

National Foundation for American Policy

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New Research Finds Startup Visas Can Bring Jobs and Innovation

Lessons for U.S. Policymakers in Canada, Australia, New Zealand and the United Kingdom

Arlington, Va. – The international experience is that establishing startup visas to grant permanent residence to foreign-born entrepreneurs can bring jobs and innovation to a country, according to a [new analysis](#) of immigration policies in four nations from the National Foundation for American Policy (NFAP), an Arlington, Va.-based research organization.

“The current economic problems in the United States may bring renewed focus on innovative ways to create jobs in America,” said NFAP Executive Director Stuart Anderson, who was executive associate commissioner for policy and planning and counselor to the Commissioner of the INS in the George W. Bush administration. “The experience in other countries is that startup visas, if properly designed, can provide a way for foreign nationals to bring jobs and ideas to a country. The United States is one of the only major countries that lacks a startup visa. The lack of such a visa prevents many foreign nationals from being able to start businesses in America.”

The study, “The International Experience of Startup Visas for Immigrant Entrepreneurs,” can be found at <https://nfap.com/>.

“Increased investment and more entrepreneurs will help America recover from the impact of the coronavirus pandemic,” notes the study. “Immigrants are more than twice as likely as native-born Americans to become entrepreneurs, according to the Ewing Marion Kauffman Foundation. That is the case even though, unlike in other countries, there is no startup visa in the United States that allows foreign nationals to gain permanent residence after founding a new business that meets certain thresholds.”

Startup visa proposals in the United States have suffered the same legislative fate as other immigration initiatives. A 2013 Senate-passed immigration bill contained a startup visa but the legislation did not pass the House.

The report analyzes startup visas in Canada, Australia, New Zealand and the United Kingdom (UK) and offers lessons that may be applicable to U.S. policymakers. Among the key findings in the analysis:

- A 2016 bill establishing a startup visa in the United States could have created 1 million to 3.2 million jobs over the course of a decade if it became law, according to a National Foundation for American Policy analysis.
- Canada has a national startup visa and a program for entrepreneurs at the provincial level, both of which have attracted entrepreneurs and associated jobs and investments. The national startup visa requires support from an angel investor, hedge fund or accredited incubator, while the criteria for the provincial programs differ depending on the province.

- Utilizing designated business entities, rather than government officials, to screen proposals has been effective in Canada and the United Kingdom. A November 2016 report by Immigration, Refugees and Citizenship Canada on a startup visa pilot program that became the new federal program concluded, “The initial success of the pilot is, in part, due to its design. Unlike the previous program where visa officers assessed business proposals, the current pilot leverages the experience of designated entities to select innovative foreign entrepreneurs.”
- In Canada, the minimum investment in the federal program is C\$200,000 from a designated Canadian venture capital fund and C\$75,000 from a designated Canadian angel investor group. However, there is no minimum investment required if a foreign national is accepted into a Canadian business incubator program. In 2019, 515 people were granted permanent residence under the federal Start-Up Visa program in Canada. The number indicates that while it is not a large category, the Start-Up Visa category is attracting foreign-born entrepreneurs.
- “One reason the Start-Up visa is not more attractive is that some require payments, an allocation and/or equity in the new business which can cause prospective owners to hesitate. The government processing time also increased,” said Toronto-based immigration attorney David Crawford. “It’s part of their commitment to support a business in Canada and assist with startup but some also want to be on the board of that business. And that might be too much for some applicants to accept.”
- Quebec is a province with a program for entrepreneurs. In 2019, permanent residence was granted to 115 immigrants in Quebec’s entrepreneur program.
- Australia and New Zealand will likely need to tinker with their programs for startup visas to make them more attractive to entrepreneurs. “The commitment to attracting entrepreneurs definitely exists in Australian immigration and visa policy, but the criteria are often too prescriptive or unrealistic for the target market,” said Robert Walsh, counsel for Asia Pacific for the Fragomen law firm. “Some of the same issues arise for applicants wishing to set up business in New Zealand as arise in Australia with the resulting low numbers of successful applicants.”
- In New Zealand, in 2019/20, only 14 of 79 applications were approved for an interim Entrepreneur Work Visa, while 20 renewals were approved and 15 were rejected. In Australia, a Freedom of Information (FOI) request showed in 2016-17, fewer than 36 visas were granted under the Venture Capital Entrepreneur stream.
- An Entrepreneur Work Visa, a temporary visa in New Zealand, “is for people who want to work in their own business in New Zealand. To apply, you’ll need to provide a detailed business plan and have at least NZ\$100,000 to invest.”
- A key problem in Australia and New Zealand is that startups may have already received grants, capital investment or funding from other sources and/or from overseas and do not require or do not wish to apply for one of the government-endorsed funds. “Where our clients have initially expressed an interest in this stream, they typically have sourced the AUD200,000 themselves, for example, through their own entrepreneurial activities or other overseas investors and do not need the AUD200,000 that is required to come from the specified funding bodies,” according to Robert Walsh. “These potential applicants lose interest at this point as they do not want to be involved with these types of funding bodies.”
- Another option in Australia is the Venture Capital Entrepreneur Stream of the Business Talent visa. To be eligible a foreign national must “have funding of at least AUD1 million

