

Reason FOR REFORM:

Entrepreneurship

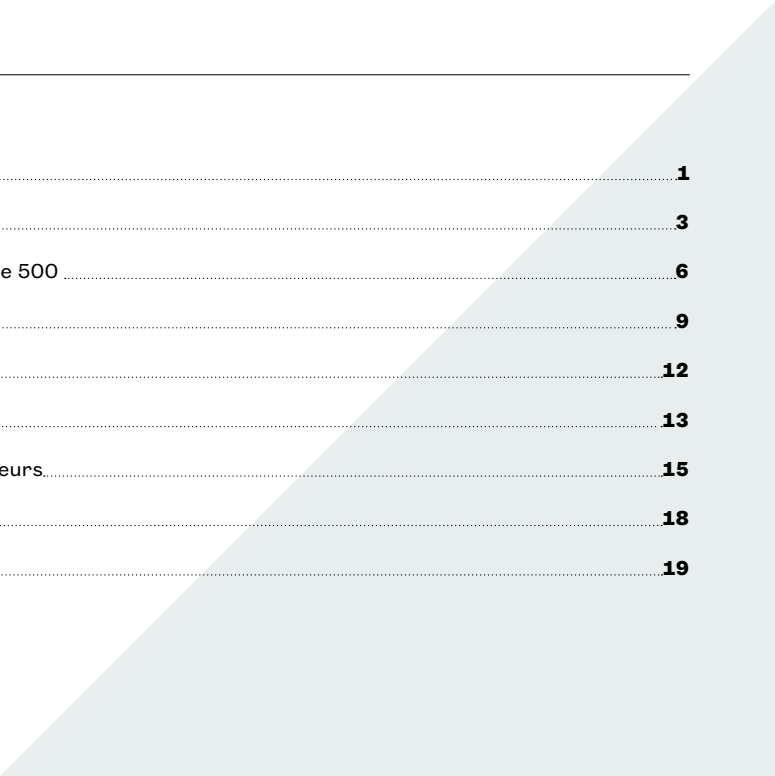




Reason for Reform: Entrepreneurship

CONTENTS

Executive Summary.....	1
I. Overview of Immigrant Entrepreneurship.....	3
II. The Role of Immigrants and Their Children in the 2016 Fortune 500	6
III. The Employment Impact of Private Firms.....	9
IV. Punching Above Their Weight Class as Entrepreneurs.....	12
V. Entrepreneurship Within Immigrant Subgroups.....	13
VI. The Challenges Our Immigration System Poses to Entrepreneurs.....	15
Conclusion.....	18
Endnotes.....	19



Executive Summary

When it comes to the health of our economy, it is hard to overstate the importance of entrepreneurship. In the last three decades, companies less than five years old have created an average of 1.5 million new jobs for Americans each year.¹ Researchers have also found that between 1977 and 2005 almost all the net job creation in the United States was attributable to young firms.² Given this—and our country’s continued interest in tackling the low workforce participation rates and high underemployment that has persisted since the Great Recession—understanding what drives the formation of new and promising companies is of particular interest to policymakers. And it is increasingly clear that it is impossible to look at this issue without focusing closely on one group: The 34.2 million working-age immigrants currently living in America.³

Given that the act of picking up and moving to another country is inherently brave and risky, it comes as no surprise that immigrants have repeatedly been found to be more entrepreneurial than the U.S. population as a whole.⁴ According to The Kauffman Foundation, a nonprofit group that studies entrepreneurship, immigrants were almost twice as likely as the native-born population to start a new business in 2015.⁵ The companies founded by immigrants range from small businesses on Main Street to large firms responsible for thousands of American jobs. Recent studies have indicated that immigrants own more than half of the country’s grocery stores and 48 percent of nail salons.⁶ Foreign-born entrepreneurs are estimated to be behind 51 percent of our country’s billion dollar startups as well.⁷

In this report, we analyze data from the American Community Survey, The Survey of Small Business Owners, and other publicly available data sources to gain a fuller picture of the real and meaningful role

immigrants have played founding American companies in recent years. Building on past NAE research, we also document—for the first time—the share of firms on the 2016 Fortune 500 list that had at least one founder who was either an immigrant or the child of immigrants. Our findings indicate that foreign-born workers remain a critical piece of the U.S. entrepreneurship landscape. Firms owned by new Americans generate billions of dollars in business income each year, and provide jobs to millions of U.S. workers.

Immigrants were almost twice as likely as the native-born population to **start a new business** in 2015.

This report shows why it is critically important that Congress take action to better support immigrant entrepreneurs next year. For the second straight year in a row, the rate of new business formation has slowed in the United States overall—a worrying trend given how much new businesses help spur job creation, productivity increases, and economic growth overall.⁸ In this environment, immigrants continue founding companies at higher rates than the national average. Despite their many contributions, however, many foreign-born entrepreneurs struggle to remain in the United States under current immigration laws. In this report, we discuss some of the visa challenges faced by immigrant entrepreneurs and recent efforts the White House has taken to try to address them. For the continued health of the U.S. economy, it is clear such efforts must be continued—and amplified—in the coming years

KEY FINDINGS

- ▶ Immigrants in the United States play an **outsized role** as entrepreneurs.

The United States is currently home to more than 2.9 million foreign-born entrepreneurs, a group whose companies generated **\$65.5 billion** in business income in 2014 alone. Foreign-born residents frequently punch above their weight class as business owners: In 2014, immigrants made up 20.6 percent of all entrepreneurs in the country, despite representing 13.2 percent of the U.S. population overall.

- ▶ Foreign-born business owners have **created millions of American jobs**.

Even when excluding large, publicly traded firms, businesses owned by immigrants employed more than 5.9 million workers in 2007, the most recent year for which figures are available. In some states, the employment impact of immigrants was particularly pronounced: Almost 1.5 million California residents had jobs at immigrant owned firms in 2007, as did more than half a million Floridians. In 16 states—including Arizona, North Carolina, and Texas—more than **100,000** people were employed at companies with immigrant owners.

- ▶ Consistent with past research, a significant portion of firms on the most recent **Fortune 500** list were founded by immigrants or their children.

In 2016, **40.2** percent of Fortune 500 firms had at least one founder who either immigrated to the United States or was the child of immigrants. Those firms generated more than **\$4.8 trillion** in revenue in 2014 and employed **18.9 million** people globally.

- ▶ Some immigrant subgroups boast **particularly high rates** of entrepreneurship.

In 2014, **19.1** percent of immigrants from the Middle East and North Africa were entrepreneurs. Similarly, **11.1** percent of foreign-born Hispanics were self-employed, as were **10.6** percent of Asian immigrants. The national rate of entrepreneurship among working Americans was 9.5 percent that year.

- ▶ Foreign-born entrepreneurs were instrumental in the country's **recovery from the Great Recession**.

Between 2007 and 2011, a period when the country struggled to create new jobs, immigrant entrepreneurs played a large role founding new businesses in several key states. Foreign-born entrepreneurs started **44.6** percent of new businesses in California during that period, as well as **42.0** percent of new businesses in New York State.

