

Immigrant Entrepreneurs Bring Jobs And Innovation, New Research Shows

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A photo illustration of Databricks, an innovative billion-dollar company with multiple immigrant ...
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New research finds immigrants play a vital role in producing jobs, innovation and new businesses in the United States. The findings should interest policymakers and Americans who value expanded employment opportunities, particularly in cutting-edge fields. The research highlights the advantages of immigration overlooked in the current political battles over U.S. border policies.

Immigrant Entrepreneurs

Immigrant entrepreneurs receive little media attention, even though foreign-born business founders influence the nation's economy. "Immigrants contribute disproportionately to entrepreneurship in many countries, accounting for a quarter of new employer businesses in the U.S.," according to new research by economists

William R. Kerr (Harvard Business School), Saheel A. Chodavadia (University of Michigan), Sari Pekkala Kerr (Wellesley College) and Louis J. Maiden (Harvard Business School). The National Bureau of Economic Research published the study.

The economists detail the impact of immigrant entrepreneurs. “Immigrants are overrepresented as founders of innovative firms and in the high-tech industry,” they write. “In 2022, the four most valuable private, venture-backed U.S. companies (SpaceX, Stripe, Instacart, Databricks) had immigrant founders, along with three of the ten most valuable public companies globally (Alphabet, Nvidia, Tesla).”

A National Foundation for American Policy study found 55% of America’s startup companies valued at \$1 billion or more had at least one immigrant founder. Nearly two-thirds (64%) were founded or cofounded by immigrants or the children of immigrants. Approximately one-quarter of the billion-dollar companies in the U.S. had an immigrant founder who came to America as an international student.

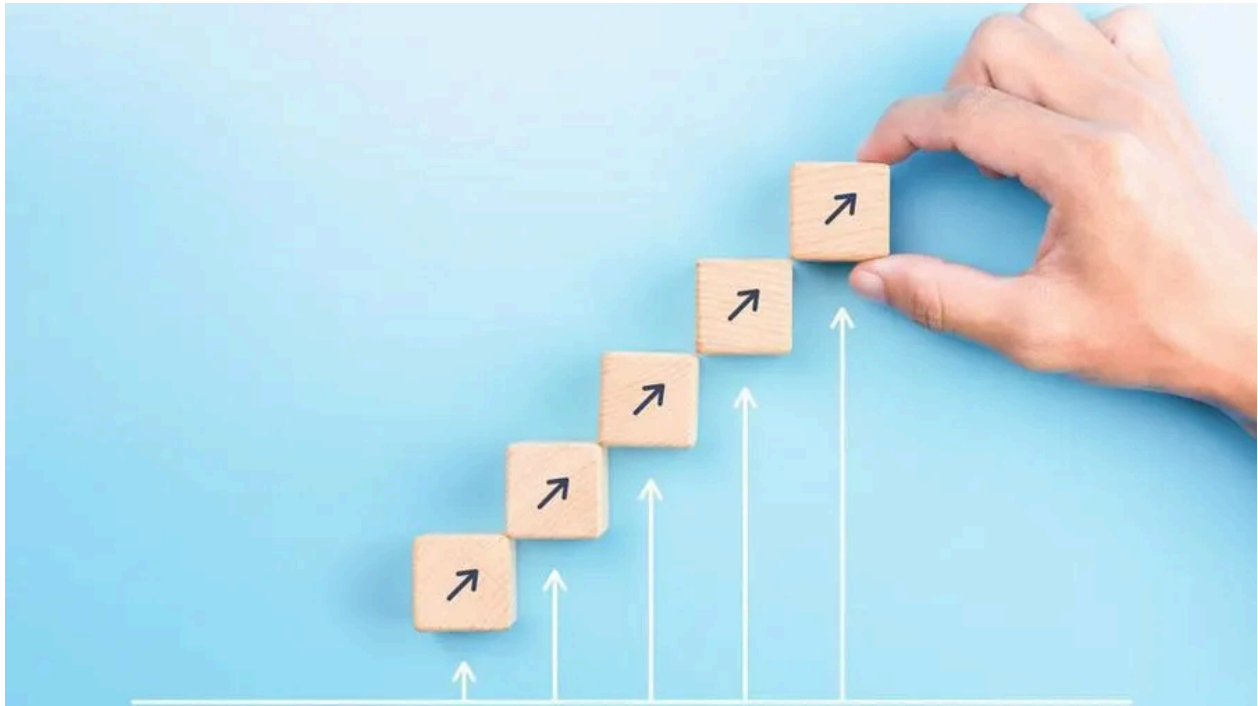
An NFAP report concluded immigrants also founded or cofounded nearly two-thirds (65% or 28 of 43) of the top AI companies in the United States. The research examined 43 U.S. companies on the *Forbes* AI 50, a list of the top startup companies “developing the most promising business applications of artificial intelligence—companies with compelling visions and the resources and technical wherewithal to achieve them.” (I authored both studies.) The economists cited the NFAP studies in their paper in a comparative analysis.

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“Most of the growth of U.S. immigrant entrepreneurship has come through a widespread strengthening of immigrant entrepreneurship across all states rather than a particular boom within a small number of them,” according to the economists.

Innovation

Immigrant entrepreneurs are innovative. Often innovations become realized by starting a business that allows an entrepreneur to hone and develop a product or service to consumer tastes. The reasons for innovation can be unusual.

When Eric Yuan was a university student in China, he endured 10-hour train rides to visit his girlfriend. That experience encouraged him to envision developing a video conferencing application to communicate with the young woman who would later become his wife. In the United States, he turned the idea into Zoom Video, which is valued today at \$19 billion and has over 7,000 employees.

Because U.S. officials denied Yuan a visa, he did not succeed in coming to America until his ninth try. Under U.S. immigration law, there is no startup visa. As a result, before starting a business, most immigrant entrepreneurs in America first obtain permanent

residence through family, employment or refugee status.

Kerr, Chodavadia, Kerr and Maiden made a significant finding: A business is “more likely to have a patent and more patents per employee if the owner is an immigrant.” A study by Ufuk Akcigit and Nathan Goldschlag concluded that the immigrant share of inventors in the United States rose from 24% in 2000 to 35% in 2016.

“Firms founded by immigrants are 3.4% to 4.5% more likely to produce new technologies and less likely to use other existing technologies,” according to Kerr, Chodavadia, Kerr and Maiden. “These findings suggest that, even beyond education and field of study, immigrant entrepreneurs tend to be more strongly linked to innovation.”

“The innovativeness of immigrant entrepreneurs, especially in the high-tech sector, suggest links to economic growth, labor adjustment, and agglomeration effects in tech clusters,” according to the economists.

Some aspects of immigrant entrepreneurs remain a mystery. “There is much more to learn about immigrant entrepreneurship,” according to the study. “To begin, we still have a remarkably poor understanding of why immigrants are so entrepreneurial.”

Harvard Business School Professor William Kerr said the traits that lead an individual to immigrate, such as industriousness and a desire for more, have parallels with becoming an entrepreneur.

He agrees that the U.S. economy would benefit if U.S. laws made it easier for entrepreneurs and international students to come to and stay in America. “Yes, full stop,” said Kerr. “Immigrant entrepreneurs are a source of jobs for the U.S. economy and enable a dynamic economy. This is especially true in high-tech and growth-oriented sectors where the U.S. needs to stay at the frontier. It’s what made our nation successful in the past and is necessary for the future.”

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