

RESEARCH SUMMARY

The Effects of Immigration on Entrepreneurship and Innovation

Although immigration is a divisive issue, US policymakers can benefit from a better understanding of how immigrants affect the economy. In “[The Effects of Immigration on Entrepreneurship and Innovation](#),” Robert Krol examines a body of research that, taken together, suggests that immigrants play a central role in the US entrepreneurial ethos and innovation system. Furthermore, the preponderance of evidence shows that immigration creates jobs and raises wages for Americans.

THE CHANGING NATURE OF IMMIGRATION IN THE UNITED STATES

Numbers. Immigrant numbers have risen from almost 10 million (5.4 percent of the US population) in 1960 to almost 40 million (13.7 percent of the US population) in 2019.

Countries of origin. Immigrants used to come predominantly from Europe. Now the share of immigrants from Latin America and Asia is larger.

Skill levels. The share of higher-skilled immigrants has risen, while the share of lower-skilled immigrants has declined.

IMMIGRANTS TEND TO BE MORE ENTREPRENEURIAL THAN THE AVERAGE AMERICAN

Although data indicate that the growth in entrepreneurship in the United States is slowing, growth in entrepreneurship is on the rise among higher-skilled immigrants:

- It is estimated that 7.25 percent of immigrants start firms, compared to 4.03 percent of native-born Americans, a difference of nearly 80 percent. Wages at immigrant firms are 0.7 percent higher than at firms created by native-born Americans.
- Immigrants have started more successful Fortune 500 businesses than have native-born Americans.
- These new firms make a significant contribution to employment growth in the United States. Immigrant startups create between 210,250 and 785,900 jobs per year.

IMMIGRANTS PLAY AN IMPORTANT ROLE IN INNOVATION AND IMPROVED BUSINESS PRACTICES

Immigrants bring new ideas for potential new products and better ways to produce existing products or services. This is particularly true of immigrants who have science, technology, engineering, and mathematics (STEM) degrees or obtain such degrees after immigrating:

- Immigrants’ share of US patents has increased significantly over the past 20 years.

- According to estimates, a 1 percent increase in immigrant college graduates as a share of the US population increases patent numbers per capita by 9 to 18 percent.
- Immigrant inventors are a complement to native-born inventors, raising the productivity of the latter over time.

KEY TAKEAWAY

Immigrant entrepreneurs and innovators make a significant contribution to economic growth in the United States. Policymakers should consider expanding the number of visas issued to foreign-born entrepreneurs and individuals with STEM degrees. At a minimum, they should set the quota for H-1B visas at a level that more closely matches demand.