PART I

Overview of Immigrant Entrepreneurship

Shan-Lyn Ma, the co-founder and CEO of Zola, the wedding registry giant, didn't come to the United States as an entrepreneur—she came to study at Stanford University. In 2004, Ma, who was born in Singapore but raised in Australia, enrolled Stanford's MBA program. After graduating, she initially took a traditional path, working for two years at Yahoo!. Craving a startup experience, she then moved to the Gilt Groupe, where she created and served as general manager of Gilt Taste, an arm of the site that sold gourmet wine and food to consumers. It gave her the skill set she needed to branch out on her own. "I finally had the experience under my belt," Ma says, "to take the plunge."

Inspiration came when many of Ma's friends started getting married. "I was going to a lot of weddings and all the newlyweds expressed a frustration with the classic gift registry system," she explains. "They would say: 'I loved my wedding but I hated my registry.'" So, in 2013, Ma, along with Kevin Ryan and Nobu Nakaguchi, founded Zola, a company that would "transform wedding registries from the most frustrating part of wedding planning to the most enjoyable aspect." Geared toward tech-savvy millennials, Zola offers a mobile app that allows couples to build customized registries with ease. And, unlike traditional wedding registries, Zola allows wedding guests to gift experiences, like a hot-air balloon ride or a winery tour, as well as cash for down payments or other expenses.

Zola has been wildly successful. The New-York-City-based company has raised over \$16 million in venture capital funding and is the fastest-growing wedding registry company in the United States. It also grossed \$40 million in 2015. In the last two and a half years,

the team has grown from three co-founders to 40 employees—38 of whom are American-born.

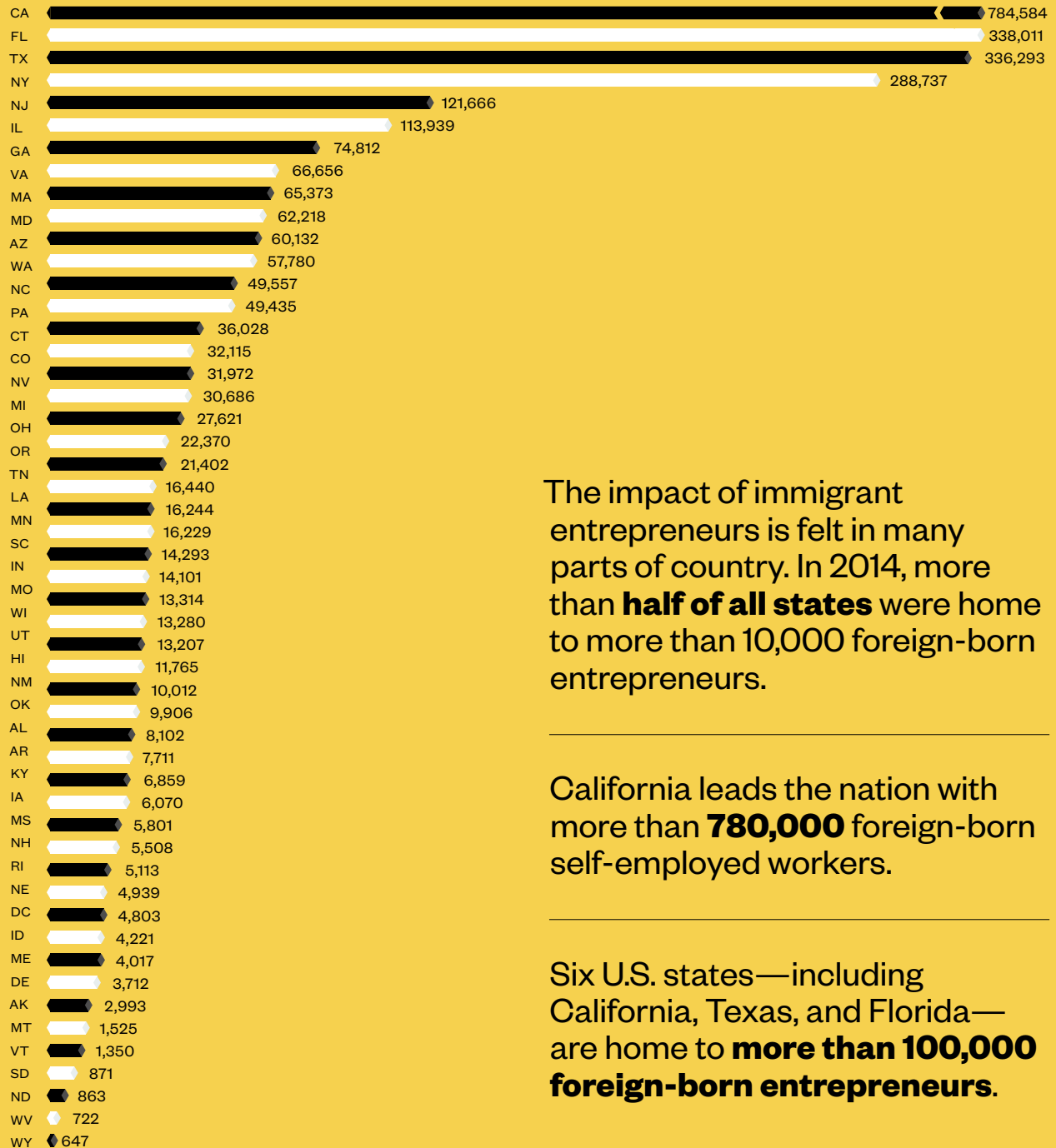
2,896,005

immigrants in the United States are self-employed.

Ma has built a firm that stands out for the incredibly rapid growth it has experienced in recent years. Ma, however, is just one of millions of foreign-born entrepreneurs currently in the United States—and one of many providing valuable jobs and opportunity to her fellow American workers. NAE's analysis of American Community Survey data finds that the United States was home to almost 2.9 million immigrant entrepreneurs in 2014. These individuals generated \$65.5 billion in business income that year.

The contributions such entrepreneurs make are felt in many parts of the country. In Figure 1, we highlight the number of immigrant entrepreneurs in each state as well as Washington, D.C. California leads the nation with more than 780,000 foreign-born self-employed workers. Five other states—including Texas, Florida, and Illinois—are home to more than 100,000 foreign-born entrepreneurs. Even states with relatively small populations of immigrants still have meaningful numbers of foreign-born entrepreneurs. Missouri and Indiana, for instance, have more than 14,000 foreign-born entrepreneurs. North Carolina and Pennsylvania both have almost 50,000.

