Immigrant entrepreneurs can drive economic growth in the pandemic recovery.
EXECUTIVE SUMMARY

Immigrants are critical to U.S. economic success and innovation. Foreign-born entrepreneurs play a key role in the creation of U.S. venture capital-backed startups. Startups, in turn, are fundamental to U.S. job creation and have been responsible for virtually all net new jobs in the last couple of decades. Numerous immigrant-founded startups have also grown to become some of America’s most successful companies, including Moderna, Tesla, and eBay. But the contributions of foreign-born entrepreneurs are despite U.S. immigration law, not because of it. Congress should create a Startup Visa to attract the world’s best entrepreneurs to our shores to create American jobs. In addition, Congress should reform the H-1B visa program to fuel the growth of startups and encourage the Biden Administration to implement the International Entrepreneur Rule.

KEY TAKEAWAY

According to NAE, 76% of patents awarded to the top ten patent-producing U.S. universities in 2011 had at least one foreign-born inventor.
Immigrant founders play a key role in the creation of new firms backed by venture capital. An NVCA report found that one-third of U.S. venture capital-companies that went public between 2006 and 2012 had at least one immigrant founder. VC-backed companies with at least one immigrant founder include household names like AT&T, Google, Intel, Facebook, and LinkedIn. New American Economy found that 44% of Fortune 500 companies (219 companies) were founded by immigrants or their children. An Internet Trends Report found that 60% of the most highly valued U.S. tech companies were founded by first or second generation Americans, accounting for 1.9 million employees. Finally, a Harvard Business Review piece has found that 31% of VC-backed founders are immigrants, compared to 25% of entrepreneurs generally. The above findings underscore why “access to talent (immigration and education)” is the most important public policy issue cited by startups.

Ensuring a healthy and vibrant VC industry and startup ecosystem is fundamental to strong domestic job growth given the critical role that young firms play in U.S. job creation. The Kauffman Foundation has found that startups create an average of three million net new jobs per year. Young firms, in fact, generally play a larger role than larger, mature companies in U.S. job creation. Federal Reserve economists have calculated that startups create more than four times as many jobs as mature firms that have been operating for 11 or more years. Other researchers have confirmed the critical role startups play in U.S. employment growth dynamics, noting that young firms grow more rapidly than more mature firms.

**KEY TAKEAWAYS**

- One third of U.S. companies backed by venture capital that went public between 2006 and 2012 had at least one immigrant founder.
- 44% of Fortune 500 companies were founded by immigrants or their children.

**WHAT VCs SAY:**

“Immigrants are fueling the next generation of high growth companies. Over 50% of the current crop of high growth companies were founded by an immigrant or by a first generation American. Those immigrant-founded companies are creating thousands of jobs, not just in Silicon Valley, but across the entire United States.”

Maha Ibrahim
Canaan Partners
Startup Visa is needed to create new jobs and maintain U.S. competitiveness

The COVID-19 pandemic has caused incredible economic destruction, with millions of Americans losing their jobs. Congress can inject new entrepreneurial energy into the economy through the creation of a Startup Visa. The concept has drawn bipartisan support for many years.

For example, the Startup Act from Senators Moran, Warner, Klobuchar, and Blunt:

■ Would create Startup Visas for up to 75,000 qualified immigrant entrepreneurs. To qualify, the foreign-born founder would need to create full-time U.S.-based jobs and attract significant investment.\(^9\)

■ The Kauffman Foundation estimates that the creation of 75,000 Startup Visas could create up to 1.6 million new jobs over a ten-year period. This estimate may be on the low end of what is possible.\(^10\)

The Kauffman researchers who analyzed the Moran bill note that this is likely a low-end estimate because they do not account for any job creation that may occur after companies age out of the Startup Visa program when founders apply for permanent status, nor do the estimates take into account these companies’ potential impact on the U.S. economy in terms of innovation, productivity, or fiscal impact. Another way these estimates may be conservative is if a recipient of a Startup Visa creates a hypergrowth company that ultimately employs large amounts of U.S. employees.

The Startup Visa will help America continue to be a global technology leader and the preferred location to launch business in an increasingly competitive global economic landscape in which many other nations already boast their own startup visas. At least twenty-five countries already have some version of a Startup Visa including Canada, the United Kingdom, Australia, Germany, and Sweden.\(^11\) Some of the most attractive, such as the UK’s, allow for the ability to remain in the destination country for a set number of years with unlimited renewals and the ability to apply for settlement. Canada’s visa program goes one step further and allows for the possibility of permanent residence. Without a Startup Visa, the United States will fall behind in the global competition for talent as innovators and entrepreneurs accept other attractive options of residence. In fact, U.S. immigration policy that pushes away entrepreneurs is one reason why the U.S. share of global venture capital has fallen more than 30 percentage points, from 84% in 2004 to 52% in 2019 in the last 15 years.\(^12\)

WHAT FOUNDERS SAY:

