

# **Kauffman Compilation: Research on Immigration and Entrepreneurship**

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Ewing Marion  
**KAUFFMAN**  
Foundation

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## INTRODUCTION

While immigration is often subject to contentious political debate, there is a little debate about the economic contributions of immigrant entrepreneurs. Immigrants are twice as likely to become entrepreneurs as native-born Americans. Immigrant entrepreneurs have begun and lead some of the world's most successful and innovative companies. The risk-taking that defines an immigrant's experience in starting anew in a new country often continues to benefit immigrant entrepreneurs as they channel a healthy appetite for risk in a way that leads to new business ideas.

The Kauffman Foundation has long championed immigrant entrepreneurs and their positive impact on the American economy. In addition, the Kauffman Foundation has outlined policies that can help to continue and bolster immigrant entrepreneurship.

In this volume, we have assembled an assorted of Kauffman's work on immigration entrepreneurship. The compilation that follows highlights a range of Kauffman resources that discuss the contributions of immigrant entrepreneurs and the policy ideas that could further those contributions.

For additional information on immigrant-related research beyond this compilation:

- Examine the National Foundation for American Policy papers in full here and here.
- Learn more about how immigration policy can help revive American entrepreneurship, here and here.
- Explore Kauffman research on Immigrant Entrepreneurship.
- Read more about the relationship between geography and high-tech immigrant entrepreneurs here.
- Find out how local governments and organizations can help strengthen immigrant entrepreneurship.

## THE STATE OF IMMIGRATION AND ENTREPRENEURSHIP RESEARCH

*A summary of immigration research from State of the Field, which presents the latest research on a range of entrepreneurship topics, including immigration, edited by leaders in the field.*

Contributor: Sari Kerr

In the United States, immigrants tend to be unusually entrepreneurial: available data suggest immigrants are over-represented within the group of business founders and innovators. The rates of immigrant ownership vary greatly by sector, with highest rates found in engineering and technology. Immigrant entrepreneurs greatly contribute to economic growth and innovation in the U.S., as documented by a number of empirical studies. There is less evidence in terms of their contribution to job growth and creation of business opportunities for domestic firms (e.g., exports).

Many eclectic theories have been used to explain this relationship between immigration and entrepreneurship. The main claim of much of this work is that immigrants have intrinsic capabilities that increases the likelihood of entrepreneurship compared to their host country counterparts, including:

- Risk propensity
- High education
- Unique knowledge
- Identity

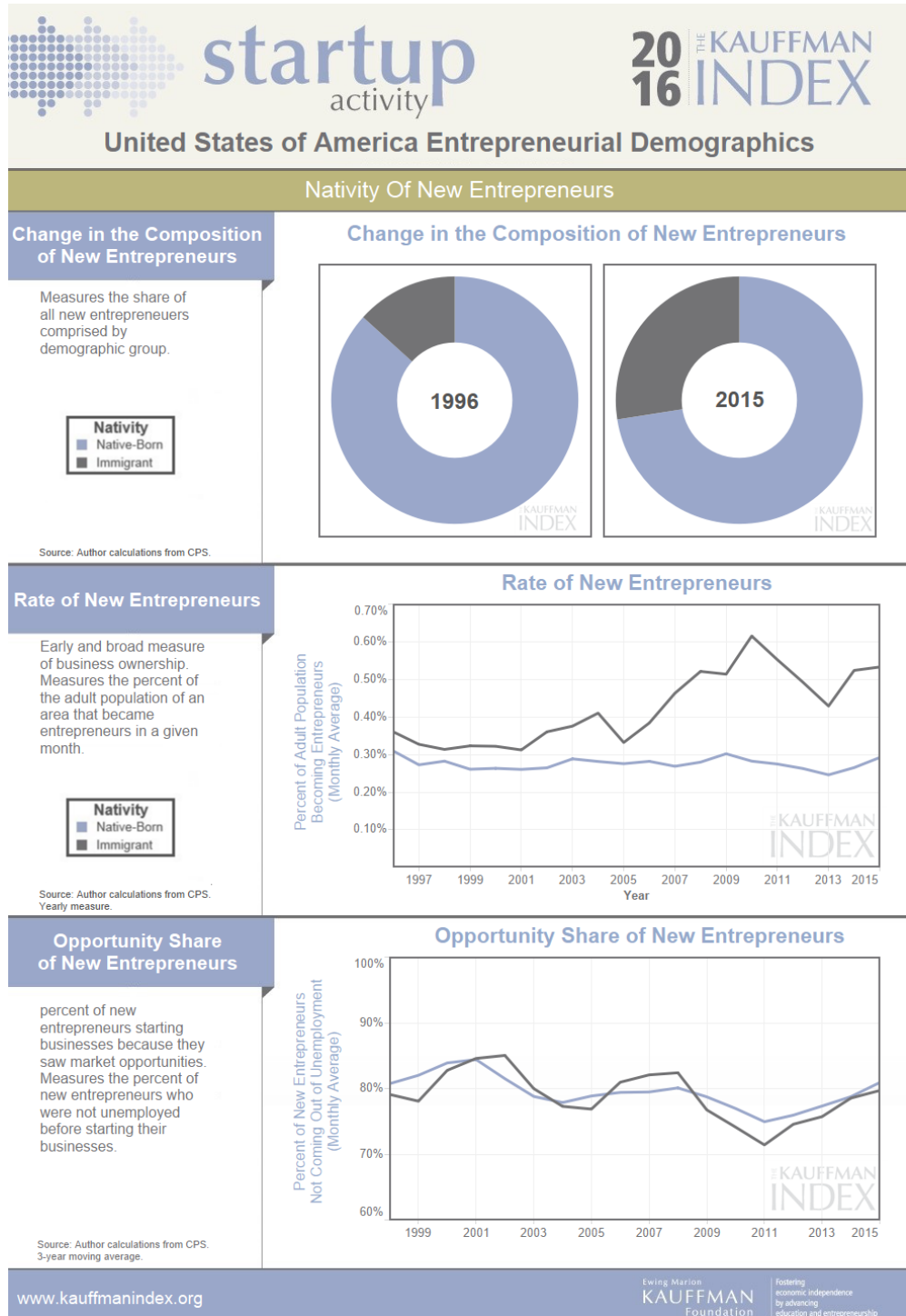
In addition to possessing intrinsic abilities, immigrants also have access to social capital, transnational resources, knowledge networks, and ready role models that can help sustain entrepreneurial activities.

Scholars seem to have a good understanding of why and which types of immigrants outperform host country counterparts in engendering entrepreneurship; however, much less is known about the types of immigrant capabilities that may be harnessed by host countries looking to benefit from immigrant entrepreneurship. This is because there has not been sufficient diversity in host countries, and what we know stems from research on migrant populations in developed countries. Similarly, we know very little about the influence of diasporas (mass migrations from specific origin countries that have been directed to multiple destinations) in both host and home countries' entrepreneurship, e.g., the mass emigration of Iranians after the 1979 revolution. We also need more studies that focus on differences in business practices of immigrant-founded companies from those of their host countries.

Finally, it is worth noting that there is some confusion about the definitions of "immigrant" and "entrepreneur" in this literature. For example, some studies focus on immigrants who arrive to the U.S. specifically to found a business, while others use a much broader definition of immigrants, including second generation immigrants, for example. Also, most of the literature focuses on high-tech, high-growth entrepreneurship, even though much of immigrant self-employment is related to economic necessity and lack of job opportunities.

# IMMIGRANT PROPENSITY TOWARD ENTREPRENEURSHIP

According to the 2016 Kauffman Index of Startup Activity, immigrants are twice as likely to become entrepreneurs as native-born Americans.