FIGURE 1: NUMBER OF IMMIGRANT ENTREPRENEURS BY STATE, 2014

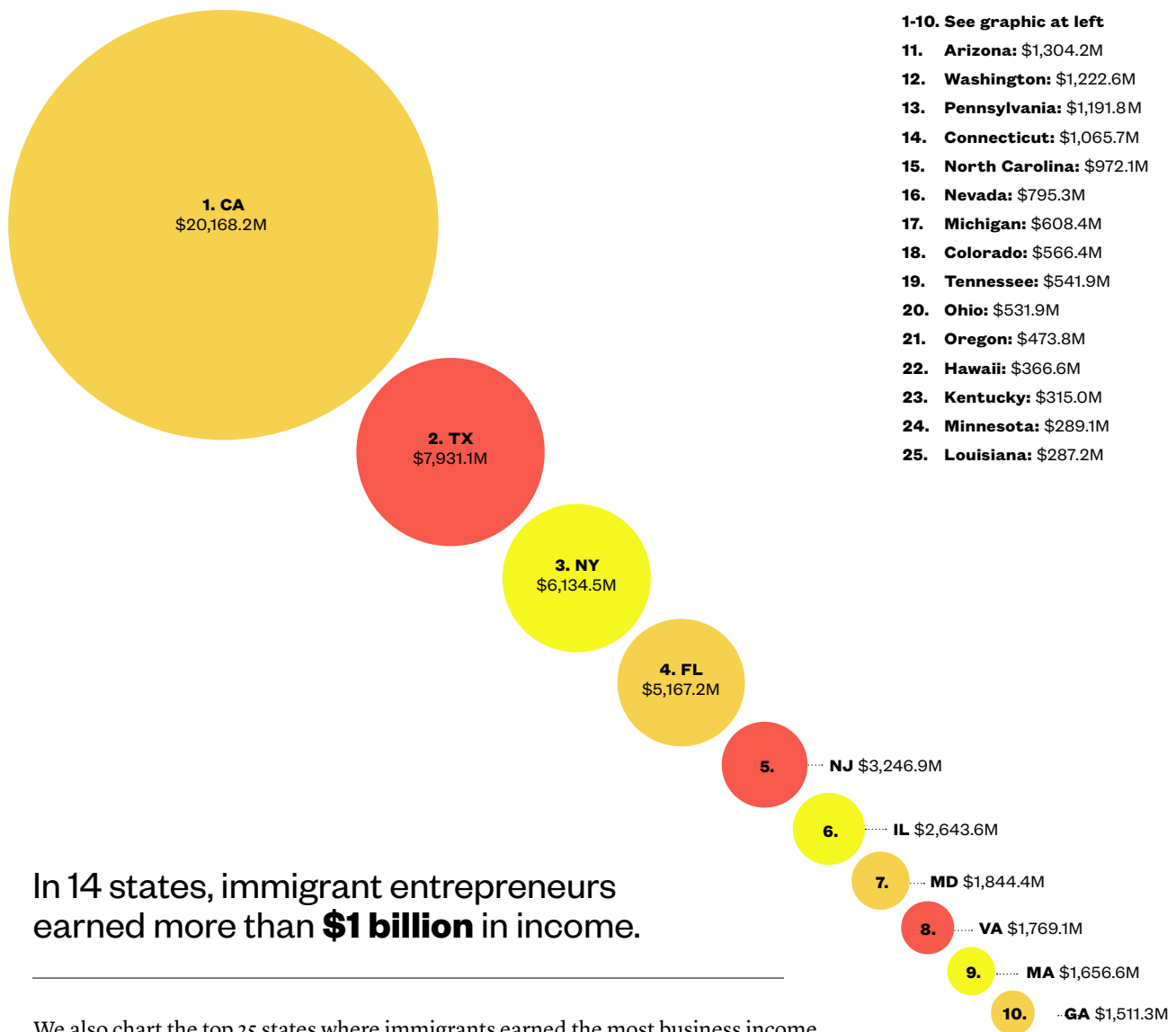


The impact of immigrant entrepreneurs is felt in many parts of country. In 2014, more than **half of all states** were home to more than 10,000 foreign-born entrepreneurs.

California leads the nation with more than **780,000** foreign-born self-employed workers.

Six U.S. states—including California, Texas, and Florida—are home to **more than 100,000 foreign-born entrepreneurs**.

FIGURE 2: BUSINESS INCOME OF FOREIGN-BORN ENTREPRENEURS, BY STATE, 2014



In 14 states, immigrant entrepreneurs earned more than **\$1 billion** in income.

We also chart the top 25 states where immigrants earned the most business income in 2014. Business income is an indication of the inherent profitability of a business. In many cases, it also reflects a pool of funds that federal, state, and local governments can tax, supporting services like school and police forces, as well as federal entitlement programs. In 2014, self-employed immigrants in California earned \$20.2 billion in business income, by far the highest total of any state. In 14 states, immigrant entrepreneurs earned more than \$1 billion in income in 2014. That group included places as varied as Connecticut, Georgia, and Washington State.

PART II

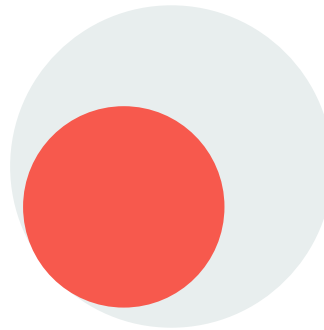
The Role of Immigrants and Their Children in the 2016 Fortune 500

Immigrant entrepreneurs have long been an important part of America's economic success story. Kohl's, the Wisconsin-based retail giant, was founded originally by Maxwell Kohl, a Polish immigrant. When Kohl opened his first store, a grocery store in Brookfield, Wisconsin, his English was so poor that customers often had to make their own change and teach him the names of basic products like Corn Flakes.⁹ Today, his company brings in \$19.2 billion in revenue each year. Similarly, Bank of America was founded by Italian immigrant Amadeo Giannini, who wanted to build a bank that catered to "the little fellows"—immigrants who struggled to get loans elsewhere.¹⁰ And Procter & Gamble, one of the world's leading consumer products firms, was started by foreign-born brothers in law, who were seeking a way to more efficiently support their families.¹¹

Stories like these are not uncommon ones. While the data presented in this report so far focuses on today's self-employed immigrants, foreign-born entrepreneurs past and present are behind many of our country's most iconic firms. These companies make enormous contributions to both the U.S. and global economy. They also live on far beyond the founders, generating jobs and economic opportunity far after their original visionaries retire or moved on.