from an Australian venture capital firm” and “be nominated by an Australian state or territory government.”

- The UK immigration system enables applicants to qualify for permanent residence after 3 or 5 years depending on the category the applicant has applied for. One of the categories, the Start-Up visa, permits applicants to remain in the UK for two years (without extension) to familiarize themselves with business in the UK. Following the 2 years, if they wish to do so, applicants can apply for the Innovator visa. The Innovator visa is intended for entrepreneurs who have experience doing business in the UK.
- The best feature of the UK immigrant entrepreneur program appears to be removing government officials from evaluating business decisions in favor of business entities (i.e., the endorsing body). U.S. policymakers should be aware of this feature.
- Jurga McCluskey, a partner with Deloitte UK in London, noted that the benefit of this process is that the applicant deals with endorsing bodies that have industry expertise, therefore, basing their decisions on business acumen and experience. They are better equipped than government officials to filter through and evaluate applications. “Despite being a new category, from the conversations we are having, the Start-Up visa is proving to be popular. It is clear that the UK government wants to attract strong business to the UK market and place them in a competitive pool with Silicon Valley and the rest of the world,” said McCluskey.

What are the lessons learned from startup visas in Canada, Australia, New Zealand and the United Kingdom? First, in the United States, Congress would need to pass a new law to establish a startup visa. Immigration laws in Canada, Australia, New Zealand and the United Kingdom provide a broad mandate to immigration authorities to establish new categories and programs, and even to set immigration levels. Canada allows provinces, and Australia permits states or regions, to play an important role in immigration selection, which is not permitted under U.S. immigration law.

Second, Congress should focus on establishing criteria that can be quantified. “The EB-JOBS Act of 2015,” H.R. 3370, introduced by Rep. Zoe Lofgren (D-CA) in 2015, set specific thresholds for investment funds raised and jobs created. S. 328, the Startup Act, introduced by Senator Jerry Moran in 2019, also established specific criteria but has lower thresholds than H.R. 3370. Given the difficulty of divining the precise criteria that will be attractive to potential immigrant entrepreneurs, a potential provision in any legislation could be to grant the Secretary of Homeland Security the authority to reduce by up to 50% the thresholds for investment or jobs created if an evaluation reveals the thresholds in legislation were set too high to attract entrepreneurs. That would take into account the greater flexibility in Canadian and other immigration systems while preserving the role of Congress to make policy.

Third, the experience in other countries is that government officials should not be placed in the position of evaluating business proposals.

Fourth, entrepreneurs should not have to attract investment or place people on their board if that is not part of their business plan. Providing options, including self-funding, as in H.R. 3370, would help address that concern.

In the wake of the coronavirus pandemic, America needs more entrepreneurs. Foreign nationals with drive and good ideas are a great source of new business owners. Learning from the experiences in Canada, Australia, New Zealand and the United Kingdom can allow U.S. policymakers to develop an approach that attracts more foreign-born entrepreneurs to the United States and creates more jobs and innovations in America.

About the National Foundation for American Policy

Established in 2003, the National Foundation for American Policy (NFAP) is a 501(c)(3) non-profit, non-partisan public policy research organization based in Arlington, Virginia focusing on trade, immigration and related issues. The Advisory Board members include Columbia University economist Jagdish Bhagwati, Ohio University economist Richard Vedder, Cornell Law School professor Stephen W. Yale-Loehr and former INS Commissioner James W. Ziglar. Over the past 24 months, NFAP's research has been written about in the *Wall Street Journal*, the *New York Times*, the *Washington Post* and other major media outlets. The organization's reports can be found at www.nfap.com. Twitter: [@NFAPResearch](https://twitter.com/NFAPResearch)

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