You have to attract the best and the brightest to the U.S., otherwise highly intelligent people who would create businesses and jobs here will decide to build their business somewhere else, and those jobs will be created in some other country.\(^7\)

Bastian Lehmann
Founder of Postmates

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U.S. immigration policy is not working for entrepreneurship

A Startup Visa is necessary because there is currently no visa category designed for foreign entrepreneurs who want to found companies in the U.S. and deliver all the benefits of new company formation to our country. For example, the H-1B visa requires an employer-employee relationship and therefore is very difficult for a founder to obtain. Oftentimes, an entrepreneur enters the U.S. on an H-1B visa but spends many years attached to that employer before receiving a green card that allows the individual to found a company. Take Jyoti Bansal who came to the U.S. on an H-1B visa but waited 7 years before starting AppDynamics, an incredibly successful startup that ultimately sold for $3.7 billion. It is not economically advantageous to delay founders like Bansal from growing innovative new companies in the U.S.

In addition, the O-1A visa (extraordinary ability) is not accessible to startup founders who have not yet achieved acclaim or are not academic researchers. The E-2 visa requires the founder to already have capital to start the company and is not available to entrepreneurs from India or China. The L-1 visa requires an international branch, parent, subsidiary, or affiliate, which is not applicable for startup founders that are focused on the U.S. Finally, the green card system generally is too backlogged.

Congress should support the International Entrepreneur Rule

Congress should encourage the Biden Administration to fully implement the International Entrepreneur Rule (IER). IER operates similarly to a Startup Visa and allows foreign-born entrepreneurs to be present in the U.S. for a limited time to start new companies. The rule was finalized under the Obama Administration, which stated the rule “would generate significant scientific, research and development, and technological impacts that could create new products and produce positive spillover effects to other businesses and sectors.” IER was unfortunately not implemented by the Trump Administration. Launching the program now would unleash entrepreneurial energy as Congress works to create a Startup Visa.

WHAT FOUNDERS SAY:
“I waited 7 years for my employment-based green card and I wanted to leave my job and start a new company but couldn’t . . . I have friends who became frustrated with the uncertainty and after years of waiting they finally left the United States.”

Jyoti Bansal
Founder of AppDynamics

WHAT VCs SAY:
"The next Airbnb or the next Uber may very well be born somewhere else because an immigrant founder can’t work and stay in the U.S. Those are American jobs we’re losing . . . There’s a major push around the world to attract entrepreneurs, yet America is slamming the door on many talented people."

Jeff Clavier
Uncork Capital
H-1B reforms will also support American entrepreneurship and startup activity

While H-1B visas are not ideal for immigrants who want to immediately found companies in the U.S., they are still critically important for the success of immigrant founded companies because they provide valuable work experience and widen the pipeline of potential immigrant startup founders. Raising the annual cap of H-1B visas issued each year to educated and highly skilled immigrants who work in jobs that require a substantial amount of technical and specialized training is fundamental to generating more successful immigrant founded companies. Currently, the annual numerical cap for H-1B visas is 65,000 new visas (plus 20,000 additional for graduate degree holders from U.S. universities) each fiscal year. Congress should raise the cap on these visas and enact reforms that better allow high-growth startups to utilize the program. Research has shown that prior experience in the specific industry in which an entrepreneur decides to found their company predicts much greater rates of entrepreneurial success. Allowing highly skilled immigrants to first gain valuable experience as employees increases the odds that more successful startups are created in the U.S.\(^{18}\)

**WHAT VCs SAY:**

“The challenge is with the next generation of startups that will become the next Facebook, Google, or Amazon and whether these companies be here, or overseas in other startup economies such as Stockholm, Vancouver, or Beijing. We would much rather have the next generation of great companies based here in the United States.”

Rich Wong
Accel

**WHAT YOU NEED TO KNOW ABOUT H-1B VISAS:**

The practical implication of these findings for a pro-growth, pro-innovation immigration policy is substantial: enabling skilled foreign-born workers to obtain meaningful job experience in cutting edge industries as employees is important to later success for foreign-born entrepreneurs.
Concluding Remarks

The United States is engaged in an increasingly competitive global race for talent. Our country has certain advantages, like our university system and generally stable regulatory environment, but other countries realize the benefit new company formation brings and therefore have crafted entrepreneur-friendly immigration policies to attract talented and highly-skilled foreigners. The United States must create a Startup Visa and make other pro-entrepreneur immigration reforms to create new American jobs and maintain our global leadership on entrepreneurship.

WHAT VCs SAY:

"The greatest defense we have against the rise of other economies like China and other nations is our entrepreneurial ecosystem. So any effort to bring great entrepreneurs here to build their business in the U.S. instead of in some other country is very important and will help our nation’s economy."

Saar Gur
CRV

Learn more at nvca.org


9 For immigrant founders to remain eligible for the Startup Visa, a founder’s company must employ two full-time, non-family employees after one year and raise or invest $100,000. After three subsequent years, Startup Visa companies must employ five full-time, non-family employees. At the end of four years, Startup Visa holders would be able to apply for permanent residency in the U.S.