To get a sense of the role immigrants have played founding some of America's largest firms, NAE has in the past analyzed the companies in the Fortune 500, the group of American firms pinpointed by Fortune each

year for boasting the highest revenues in the country. In a widely-cited report released in 2011, NAE found that more than two out of every five Fortune 500 firms had at least one founder who was an immigrant or a child of immigrants. This included 90 companies that were founded directly by immigrants, a group that made up 18 percent of Fortune 500 companies that year.¹²



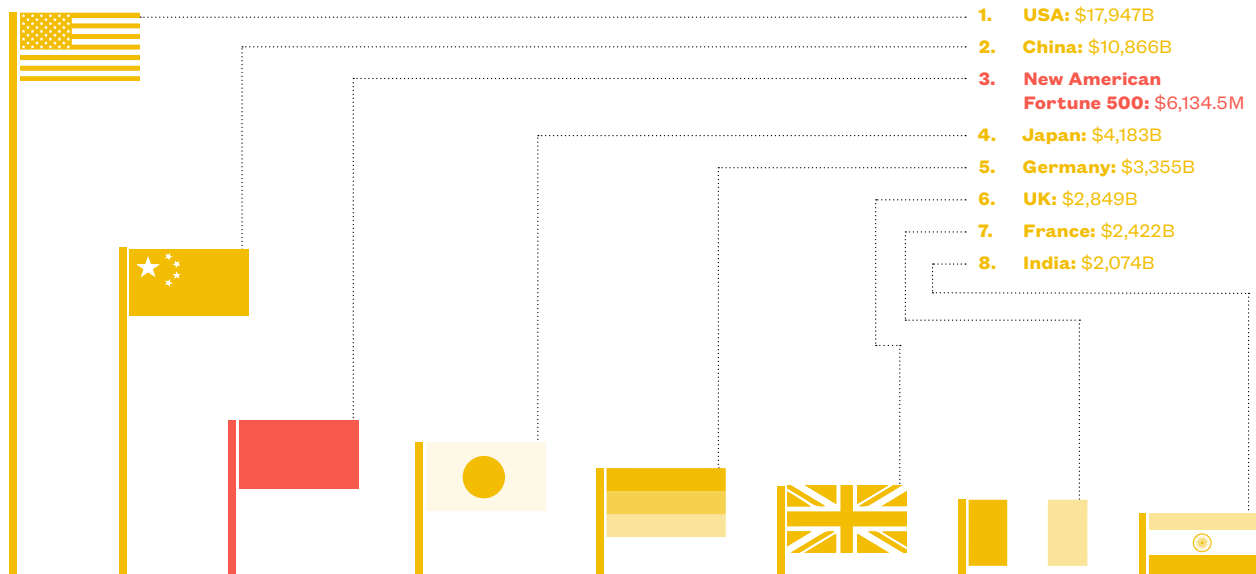
Fortune 500 companies founded by immigrants or their children generate **\$4.8 trillion** in annual revenue and employ **18,910,992** people globally.

In this report, we update our analysis, looking at the companies that made the Fortune 500 list in 2016. The 2016 list is notably changed from four years ago, and

today includes several large technology companies—such as Salesforce.com and Facebook—that were not on the earlier version. The massive role that first and second generation immigrants have played founding America’s most iconic firms, however, remains essentially unchanged. In 2016, 40.2 percent of firms in the Fortune 500, or 201 companies in total, had at least one founder who was either an immigrant or the child of immigrants. A full 89 were founded or co-founded directly by individuals born abroad.

These new American firms make a large impact on both the U.S. economy. The 201 companies with immigrant or children of immigrant founders employed more than 18.9 million people globally in fiscal year 2015. They also brought in \$4.8 trillion in revenue. To put that figure in context, \$4.8 trillion is greater than the GDP of many developed countries in 2015—including Japan, Germany, and the United Kingdom. In fact, if a country had a GDP equal to the revenues of the New American Fortune 500 firms, it would have had the third largest GDP in the world in 2015, behind only the United States and China.

If a country had a GDP equal to the revenues of the New American Fortune 500 firms, it would have the **third largest GDP in the world.**



Source: World Bank GDP Rankings, 2015

New American Fortune 500 firms were also made a particularly large impact on the employment picture in several U.S. states. The 14 Fortune 500 firms in Texas with first or second-generation immigrant founders provided jobs to more than 7.2 million people in fiscal year 2015. And Illinois is home to 20 new American Fortune 500 firms, a group that includes iconic companies such as McDonald's, Boeing, and Walgreens. In fiscal year 2015, Illinois' new American Fortune 500 generated \$518.1 billion in revenues and provided jobs to almost 1.5 million workers globally. We show the figures for all states in Figure 3.

FIGURE 3: THE IMPACT OF NEW AMERICAN FORTUNE 500 FIRMS, BY STATE, 2016

	No. of New American Fortune 500 Firms	Revenue (in millions\$)	No. of Employees
AL	1	\$5,674	7,081
AZ	2	\$43,802	53,300
CA	24	\$631,518	1,034,238
CO	3	\$21,588	49,700
CT	8	\$272,566	868,297
DE	1	\$27,940	52,000
FL	8	\$92,538	279,052
GA	5	\$187,723	826,643
IA	1	\$7,052	22,408
IL	20	\$518,064	1,498,187
IN	2	\$10,574	11,671
KS	2	\$11,159	11,272
LA	1	\$11,513	13,579
MA	7	\$134,712	487,253
MD	1	\$46,132	126,000
MI	6	\$194,658	409,300
MN	6	\$92,192	200,742
MO	3	\$36,369	174,238
NC	5	\$126,883	386,380
NE	2	\$24,841	54,900
NJ	8	\$134,978	641,550
NV	2	\$20,879	104,450
NY	30	\$791,548	1,919,169
OH	7	\$222,793	664,218
OK	1	\$7,763	2,364
OR	1	\$7,864	9,574
PA	8	\$288,700	551,850
SC	1	\$5,264	9,850
TN	2	\$28,592	73,500
TX	14	\$375,045	7,209,636
VA	8	\$126,547	500,850
WA	6	\$270,456	515,297
WI	5	\$58,913	142,443

PART III

The Employment Impact of Private Firms

In recent years, particularly in the wake of the Great Recession, creating jobs has been a top priority for many U.S. policymakers. President Barack Obama used a primetime televised address in 2011 to announce a series of job creation proposals he dubbed the American Jobs Act.¹³ Democratic presidential candidate Hillary Clinton has outlined specific job creation plans aimed at everyone from millennials to manufacturing workers.¹⁴ And Republican hopeful Donald Trump declared in the speech announcing his candidacy that he would be “the greatest jobs president that God has ever created.”¹⁵

While rarely the focus of such political initiatives, research consistently shows that immigrants—and the business they own—are major generators of valuable U.S. jobs. In 2010, roughly one in 10 American workers employed at private firms were working at immigrant-founded companies.¹⁶ In this report, we analyze the Survey of Business Owners, product of the U.S. Census, to determine the number of people employed at firms owned by immigrants. This data is from 2007, the most recent year for which figures available. For privacy reasons, the survey excludes large, publicly traded firms, making the figures inherently conservative in nature.

