

International Entrepreneur Rule: What Might It Mean for U.S. Workers?

New American Economy

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As last year's election proved, one of the leading concerns for many Americans is the country's rate of job creation. Although the economy has experienced slow but steady growth in the last several years—and now is near full employment—more than one in five adults in the prime of their working years were not in the labor force as of May 2017. Although many of these individuals are stay-at-home parents or early retirees, some policymakers argue that at least some would rejoin the workforce if attractive jobs were more widely available—particularly in areas still struggling to regain their footing after the Great Recession.

Such realities have made policymakers particularly eager to find a way to support new businesses and boost job creation. Earlier this year, one step was made in this direction when the Department of Homeland Security finalized a regulatory measure that would give more foreign entrepreneurs a chance to grow their firms in the United States. This rule, called the International Entrepreneur Rule (IER), would allow potential business owners who show exceptional promise and solid capital investment—in most cases, raising hundreds of thousands of dollars of outside funding—to settle in the United States for an initial period of 2.5 years. To extend beyond that, such firms must meet have achieved demonstrable success, by raising at least \$500,000 in additional funding, generating that much in annual business revenue, or creating at least five full-time American jobs.

Despite the job-creating potential of the IER, however, its future remains uncertain. Despite receiving widely positive press coverage and official comments, DHS recently took a procedural step to delay the implementation of the rule from its original July 17, 2017 date to March 14, 2018. And DHS has now stated that this delay is only the first step in a move to rescind the rule altogether. This may be surprising to those who follow immigrant entrepreneurship in the news and in academic circles, as researchers have consistently found that immigrants are more likely to start new businesses, found Fortune 500 companies, and head the kinds small businesses that drive job growth in the United States.

To quantify the cost of completely scrapping the IER, the NAE research team decided to do a rough estimate of the measure's potential impact on U.S. job creation. Using a 2013 Kauffman Foundation report "Give Me Your Entrepreneurs, Your Innovators" as a starting off point, we estimate the number of jobs that would be created in 10 years if the IER were to be implemented. We assume that 2,940 entrepreneurs take up the rule each year, matching the current official government projections. Similar to the Kauffman report, we calculate three different estimates, each one based on different assumptions about the number of jobs created by each incremental startup firm. Although the IER is much more limited than the start-up visa proposal Kauffman analyzed in its research, we find that it would still have a large impact creating jobs and opportunities for U.S. workers. (See Figure 1.)

Table 1: Jobs Created After 10 Years by the International Entrepreneur Rule Under Three Scenarios

JOBS CREATED AFTER 10 YEARS BY THE INTERNATIONAL ENTREPRENEUR RULE UNDER THREE SCENARIOS

Minimum Required	135,240
U.S. Average for Jobs per Firm	199,570
With 50% STEM-Related FIRMS	308,460

Which estimate is the most credible? It depends on which assumptions seem the most reasonable to you. In the first scenario, we estimate what job growth would look like if firms only generated the minimum number of jobs required by the rule, creating five jobs over the 2.5 years they would hold the IER. For this minimum baseline, we estimate that over 10 years, 135,240 jobs would be created. This scenario assumes firms create the number of jobs they needed to qualify for the rule, but it is not based on past data on how U.S. start-ups actually perform.

The second scenario aims to get around that issue. Using data from the Business Dynamics Statistics database from the U.S. Census, we estimate that the average 3-year old U.S. firm employs 8.85 employees. Applying this number to the pool of eligible firms—and discounting our multiplier so it reflects jobs created only during the 2.5 years in which the IER visa would be valid—we estimate that the visa would create close to 200,000 U.S. jobs within a decade.

Lastly, we assume that one-half of the firms that would benefit from this visa are in the science, technology, engineering, or math (or STEM) fields. Using the findings from [Carnegie Mellon University fellow Vivek Wadhwa](#) on STEM firms, we assume that STEM startups create 21.37 jobs while in the United States on the IER visa, and that all other companies meet the minimum requirement, adding five jobs within 2.5 years. Using these assumptions, we produce the largest estimates, with a total of 308,460 jobs created within 10 years. This may yet be a conservative estimate as the DHS itself [estimated that the vast majority of likely beneficiaries would be in the healthcare industry](#) or in professional, scientific, and technical services. Because healthcare falls into the STEM category as defined by Wadhwa, that means that even more companies would be in STEM, producing far more jobs for U.S.-based workers than we estimate here.

Given this range of job creation outcomes, it would seem that keeping the IER on the books and allowing it to be implemented would be a win-win for the U.S. economy. To put findings in context, our middle-range estimate shows that the IER would produce more jobs than Best Buy, which employed [roughly 180,000 people](#) last year. And our high estimate, of 300,000 workers, eclipses the number of [taxi drivers and chauffeurs](#) working in the entire country in 2014. Beyond this, advocates see the IER as having other less tangible benefits—including ensuring the United States remains a top destination for the best and brightest minds in business in the coming decade, boosting our ability to compete on the global stage.