## IMMIGRANT ENTREPRENEURS: A PATH TO U.S. ECONOMIC GROWTH

*Policy recommendations related to women entrepreneurship from a Kauffman Entrepreneurship Policy Digest*

By Jason Wiens, Chris Jackson and Emily Fetsch

### Innovation at the Federal Level

#### Startup Visa

One approach to attract immigrant entrepreneurs is a startup visa that authorizes non-citizens to start and operate a business in the host country. Such visas often require the visa holder to meet certain benchmarks related to investment, revenue, or job creation. The United States does not currently have such a visa for entrepreneurs.

- A startup visa could create 500,000 to 1.6 million new American jobs.
- In a globalized economy, talent is mobile. If immigrant entrepreneurs don't start businesses in the United States, they will likely start businesses elsewhere.

#### A Sample of Startup Visa Requirements Around the World

		Australia	Canada	Spain	United Kingdom
APPLICATION REQUIREMENTS	Is there a funding requirement?.....	\$800,000 (AUD)	\$0-\$200,000 (CAN)	NO	£50,000
	From where must the funding come?.....	ANYONE	CANADIAN FUNDING SOURCE	ANYONE	MULTIPLE SOURCES*
	Must individual provide own health insurance?..	YES	NO	YES	NO
EXTENSION REQUIREMENTS	How many jobs need to be created?.....	2 JOBS WITHIN 3 YEARS	NONE	NONE	2 JOBS WITHIN 2 YEARS
	Is there a revenue requirement?.....	\$296,000 IN 3 YEARS	NO	NO	NO
	What is the length of the visa?.....	4 YEARS	PERMANENT	2 YEARS	40 MONTHS

\* e.g., venture capital, business competitions, government  
Examples of other countries that have similar startup visas include Brazil, Chile, Germany, Ireland, Israel, Italy, the Netherlands, New Zealand, Singapore, and South Korea.

#### Foreign Students as Entrepreneurs

In 2013, more than half a million foreign students were granted visas to study at American universities. The Curricular Practical Training (CPT) and Optional Practical Training (OPT) programs administered by the U.S. Department of Homeland Security (DHS) allow foreign students and recent graduates to work in fields related to the student's course of study while pursuing a degree and for as long as twenty-nine months after graduation.

- Expanding the ability of student visa holders to start a business through CPT/OPT, regardless of their field of study, and applying the seventeen-month extension granted to STEM majors to foreign students studying non-STEM fields would open up business opportunities.
- Allowing foreign graduates of American universities to pursue permanent residency would make it easier for those who wish to be entrepreneurs to start their businesses in the United States.

### **Administrative Action on Immigration**

On November 20, 2014, President Barack Obama directed DHS to make administrative changes to the EB-2 and other skilled visa programs so that more immigrants can pursue entrepreneurship in the United States. The White House Council of Economic Advisers estimates that the following changes will increase the number of foreign entrepreneurs by at least 33,000.

- The United States Citizenship and Immigration Services (USCIS) has been directed to clarify the usage of "national interest waivers" so that immigrant entrepreneurs can self-petition for EB-2 visas.
- USCIS may propose a program that grants conditional status to startup founders so that they can temporarily reside in the United States.

### Innovation at the State Level

#### **Global Entrepreneurs in Residence**

In 2014, Massachusetts created a pilot program whereby venture development centers affiliated with University of Massachusetts schools employ "resident entrepreneurs" on an H-1B visa. Although federal law limits the number of these visas that can be dispersed yearly, non-profit entities, like universities, are exempt from the cap.

- Having completed a master's or doctorate degree in certain fields, entrepreneurs participating in the program work part-time for the university while running their startup the remainder of their time.

#### **State-Based Work Visas**

The creation of state-based work visas would give states a say in how visas are allotted, allowing states to match the needs of their regional economy with skilled workers.

- As envisioned, states would negotiate with the federal government for a fixed number of visas for immigrants that would eventually work in the requested state without any employer restrictions.
- Because these visas would not tie workers to a single employer, immigrants would be able to better match their skills to the labor market and contribute to the needs identified by each state.