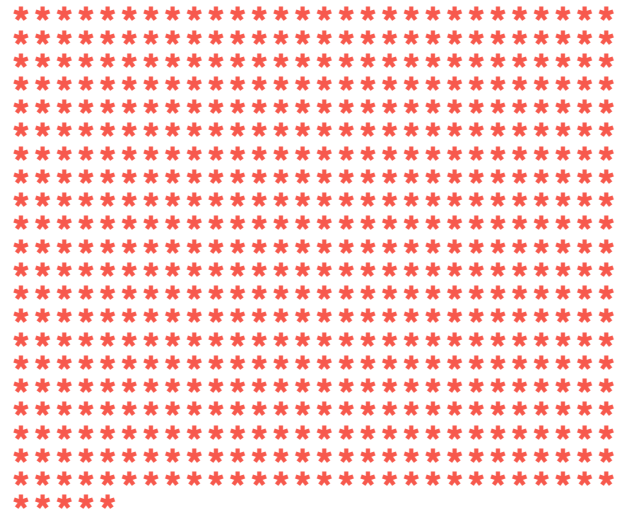
In 2010, roughly **one in 10** American workers employed at private firms were working at immigrant-founded companies.

We find that in 2007, more than 5.9 million workers held jobs at private immigrant owned firms. In several states, the number of people employed at such companies

was particularly significant. In California, for instance, almost 1.5 million people held jobs at immigrant-owned companies. The equivalent figure was roughly 500,000 people in Florida. Overall, in 16 U.S. states, more than 100,000 residents were employed at firms owned by immigrants. This group included states such as Virginia, Arizona, and Texas.

FIGURE 4: EMPLOYMENT IMPACT OF IMMIGRANT-OWNED FIRMS, 2007

5,934,147
Number of employees at immigrant-owned firms.



* = 10,000 people

FIGURE 5: SHARE OF NEW BUSINESSES FOUNDED BY IMMIGRANTS IN SELECT STATES, 2007-2011

California: 44.6%

New York: 42.0%

Florida: 36.7%

New Jersey: 35.2%

Illinois: 32.1%



With their high levels of entrepreneurship, immigrants played an important role founding new businesses and helping communities recover in the wake of the Great Recession. From 2007 to 2011, **immigrants founded more than three out of every 10 new businesses** in five key states.

In 2011, a period when the country was still struggling to create jobs, immigrants were **more than twice as likely** to found a new business than the native-born.

In the years immediately after the Great Recession, a time when many companies were contracting their operations, there is also evidence that immigrants continued founding companies and creating American jobs. A 2012 NAE study written by Robert Fairlie, a professor at the University of California, Santa Cruz, found that in 2011, a period when the country was still struggling to create jobs, immigrants were more than twice as likely to found a new business than the native-born. That year, foreign-born residents founded businesses at the rate of 550 new businesses per month for every 100,000 immigrants. The equivalent native-born rate was only 270 new businesses per month.¹⁷

NAE was also able to isolate the share of new businesses started by immigrants in several states from 2007 to 2011, the critical period at the beginning of the country's economic recovery. During that time, immigrants founded 44.6 percent of all new businesses in California. They founded 42.0 percent of all new businesses in New York as well.¹⁸

Claudia Mirza, the CEO and Co-Founder of Akorbi, a translation and multilingual staffing firm, is one of many immigrants in the country whose work is creating valuable jobs and opportunities for others. Mirza had a long wait before she could come to America. As a child, her father moved to the country to work as a farm laborer, leaving Mirza and her mother behind in their native Colombia. Mirza, who was raised largely in poverty, attended a prestigious Colombian school on an academic scholarship. She was finally able to join her father in the United States after graduating from college, arriving initially on a tourist visa.

Now years later, Mirza is a U.S. citizen. And Akorbi, a firm she founded with another immigrant—her husband, an Indian native—is rapidly taking off. The Plano, Texas based firm provides its services to large companies like Google, Aetna, and Blue Cross Blue Shield. Akorbi is on track to produce \$40 million in revenues this year. It also provides both full and part-time jobs to 670 Americans.

PART IV

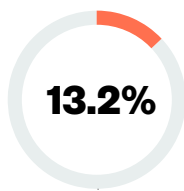
Punching Above Their Weight Class as Entrepreneurs

The oversized role that immigrants play as entrepreneurs means that the foreign-born population frequently makes up a larger share of entrepreneurs in the country than they do the U.S. population as a whole. While immigrants made up 13.2 percent of the U.S. population in 2014, they represented 20.6 percent of all entrepreneurs in the country that year—or more than one out of every five business owners in America.

While the phenomenon of immigrants punching above their weight class as entrepreneurs exists in the large majority of states, it is particularly pronounced in some parts of the country. In Florida, for instance, one in three entrepreneurs in the state are immigrants, despite the fact that foreign-born Americans make up only about one in five residents in the state overall. Similarly, in Nevada, 19.3 percent of entrepreneurs are foreign-born, although immigrants account for just 10.6 percent of the state's population. We show the figures for the top 15 states where immigrants are most dramatically overrepresented as business owners here.



Share of entrepreneurs who are immigrants



Share immigrants in the U.S. population

FIGURE 6: TOP 15 STATES WHERE IMMIGRANTS PUNCHED ABOVE THEIR WEIGHT AS ENTREPRENEURS IN 2014

State	Immigrant Share of Self-Employed Population	Immigrant Share of Total Population	Difference
FL	33.2%	20.0%	13.2%
TX	28.9%	16.7%	12.2%
CA	38.4%	27.0%	11.4%
MD	25.9%	14.8%	11.1%
NV	29.9%	19.3%	10.6%
NJ	32.3%	21.7%	10.6%
NY	32.7%	22.6%	10.1%
IL	22.1%	13.7%	8.4%
AZ	22.0%	13.7%	8.3%
VA	20.2%	12.1%	8.1%
GA	17.7%	9.8%	7.9%
CT	21.3%	13.7%	7.6%
DC	19.7%	14.1%	5.6%
LA	9.1%	4.0%	5.1%
MA	20.7%	15.6%	5.1%

PART V

Entrepreneurship Within Immigrant Subgroups

In recent years, there has been some concern that new business creation in the United States as a whole has been slowing. The Kauffman Foundation, a nonprofit that studies entrepreneurship, reported that startup activity in the United States declined between 2010 to 2015.¹⁹ During that period, however, immigrants continued to start new businesses at a rapid rate—making them the rare bright spot during a troubling period for business generation overall.²⁰

Between 2010 and 2015, a period when the country’s overall startup activity was slowing, immigrants continued to found new business at a rapid rate.

In our analysis of 2014 data, we find that immigrants indeed boasted higher entrepreneurship rates that year than the broader U.S. population. In 2014, 11.6 percent of all immigrants in the workforce were entrepreneurs. This figure was considerably higher than the rate for the U.S. working population as a whole, which sat at 9.5 percent that year. The rate for natives was even lower: 9.1 percent of U.S.-born Americans in the workplace were self-employed in 2014.

