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News

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Study touts role of immigrants in tech

PART OF A PUSH TO LOOSEN IMMIGRATION LAWS

By Constance Loizos
Mercury News

Illegal immigration has been a hot topic in Washington this year, but in the wake of last week's elections, the venture capital industry is hoping to steer the conversation instead to legal immigration.

- [Read the report: Impact of Immigrant Entrepreneurs and Professionals on U.S. Competitiveness](#)
- [Chart: Industries and immigrants](#)

The reason: they argue that lawmakers who have pushed for tighter immigration controls risk hampering both the high-tech industry and the overall economy.

"Roughly 50 percent of our portfolio companies were started by foreign-born entrepreneurs," said venture capitalist Roger Lee of Battery Ventures on Sand Hill Road, a self-described "staunch supporter of more open borders.

"Out of the last five companies that (we've sold or that have gone public), three have been founded or led by immigrants. That tells you something," he said.

One tool that may help in Silicon Valley's fight for more open borders is a study published today by the National Venture Capital Association. Among its findings are that 47 percent of today's venture-backed startups have immigrant founders, and that over the past 15 years, immigrants have founded 25 percent of all U.S. public companies that received venture capital.

Those companies, including Google, eBay, Yahoo, Intel and Sun Microsystems, represent a market capitalization of more than \$500 billion and have created thousands of jobs, according to the report, which took six months to compile.

To gather those numbers, the report's authors examined Thomson Financial's database of all publicly traded, venture-backed companies founded since 1970. It eliminated those that had merged, been purchased or were otherwise no longer trading on the public markets, and then determined the provenance of the remaining companies' founders.

Its findings might even underestimate the role of immigrants, said NVCA president Mark Heesen. "Our board of 27 directors has told us that in the Valley in particular, probably closer to 80 percent of privately held, venture-backed companies were started by people who immigrated to the U.S."

One of those founders is Martin Roscheisen, the founder and CEO of solar cell startup Nanosolar in Palo Alto, who was born and raised in Munich, Germany, and has gone on to raise \$103 million from more than half a dozen venture capital firms.

"I didn't have any trouble when I (immigrated) to the U.S. 14 years ago," he said. "Today, it's quite an issue. We're facing a real shortage of talented people as a result."

While difficult to predict the study's impact, its timing may prove auspicious. "We're very much hoping that Congress will take a (renewed) look at the legal side of immigration, and the woefully inadequate policies that are currently in place," said Heesen.

Still, opposition remains to the NVCA's efforts. "Many companies have abused the program by hiring foreigners to replace American engineers," said Ira Mehlman, a spokesman for the Federation for Immigration Reform, a nonprofit that supports immigration enforcement and overall reductions in immigration levels. More, he said, "You've seen higher corporate profits in which workers aren't sharing. The law of supply and demand tells you that if there was a dearth of skilled people, you'd see wage inflation at a time when companies have more money."

As part of its efforts, the NVCA is lobbying to promote the passage of the SKIL Act of 2006, now before the House Judiciary Committee. The bill, introduced in late June, would exempt from current visa caps any foreigner who has earned a master's or higher degree

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The SKIL Act -- which stands for the Securing Knowledge, Innovation, and Leadership Act -- would also increase the number of H-1B visas awarded every year, from 65,000 to 125,000, with a 20 percent increase in visas the following year if the previous year's quota is reached. H-1B visas, reserved for highly skilled guest workers, were first awarded in 1990, but the number of the visas was capped in 2004 at 65,000 by lawmakers alarmed by how big the program had grown. (From 2001 through 2003, roughly 195,000 H-1B visas were awarded annually.)

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