#### **Recognition of Foreign Degrees**

Nearly one-third of immigrants have a college degree or higher. Yet, when applying for licenses or other credentials, immigrants often face the challenge of applying their academic achievements earned abroad to satisfy domestic requirements, contributing to one-in-five highly skilled immigrants being underutilized. Four governor-appointed commissions each identified foreign degree recognition as a challenge.

- Developing clear processes for evaluating training, skills, and education earned abroad would allow more immigrants to work, and potentially start companies, in fields related to their education.

### Innovation at the Local Level

#### **Welcoming Initiatives**

- Welcoming America is an organization that encourages cities and regions to recognize and enhance the contributions of immigrants. One city in this network, Dayton, OH, works with existing institutions to engage and train immigrant entrepreneurs to develop new businesses that sustain long-term economic growth.

- To restore the spirit of innovation and entrepreneurship that drove St. Louis' early 20th century growth, community leaders founded the Mosaic Project to assist immigrant entrepreneurs in their quest to run successful businesses by providing them with mentors and networks to guide them through the business process.



## IMMIGRANT ENTREPRENEURSHIP: JUST THE FACTS

*A Growthology blog post*

By Jason Wiens

The nature of research is that there are always questions to answer. But, having questions for further research doesn't mean there are not any facts.

Such is the case with immigrant entrepreneurship.

Like an encyclopedia for entrepreneurship, the Kauffman Foundation-created State of the Field summarizes the current state of knowledge about various entrepreneurship topics.

State of the Field's immigration section begins with a fact: *"We know that immigrants in the United States tend to be more entrepreneurial than the native-born population."*

Here's another fact: New and young businesses create nearly all of the net new jobs in the U.S. economy each year.

That means if you want job creation, you want entrepreneurs. And if you want entrepreneurs, a good bet is that you'll find them among immigrants.

The reasons immigrants are more likely to become entrepreneurs are less clear. Some researchers cite immigrants' risk propensity, unique knowledge or access to transnational resources and networks.

Immigrant entrepreneur Des Deshpande of India attributes immigrants' entrepreneurial propensity to "out-of-the-box" thinking, which he says is natural from someone who is "out-of-the-box."

Whatever the reason, for policymakers the implication is clear: Greater acceptance of immigrant entrepreneurs can boost falling rates of firm formation, create jobs for Americans and spur economic growth.

Consider some more facts about immigrant entrepreneurship:

- More than half of America's unicorn companies—privately held firms valued at \$1 billion or more—had at least one immigrant co-founder.
- About one-quarter of the engineering and technology companies started in the United States between 2006-2012 had at least one key founder who was an immigrant.

### Acting on the Facts

To reap the economic benefits of immigrant entrepreneurship, U.S. policymakers can create a startup visa so that immigrants with entrepreneurial dreams can pursue them here in the United States. In pursuit of their entrepreneurial ambitions, many of these immigrant entrepreneurs will create jobs for Americans.

Fifteen other countries have created startup visas for immigrant entrepreneurs, including Canada, South Korea and the United Kingdom. With increasing competition for the world's best

entrepreneurs, the United States can no longer afford to limp along with its outdated immigration policies.

Until the creation of a startup visa, states, city governments and philanthropists can work with universities to create Entrepreneur in Residence programs to attract and retain international entrepreneurial talent. These public or privately funded initiatives use H1-B visas to employ immigrant entrepreneurs at universities or facilitate collaboration between a university and an immigrant-entrepreneur-founded startup. Programs like this exist at the University of Colorado, Boulder; the City University of New York; and universities in Massachusetts, among others.

Finally, communities can purposefully become more welcoming to immigrants and work to provide those with entrepreneurial ambition access to the networks and support they need to start businesses. Welcoming America is a national organization working to do just that.

With immigrant entrepreneurship, it's good to remember what Daniel Patrick Moynihan said: "Everyone is entitled to his own opinion, but not to his own facts."