Those figures tell a powerful story about how immigrants—taken as a whole—continue to start new businesses and generate jobs for Americans. Drilling down to specific ethnic and national origin groups within the immigrant population, we can see that many groups within the foreign-born population exhibit higher than average entrepreneurship rates as well. In 2014, 10.6

percent of immigrants who identified as Asian were self-employed entrepreneurs. Similarly, a full 11.1 percent of Hispanic immigrants were entrepreneurs in 2014. This finding on the Hispanic population shows the sea change that has happened in recent years regarding entrepreneurship among this group. While as recently as 2000, Hispanic immigrants were less likely than the broader U.S. population to have their own businesses, this pattern has shifted notably in recent years.²¹ One 2014 NAE study in fact found that between 1996 and 2012, the number of Hispanic immigrant entrepreneurs in the country more than quadrupled. The number of Mexican immigrant entrepreneurs grew by a factor of 5.4.²²

While those figures are impressive, our analysis revealed one group that exhibited particularly high entrepreneurship rates: The almost 1.5 million immigrants in the country that hail from the Middle East and North Africa, also known as MENA countries, a group that has come under particular criticism during the most recent election cycle.

One group that exhibited particularly high entrepreneurship rates: The almost 1.5 million immigrants in the country that hail from the Middle East and North Africa.

In 2014, 19.1 percent of all MENA immigrants were entrepreneurs—more than double the rate for the country as a whole. The outsize role the MENA population plays founding businesses holds even when

Israeli nationals, a group known for producing large numbers of technology startups, are excluded from our count.²³ In 2014, more than one in four Israeli immigrants in the country, or 26.2 percent, were self-employed. For MENA immigrants with Israelis excluded, the entrepreneurship rate was 17.9 percent, still far above the rate for the U.S. population as a whole.

The supercharged entrepreneurial activity of MENA immigrants has been critically important to several American cities that draw large numbers of such immigrants. The challenges faced by the city of Detroit in recent decades have been well chronicled. Between the city's heyday in 1950 and the early 2000s, the city's population shrunk by roughly 60 percent. The city had also shed about a fifth of its jobs. By the time Detroit filed for bankruptcy in 2013, it had an unemployment rate nearly double the national average.²⁴ Detroit, however, has also long attracted MENA immigrants. Roughly a third of the residents of Dearborn, a Detroit suburb, are of Middle Eastern descent.²⁵ Immigrants from MENA countries also make up roughly one out of every 10 residents of the Detroit metropolitan area overall.²⁶

In recent years, as Detroit has taken steps to rebuild and revitalize its economy, MENA immigrants have played an important role founding and maintaining local firms.

Some 15,000 businesses in the Detroit metropolitan area are owned by Middle Eastern immigrants and their families, according to Fay Beydoun, Executive Director of the American Arab Chamber of Commerce. Those firms generate between \$5.4 and \$7.7 billion in wages and salary earnings each year.²⁷ They also make an annual economic impact of \$36.4 billion.²⁸

Middle Eastern business owners are frequently credited as an important part of Detroit's recent economic comeback.

These immigrant-owned businesses take on a variety of forms. Business owners include high-power investors like Israeli-born billionaire Tom Gores, who saved hundreds of jobs in 2009, when he bought the bankrupt boat manufacturer Four Winns. On the other end of the spectrum, Beydoun says that 90 percent of Detroit's gas stations are owned by Arab Americans, while a majority of convenience stores are owned by Chaldeans, an Iraqi Catholic group. "When Detroit was going through the recession, these two groups did not abandon the city," Beydoun says, "Their businesses stayed open and provided services, especially to low income households." Given that, they are frequently credited as an important part of Detroit's recent economic comeback.²⁹

Entrepreneurship rates for immigrant subgroups in 2014:

Middle East and North African Immigrants



Hispanic Immigrants



Asian Immigrants



U.S. Workers Overall



PART VI

The Challenges Our Immigration System Poses to Entrepreneurs

Despite the important role that immigrants are currently playing founding new businesses and providing jobs to American workers, our current immigration system has not made it easy for foreign-born entrepreneurs to settle and grow their companies on U.S. soil. Currently, there is no visa to come to the country, start a company, and create jobs for U.S. workers—even if an entrepreneur already has a business plan and has raised hundreds of thousands of dollars to support his or her idea. A six-year effort to create a formal start-up visa also died in Congress last year.³⁰ Trying to exploit that flaw in our system, countries around the world—from Canada to Singapore, Australia to Chile—have enacted startup visas, often with the explicit purpose of luring away entrepreneurs who want to build a U.S. business but cannot get a visa to do so.³¹

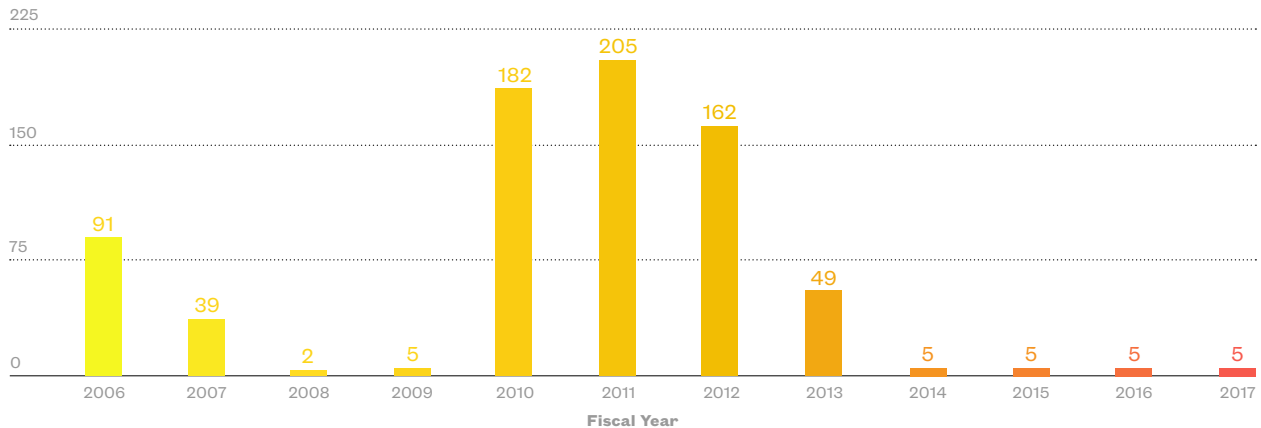
Entrepreneurs who chose to remain in the United States often face major challenges trying to navigate our current visa system. To access a visa, many business owners sell a majority stake in their company and then apply for a visa as a high-skilled worker rather than the owner of their firm. After making that sacrifice, however, many find they still face an uphill road to obtain a visa. The H-1B visa, the most common visa used by high-skilled workers, is capped at 85,000 visas per year for private companies. In recent years that visa cap has been reached in remarkable speed.³² In 2015, the USCIS received 233,000 visa applications from U.S. companies in the first seven days of the application window—nearly double the number they received just

two years prior. When the cap is exhausted in the first week, the government stops accepting applications, and selects who ultimately receives the visa through a random lottery, effectively leaving the fate of many entrepreneurs up to a process beyond their control.

When the H-1B cap is exhausted in the first week, the government decides who ultimately receives the visa through **a random lottery**, leaving the fate of many entrepreneurs up to a process beyond their control.

