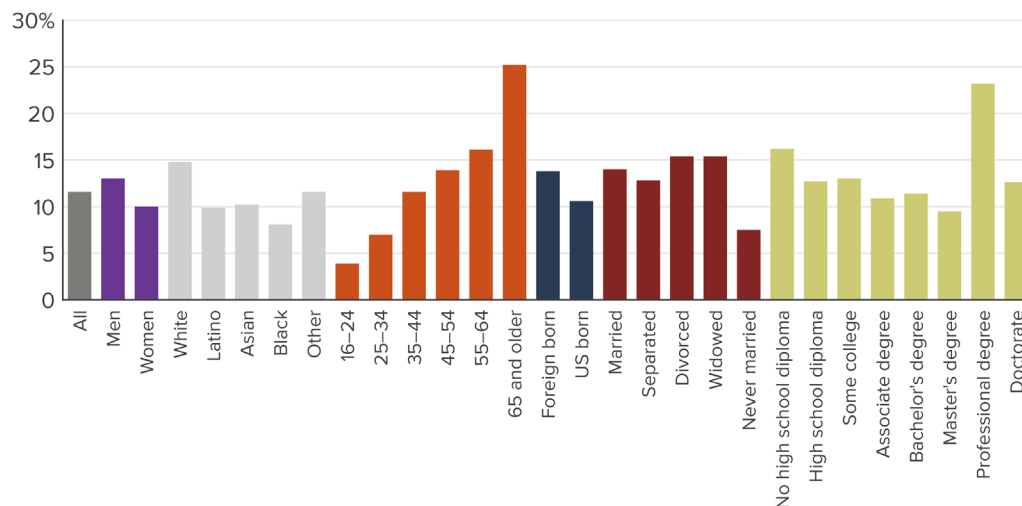
Self-employment is an important contributor to California's economy.

- ▶ In 2022, 2.2 million Californians (11.6% of the workforce) reported that they were primarily self-employed. The state's self-employment rate is higher than the US as a whole (10.1%) and 8th in the nation. About 10% of Californians combine self-employment with wage and salary work ([as of 2016](#)).
- ▶ About two-thirds of self-employed Californians do independent contracting as their primary job; this includes gig workers and those with unincorporated businesses. As of 2022, 1.4 million Californians were independent contractors; the number fell considerably during the pandemic and is still 5% below its 2019 level.
- ▶ About a third of self-employed Californians are owners of incorporated businesses. The number of business owners increased during the pandemic (to 776,600, as of 2022—18% above 2019 levels). The share of self-employed Californians who are business owners increased from 28% in 2013 to 35% in 2022.
- ▶ Self-employment rates are highest in Los Angeles County (14.1%) and the Northern region (13.7%). Rates are lowest in the Central Valley (9.5%), San Francisco Bay Area (10.1%), and Sacramento (10.1%).

Self-employment rates vary widely across demographic groups.

- ▶ Men (13%) are more likely to be self-employed than women (10%), and the gender gap in self-employment widens with age. Men are more likely to work in occupations where self-employment is common, such as construction and farming/agriculture.
- ▶ White Californians (15%) are more likely to be self-employed than other racial/ethnic groups. No more than 10% of Black, Latino, or Asian Californians are self-employed.
- ▶ Adults 55 and older make up 35% of self-employed workers—by contrast, they comprise only 19% of private sector wage and salary workers. In 2022, 25% of workers aged 65 and older were self-employed, compared to 14% of those age 45 to 64 and fewer than 7% of workers under age 34.
- ▶ Immigrants comprise an outsized share of California's self-employed population (40%) and are more likely to be self-employed than US-born Californians.
- ▶ Across educational levels, Californians without high school diplomas and those with professional degrees are especially likely to be self-employed (16% and 23%, respectively).

Self-employment rates vary widely across demographic groups



Source: 2022 American Community Survey 1-Year Estimates, authors' calculations.

Notes: Figure shows the share of workers in each demographic group who are self-employed. The self-employment rates by educational attainment are calculated for those ages 25 and older.

Highly educated Californians are especially likely to own incorporated businesses.

- ▶ Highly educated self-employed Californians, especially those with professional degrees, are more likely to incorporate than their less-educated peers.
- ▶ Asian Californians—who tend to be more educated—incorporate at higher rates than white Californians (46% vs 38%), even though the latter have higher self-employment rates. Latinos have the lowest incorporation rates (27%).
- ▶ Older Californians are as likely to incorporate as their younger counterparts, despite large differences in self-employment rates. Similarly, US-born self-employed individuals are more likely to incorporate than those who are foreign born. Married self-employed workers are also more likely to incorporate.

The self-employed are an important source of job creation.

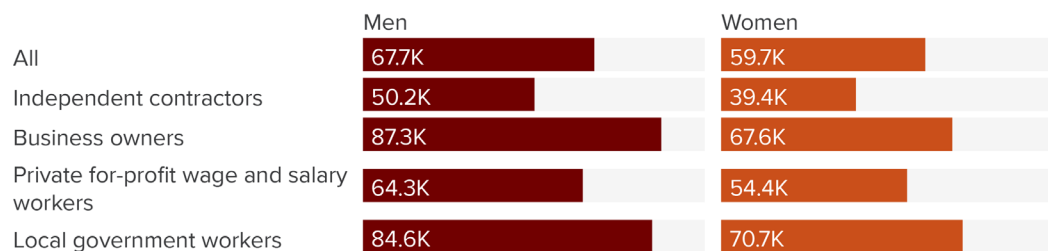
- ▶ Jobs created by the self-employed in California account for 21% of total employment; this share is a bit lower than in the rest of the US (22%).
- ▶ While the share of self-employed Californians who report at least one paid employee (18%) is slightly smaller than in the rest of the US (23%), California business owners who do have employees tend to hire more workers. The median number of paid employees is four. Over half have four or fewer employees, and the most common is to have one employee (21%) or two employees (17%).
- ▶ Business owners in California that have employees on their payroll are typically owners of small firms. Over half have four or fewer employees, and the most common is to have one employee (21%) or two employees (17%).

Self-employment can pay off economically for business owners.

- ▶ Median earnings for men with incorporated businesses were \$87,300 in 2022—36% higher than the median male wage or salary (\$64,300). The median male independent contractor earned only \$50,200. These gaps are narrower for self-employed women.
- ▶ The male/female earnings gap among incorporated business owners (29%) is significantly larger than the gender gap among wage and salary earners (18%).
- ▶ Almost seven in ten business owners (69%) work full time year-round, compared to only half of independent contractors.

Business owners tend to earn more than wage and salary workers

Median earnings in the past 12 months for full time, year-round workers



Source: 2022 American Community Survey 1-Year Estimates. Table B24091.

Notes: Civilian employed population 16 years and over. We define full-time, year-round workers as those who usually worked at least 35 hours per week for 50 to 52 weeks in the reference period. Median earnings for independent contractors include earnings of unpaid family workers.

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Sources: Cuellar Mejia et al., [Technical Appendix: Self-Employment in California](#) (PPIC 2024); 2022 American Community Survey 1-Year Estimates and Current Population Survey monthly data.

Note: In our research, we measure independent contractors using the worker-reported category of “unincorporated self-employed.” This is an imperfect measure but has the advantage of being a core question that has been consistently asked in government household surveys over time and is designed to distinguish contractors from small business owners who are categorized as “incorporated self-employed” and who put themselves on payroll as employees. See the [Technical Appendix](#) for more details and for region definitions.