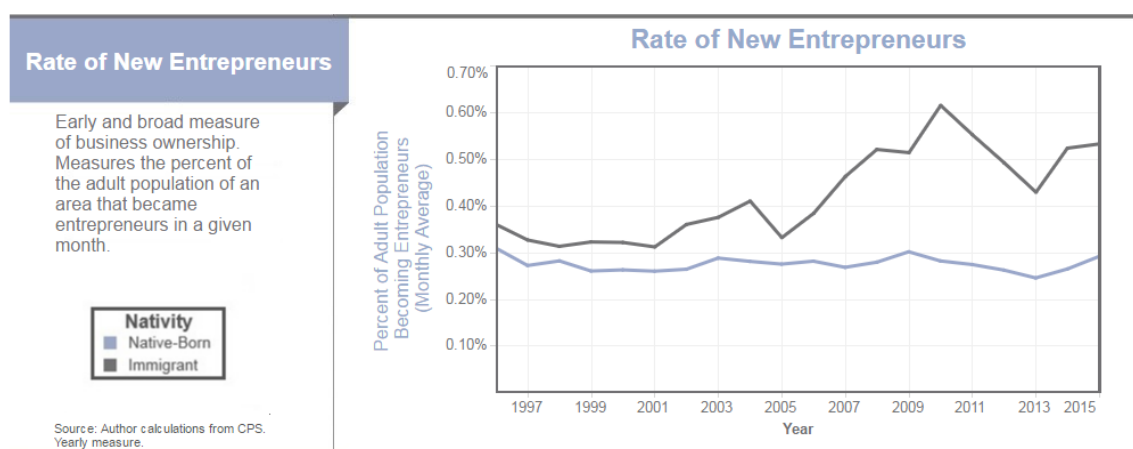
## A BILLION REASONS TO ENCOURAGE IMMIGRANT STARTUPS

A *Growthology* blog post

By Emily Fetsch

### Immigration policy reform would create clear path for entrepreneurial success and economic growth in the United States

For a country built on the ingenuity of the immigrant experience and the promise of the American Dream, immigrant entrepreneurs are essential to U.S. economic growth. Immigrants are **almost twice as likely** to start businesses in the United States as native-born Americans. In 2012, immigrant founders of engineering and technology firms employed approximately **560,000 workers** and generated \$63 billion in sales.



However, despite their economic contributions, there is no clear pathway for immigrant entrepreneurs to come to the United States to provide jobs and innovation. This barrier prevents economic growth, innovation and job creation.

That said, how can policy open doors for immigrant entrepreneurs who can significantly impact domestic economic growth? Two recent studies from the **National Foundation for American Policy** emphasize the need for an update of current immigration policy.

### 168 Billion Reasons

The first paper examines American companies that are valued at \$1 billion or more. The study finds immigrants have started more than half (44 of 87) of these high-performing companies. The paper also finds:

- Immigrants are “key members of management or product development teams in over 70 percent (62 of 87) of these companies.”
- Immigrant founders have created an average of approximately 760 jobs per company in the United States.
- The “collective value of the 44 immigrant-founded companies is \$168 billion, which is close to half the value of the stock markets of Russia or Mexico.”

### A Green Light for Green Cards

Bolstered by the first paper, the second paper provides analysis of the current state of legislative proposals to create a startup visa. The startup visa creates a legal opportunity for a "foreign national to become a lawful permanent resident (green card holder) by starting a U.S. company that creates jobs." This research highlights the potential impact such a visa could have in terms of job creation. The study suggests:

- The **EB-JOBS Act of 2015** (H.R. 3370) "could create 1 million to 3.2 million jobs over the next decade if enacted into law."
- The **Startup Act** (S.181) "could create 500,000 to 1.6 million jobs over the next 10 years if it becomes law."

As the Kauffman Foundation seeks ways to restart American economic growth through entrepreneurship, these two papers shed light on the need for better federal immigration policy. Immigrant entrepreneurs want to come to the United States; policy ought to facilitate this entrepreneurial growth that represents our past and future.