Obtaining a visa for workers of “extraordinary ability,” another category fused by some entrepreneurs, also can be challenging. To apply for an O-1 visa, which allows individuals in that category to remain in the country temporarily, or the EB-1 visa, a similar green card category, entrepreneurs often must amass what amounts to hundreds of pages of documents to prove their case, a lengthy and expensive process. Of the eight criteria the government uses to determine if a person is extraordinary, few are well-suited to the nature of entrepreneurship. Business owners with new or young businesses may not yet have achieved “national or international recognition” for their work or high compensation compared to their peers, two measures used to assess applications.³³ Entrepreneurs who come

Number of days until H-1B cap reached:



from outside academia are also unlikely to have articles published in academic journals, another achievement that factors into the visa decision.³⁴

Of the eight criteria the government uses to determine if someone is eligible for an extraordinary ability visa, few are well-suited to the nature of entrepreneurship.

In this environment, some immigrant entrepreneurs have had to leave the country after being able to secure the visa they need to run their business—taking valuable American jobs with them. Love Sarin, the former co-founder of Banyan Environmental, is one promising business owner who left the country because of our current immigration system. While studying to get a PhD in chemical engineering at Brown University in Rhode Island, Sarin, an Indian native, discovered that the element Selenium had properties that could help neutralize harmful mercury in the body. By 2009, he and an advisor had co-founded Banyan Environmental, a firm designed to commercialize their work. Sarin and his team envisioned a future where the technology could

be used to make coal-fired power plants less harmful to consumers, potentially saving millions in healthcare costs each year.

Despite earning two competitive grants from the National Science Foundation, however, Sarin found his path to remain in the United States was not an easy one. He applied for a green card for people with extraordinary abilities. Despite his accolades and patents, it was rejected in 2009. “We were really excited about the work [Banyan was doing] and our potential for growth,” Sarin says. Given that, he says the visa rejection was “shocking and frustrating.” It also cost the U.S. economy jobs. At one point, Banyan had employed three full time people, and also provided work to local contractors, like accountants and legal advisors.

Several venture capitalists and entrepreneurs, frustrated by stories like Sarin’s, have been tried in recent years to find ways around our broken immigration system. Jeff Bussgang in Boston and Brad Feld in Colorado, two venture capital leaders, have launched programs that bring over foreign-born entrepreneurs to serve as “entrepreneurs in residence” at colleges and universities. Because nonprofit academic institutions are exempt from the H-1B cap, such entrepreneurs can secure their visas by working as mentors at a school, and then

build their startups in their free time. These innovative programs, which are currently available at 13 colleges and universities across the country, are already resulting in meaningful economic contributions. As of mid-2016, 23 entrepreneurs had secured visas through these programs nationally. The companies they founded had created 261 jobs and raised almost \$120 million in funding.³⁵

In August, the Department of Homeland Security proposed an administrative rule that would allow entrepreneurs to remain in the country for up to five years if they have at least **\$100,000 in government funding, **\$345,000** in venture capital backing.**

Still, given the limited the number of spots currently available, entrepreneurship in residence programs hardly represent a long-term solution. Advocates have asked Congress for years to create a formal startup visa for entrepreneurs, but made little progress given the current gridlock in Washington. Facing this situation, the White House recently took steps to make it easier for aspiring entrepreneurs to stay in the United States. In August, the Department of Homeland Security proposed an administrative rule that would allow entrepreneurs to remain in the country for up to five years if they have at least \$100,000 in government funding, \$345,000 in venture capital backing, or other evidence that their firms are poised for rapid revenue or job growth. The rule allows entrepreneurs to remain in the United States on “parole status,” a designation that gives someone temporary permission to remain in the country if their presence represents a “significant public benefit.” While representing an exciting moment for entrepreneurs, an administrative rule of this sort is in many ways inherently precarious. Future administrations could choose to enforce the rule differently or abandon the program for new entrepreneurs altogether.

Meanwhile, in Silicon Valley, our country’s most prominent center for startup activity, there is already evidence that our broken visa system is taking a toll on immigrant startup activity. One study by researchers at Duke University and University of California-Berkeley found that from 2006 to 2012, 43.9 percent of high-tech companies in Silicon Valley were founded by immigrants.³⁶ That figure, while compelling, represented a decline compared to earlier years, particularly the period that included the late 1990s and early 2000s. During those years, the government allocated more H-1B visas than it does now, at one point providing 195,000 visas to the private sector each year.³⁷ Such policies may have made a difference: From 1995 to 2005, more than half of high-tech startups in Silicon Valley, or 52.4 percent, had foreign-born founders, a higher share than in the seven years that followed.³⁸

In Silicon Valley, our country’s most prominent center for startup activity, there is already evidence that our broken visa system is taking a toll on immigrant startup activity.

Conclusion

This report demonstrates the real and meaningful impact that immigrants are currently playing starting new businesses and powering U.S. economic growth. In 2014, more than 20 percent of entrepreneurs in the country were immigrants. Almost six million Americans were also working at immigrant-owned firms in 2007. Foreign-born Americans also played a large role starting some of our country's most iconic firms. More than 40 percent of companies in the Fortune 500 have at least one founder who either immigrated to the United States or was the child of immigrants. Several of our most successful technology companies, such as YouTube, Tesla Motors, and Google, were also founded by new Americans too, as were countless grocery stores, restaurants, nail salons, and other small businesses in cities big and small across the country.

Despite their outsize contributions, however, our country in recent years has not done enough to welcome and encourage foreign-born entrepreneurs. The H-1B visa program for high skilled immigrants is outdated and hard for many entrepreneurs to access. The O-1 visa program is unpredictable and expensive as well. In this context, the White House's recent move to allow entrepreneurs to remain in the country on temporary parole status represents an important and much needed step in the right direction. But it doesn't go far enough. Immigrant entrepreneurs employ almost six million workers in America. Given their enormous contributions, they deserve a more permanent legislative fix next year.

