

Immigrants and entrepreneurship

Business ownership is higher among immigrants, but promoting self-employment is unlikely to improve outcomes for less skilled immigrants

Keywords: entrepreneurship, self-employment, innovation, immigrants, immigration

ELEVATOR PITCH

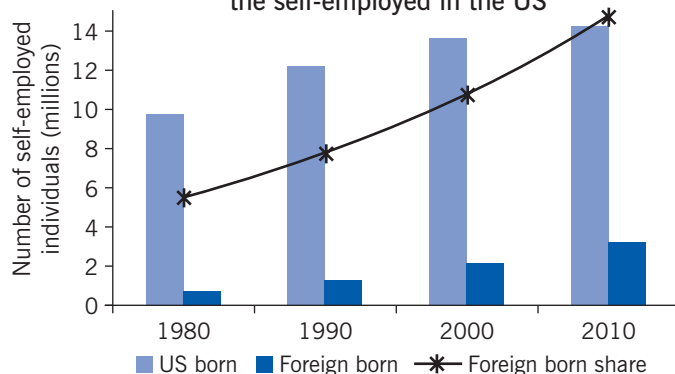
Immigrants are widely perceived to be highly entrepreneurial, contributing to economic growth and innovation, and self-employment is often viewed as a means of enhancing labor market integration and success among immigrants. Accordingly, many countries have established special visas and entry requirements to attract immigrant entrepreneurs. Research supports some of these stances, but expectations may be too high. There is no strong evidence that self-employment is an effective tool of upward economic mobility among low-skilled immigrants. More broadly prioritizing high-skilled immigrants may prove to be more successful than focusing on entrepreneurship.

KEY FINDINGS

Pros

- + Business ownership is higher among foreign born than native born workers.
- + Entrepreneurship positively affects labor market integration.
- + High-skilled immigrants contribute to innovation.
- + Higher schooling levels are the strongest and most consistent predictor of entrepreneurial success among immigrants.

Immigrants increasingly over-represented among the self-employed in the US



Source: Author's calculations based on the American Community Survey, downloaded from Integrated Public Use Microdata Series: Version 5.0.
 Online at: <https://usa.ipums.org/usa/>

IZA
World of Labor

Cons

- Many immigrant business owners are low-skilled, with low income.
- Business ownership is not an effective tool for significantly improving the economic outcomes of low-skilled immigrants.
- The effectiveness of immigrant entrepreneurship visa programs is unknown.

AUTHOR'S MAIN MESSAGE

Research finds that immigrants are entrepreneurial, as measured by business ownership. There is little credible research showing much of a downside to such entrepreneurship and much research pointing to significant positive contributions. However, promoting self-employment has not been shown to lead to widespread improvements in economic outcomes for less-skilled immigrants. Until strong evidence emerges that special visa programs lead to the greatest economic gains from immigration, policymakers may want to focus on education and skills as entry criteria, consistently strong predictors of immigrant success.