## ENTREPRENEURSHIP CAN GIVE THE COUNTRY A NEW START

*A Growthology blog post*

By Emily Fetsch

Entrepreneurship is a driver of innovation and economic mobility. However, fewer Americans are taking the plunge to become entrepreneurs. In response to this decline, the Kauffman Foundation established the New Entrepreneurial Growth (NEG) agenda. The NEG is a rich source of new ideas related to economic trends, entrepreneurship policy, technology, and many other topics.

One central policy component of the NEG agenda is immigration policy. Throughout American history, immigrants have provided a fantastic entrepreneurial spark, starting and growing companies at rates well beyond that of native-born Americans. As a country that believes fiercely in equality of opportunity and in the American Dream, it is paramount to shape policy that provides avenues for entrepreneurs of all types to contribute.

Three NEG contributors have outlined ways where policy or practice changes can boost immigrant entrepreneurs.

- Brink Lindsey, of the CATO Institute, advocates for a change in immigration policy that creates space for high-skilled immigration.
- Dane Stangler, of the Kauffman Foundation, expands on Lindsey's suggestion with possible immigration policy solutions.
- Anthony J. Luppino, of the University of Missouri-Kansas City, suggests that law schools need to train its students to be better tapped into the needs of entrepreneurs and to be more entrepreneurial themselves.

### Accelerating Growth by Curbing Regressive Regulation by Brink Lindsey

Lindsey argues the restrictions on high-skilled immigration are one example of regressive regulation that “works to erect barriers to entry.” He explains that the failure to allow high-skilled immigrants into the United States keeps potential entrepreneurs out, preventing innovation. From Lindsey:

“Immigrants are a major catalyst of U.S. entrepreneurship and innovation. According to one study of a large sample of engineering and technology companies founded between 1995 and 2005, 25 percent of those companies had at least one foreign-born founder. Yet current immigration laws make it very difficult for such highly talented individuals to live and work in our country. Out of roughly one million permanent resident visas awarded each year, only about 70,000 go to individuals based on their work skills or economic value. Temporary visas allow about 650,000 high-skilled workers to reside in the United States at any given time—a mere 0.4 percent of the workforce.”

### The Looming Entrepreneurial Boom: How Policymakers Can Renew Startup Growth by Dane Stangler

But an immigration policy that understands how immigrants contribute to the entrepreneurial spirit and dynamism of the United States does not end at visa policy. Dane Stangler highlights a variety of ways to encourage immigrant entrepreneurs, citing immigrants' **high rate of entrepreneurial activity**. Stangler suggests that immigration reform should include:

“...new pathways for immigrant entrepreneurs, including a **startup visa** program. The federal government also should encourage and support the early-state experimentation

using H-1B visas for '**resident entrepreneurs**' that has occurred at universities in Massachusetts and Colorado, and clarify administrative rules regarding Optional Practical Training (OPT) and Curricular Practical Training (CPT) opportunities to ensure that they can include entrepreneurship."

American universities are the envy of the world and often breed the next generation of wildly successful entrepreneurs. But immigration policy needs to provide avenues for that talent, which often comes from abroad, including an avenue to help foreign-born talent contribute to American entrepreneurship.

[How Law Schools Can and Should be Involved in Building Ecosystems that Foster Innovation, Entrepreneurship and Growth by Anthony J. Luppino](#)

Luppino outlines a variety of legal areas that affect entrepreneurs, from tax code, intellectual property, and immigration policy. He suggests that, in order to discover exactly where entrepreneurs run up against the legal barriers to starting a business, "law faculty and law students ... would benefit from involvement in interdisciplinary teams working with entrepreneurs in planning their ventures." For example, Luppino has **co-authored a paper** on how immigration law can be altered to allow foreign students studying in the United States to participate in entrepreneurship through an extension of the CPT/OPT programs. A closer collaboration between lawyers and entrepreneurs, especially related to immigration policy and practice, can provide mutual benefit.

Immigration and entrepreneurship is just one component of the New Entrepreneurial Growth agenda. To read more about how to generate new entrepreneurial growth, check out the collection of essays by experts **here**.