Endnotes

- 1** Jason Wiens and Chris Jackson, “The Importance of Young Firms for Economic Growth,” September 13, 2015, <http://www.kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/the-importance-of-young-firms-for-economic-growth>.
- 2** John Haltiwanger, Ron S. Jarmin, and Javier Miranda, “Who Creates Jobs? Small Versus Large Versus Young,” *The Review of Economics and Statistics* 95, no. 2 (May 2013): 347–61.
- 3** For purposes of this report, we define working-age as those ages 25 to 64.
- 4** Vivek Wadhwa et al., “America’s New Immigrant Entrepreneurs: Part I,” SSRN Scholarly Paper, Social Science Research Network, 2007, <http://papers.ssrn.com/abstract=990152>; Robert Fairlie, “Open For Business: How Immigrants Are Driving Small Business Creation In The United States,” Partnership for a New American Economy, 2012, <http://www.renewoureconomy.org/research/open-for-business-how-immigrants-are-driving-small-business-creation-in-the-united-states-2/>.
- 5** Arnobio Morelix et al., “The Kauffman Index 2015: Startup Activity, State Trends,” SSRN Scholarly Paper, Social Science Research Network, 2015, <http://papers.ssrn.com/abstract=2614598>.
- 6** David Dyssegaard Kallick, “Bringing Vitality to Main Street: How Immigrant Small Businesses Help Local Economies Grow,” New York: Fiscal Policy Institute and Americas Society/Council of the Americas, 2015, <http://www.as-coa.org/articles/bringing-vitality-main-street-how-immigrant-small-businesses-help-local-economies-grow>.
- 7** Stuart Anderson, “Immigrants and Billion Dollar Startups,” NFAP Policy Brief March, 2016, <http://nfap.com/wp-content/uploads/2016/03/Immigrants-and-Billion-Dollar-Startups.NFAP-Policy-Brief.March-2016.pdf>.
- 8** Ben Casselman, “St. Louis Is The New Startup Frontier,” *FiveThirtyEight*, September 12, 2016, <http://fivethirtyeight.com/features/st-louis-is-the-new-startup-frontier/>.
- 9** Badger, Emily. “Public Servant.” *Milwaukee Magazine*, August 23, 2010.
- 10** “Who Made America? A.P. Giannini,” PBS.org, accessed September 1, 2016, http://www.pbs.org/wgbh/they-madeamerica/whomade/giannini_hi.html.
- 11** “Our History-- How It Began,” Procter & Gamble Corporate Website, accessed September 1, 2016, https://www.pg.com/en_US/downloads/media/Fact_Sheets_CompanyHistory.pdf.
- 12** The Partnership for a New American Economy, “The ‘New American’ Fortune 500,” June 2011, <http://www.renewoureconomy.org/wp-content/uploads/2013/07/new-american-fortune-500-june-2011.pdf>.
- 13** “The American Jobs Act -- One Year Later,” MSN-BC, September 7, 2012, <http://www.msnbc.com/rachel-maddow-show/the-american-jobs-act-one-year-later>.
- 14** “Hillary Clinton’s Jobs Plan for Millennials,” Hillary Clinton Presidential Campaign Website, accessed September 1, 2016, <https://www.hillaryclinton.com/briefing/factsheets/2016/08/08/hillary-clintons-jobs-plan-for-millennials/>; “Hillary on Manufacturing,” Hillary Clinton Presidential Campaign Website, accessed September 1, 2016, <https://www.hillaryclinton.com/issues/manufacturing/>.

- 15** Reuters, “‘I Will Be the Greatest Jobs President That God Has Ever Created’: Trump,” *New York Post*, June 16, 2015, <http://nypost.com/2015/06/16/i-will-be-the-greatest-jobs-president-that-god-ever-created-trump/>.
- 16** Fairlie, 2012.
- 17** Fairlie, *ibid.*
- 18** *Ibid.*
- 19** Fairlie et al., “The Kauffman Index of Startup Activity 2015” (Ewing Marion Kauffman Foundation, 2015), http://www.kauffman.org/-/media/kauffman_org/research%20reports%20and%20covers/2015/05/kauffman_index_startup_activity_national_trends_2015.pdf.
- 20** *Ibid.*
- 21** Alberto Davila, Marie T. Mora, and Angela Marek Zeitlin, “Better Business: How Hispanic Entrepreneurs Are Beating Expectations and Bolstering the U.S. Economy” (Partnership for a New American Economy, 2014), <http://www.renewoureconomy.org/wp-content/uploads/2014/04/hispanic-entrepreneurs-final.pdf>.
- 22** *Ibid.*
- 23** Rip Empson, “Startup Genome Ranks The World’s Top Startup Ecosystems: Silicon Valley, Tel Aviv & L.A. Lead The Way,” *TechCrunch*, November 20, 2012, <http://social.techcrunch.com/2012/11/20/startup-genome-ranks-the-worlds-top-startup-ecosystems-silicon-valley-tel-aviv-l-a-lead-the-way/>.
- 24** Monica Davey and Mary Williams Walsh, “Billions in Debt, Detroit Tumbles Into Insolvency,” *The New York Times*, July 18, 2013, <http://www.nytimes.com/2013/07/19/us/detroit-files-for-bankruptcy.html>.
- 25** Ola Marie Smith, Roger Y.W. Tang, and Paul San Miguel, “Arab-American Entrepreneurship in Detroit, Michigan,” *American Journal of Business* 27, no. 1 (2012): 58–78.
- 26** Norm Sinclair, “From the Middle East to the Motor City,” *DBusiness Magazine*, May 25, 2016, <http://www.dbusiness.com/March-April-2016/From-the-Middle-East-to-the-Motor-City/#.V82WamXScyl>.
- 27** Smith, Tang, and Miguel, “Arab-American Entrepreneurship in Detroit, Michigan.”
- 28** Sinclair, “From the Middle East to the Motor City.”
- 29** Green, Jeff. “Detroit’s Comeback Has an Arabic Accent,” *Bloomberg.com*, accessed September 1, 2016, <http://www.bloomberg.com/news/articles/2016-02-18/detroit-s-comeback-has-an-arabic-accent>.
- 30** Ellen Huet, “How Tech Startup Founders Are Hacking Immigration,” *Bloomberg.com*, accessed September 6, 2016, <http://www.bloomberg.com/news/articles/2016-02-10/how-tech-startup-founders-are-hacking-immigration>.
- 31** *Ibid.*
- 32** It is important to note that ongoing flaws in the H-1B program, which NAE has long advocated changing, contribute to this phenomenon. The safeguards in the H-1B program designed to protect American workers have not been updated since 1998. In the absence of legislation, a small number of outsourcing firms have been able to use the H-1B program to bring in employees. The significant number of visas used by such firms makes it even harder for entrepreneurs to secure them.
- 33** “O-1 Visa: Individuals with Extraordinary Ability or Achievement,” USCIS, accessed September 6, 2016, <https://www.uscis.gov/working-united-states/temporary-workers/o-1-visa-individuals-extraordinary-ability-or-achievement>.
- 34** *Ibid.*
- 35** Craig Montuori, email message to author, June 23, 2016.

- 36** “O-1 Visa: Individuals with Extraordinary Ability or Achievement,” USCIS, accessed September 6, 2016, <https://www.uscis.gov/working-united-states/temporary-workers/o-1-visa-individuals-extraordinary-ability-or-achievement>.
- 37** “Report on H-1B Petitions, Fiscal Year 2005, Annual Report” (United States Citizenship and Immigration Services, April 2006), https://www.uscis.gov/sites/default/files/USCIS/Resources/Reports%20and%20Studies/h1b05annual_08_7.pdf.
- 38** Vivek Wadhwa et al., “America’s New Immigrant Entrepreneurs: Part I,” SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, 2007), <http://papers.ssrn.com/abstract=990152>.

ABOUT

New American Economy

The Partnership for a **New American Economy** brings together more than 500 Republican, Democratic and Independent mayors and business leaders who support sensible immigration reforms that will help create jobs for Americans today.

Visit www.renewoureconomy.org to learn more.

