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Study: Venture-backed companies with immigrant founders contribute to economy

By: Steven Overly – June 25, 2013

A study commissioned by the National Venture Capital Association has found that venture-backed companies with at least one foreign-born founder are now responsible for more initial public offerings and job creation than before the economic downturn.

The full report, due out next month, comes as the Senate appears poised to pass legislation that would overhaul the nation's immigration laws. Whether a similar bill can make its way through the House of Representatives remains to be seen.

Technology companies and the investors that finance them have been pushing Congress to at least ease restrictions on immigrants with backgrounds in science, technology, engineering and math to ease the demand for workers with those skills.

What's more, advocates argue that many foreign-born students who come to United States for advanced degrees in those fields return to their countries of origin to start businesses because of the barriers to doing so in the United States.

The association's study concluded that 33 percent of the venture-backed companies that went public between 2006 and 2012 had at least one immigrant founder. That compares to 20 percent of venture-backed IPOs before 2006, the last time the study was commissioned.

Those public, venture-backed companies with one immigrant founder tally a market capitalization of \$900 billion as of June 2013, an 80 percent increase compared to the market capitalization of similar firms in 2006, the study found.

Finally, the report states that venture-backed companies with one immigrant founder that have gone public since 2006 employ approximately 65,450 people to date.

"What we're trying to demonstrate is companies that are being created here in the U.S. and employing U.S. citizens are being founded by people who came from outside the United States," said Mark Heesen, the association's outgoing president.

The association actively endorses reform that makes it easier for immigrants with skills in science, math, engineering and technology to come to the United States and stay here long term.

“The findings show even with the onerous process [in place today] there continues to be an uptick, but we think you’d find we’d have more companies, better companies funded by the venture capital community if you gave opportunities to others to stay or come to the country,” Heesen said.

The study was authored by Stuart Anderson, executive director of the National Foundation for American Policy, which describes itself as a “non-partisan public policy research organization focusing on trade, immigration and related issues.”

Anderson could not be reached through a NVCA spokeswoman. He has previously worked at the Immigration and Naturalization Service, the Senate immigration subcommittee and the Cato Institute, according to his online biography.

One of the key reforms sought by technology enthusiasts is the expansion of the H-1B visa program, which allows companies to temporarily hire foreign-born workers with desired technical skills.

But some question whether such a move would result in more immigrant entrepreneurs as advocates promise. Daniel Costa, director of immigration law and policy research at the Economic Policy Institute, called the connection between expanding the H-1B visa program and entrepreneurship “dubious.”

“Everyone can agree that policy needs to facilitate attracting and keeping the best and brightest immigrants in the US,” Costa said via e-mail. But H-1B visa holders are tied to an employer, meaning they don’t have the flexibility to start their own full-time venture, he added.

Instead, Costa said a proposal in the Senate legislation that would extend green cards to graduates of American universities with advanced degrees in the science, technology, engineering and mathematics fields has the potential to encourage immigrants to pursue innovative work.

“If you care about immigrant entrepreneurship, these proposals are what you should care about (and should be happy about based on what’s in the bill and likely to pass the Senate), because once the immigrant has a green card, he or she can leave the sponsoring employer at any time and start a business,” Costa said via e-mail.