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**Article**

## Admission Criteria and Policies for Immigrant Entrepreneurs in OECD Countries

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## ADMISSION CRITERIA AND POLICIES FOR IMMIGRANT ENTREPRENEURS IN OECD COUNTRIES

Many migrants move to a foreign country looking for jobs with a higher earning potential or better career opportunities than in their home country. However, some immigrants also engage in entrepreneurial activities and, thus, create new employment in the receiving economy. The OECD Migration Outlook 2011 shows that the fraction of entrepreneurs among the foreign-born working population in OECD countries is 12.6 percent on average. Moreover, immigrants' business activities go far beyond the stereotypical corner shops catering to the needs of fellow migrants. In OECD countries foreign-born entrepreneurs create 1.4 to 2.1 additional jobs on average, often in innovative sectors of the economy. Wadhwa et al. (2007), for example, find that for the last ten years 25 percent of all engineering and technological companies in the USA were founded by migrants. Such businesses foster economic growth and increase welfare. On top of this, migrant entrepreneurs often use their personal networks to engage in trade with their home economies.

Policy-makers in OECD countries have become aware of the potential of immigrant entrepreneurship and have implemented several measures to attract and support migrant entrepreneurs. In general, two types of immigrant business owners can be distinguished. Firstly, there are entrepreneurs who decide to immigrate in order to become self-employed and benefit from a country's business environment. However, many foreign-born entrepreneurs in OECD countries have immigrated for other purposes and set up their business after some time in the host economy. Different policy measures target these different types of entrepreneurs accordingly.

As for the first group, most countries offer special residence permits for entrepreneurs to attract investment and innovation. Table 1 shows the admission requirements of different OECD countries for immigrants who want to start a business. In the light of generally restrictive immigration policies in the OECD countries, applicants must fulfill the admission criteria in order to receive a residence permit

that is usually temporary. Such programs were first established in "classical" immigration countries like Australia or Canada in the 1960s and 1970s. Nowadays almost all OECD countries offer residence permits for self-employed immigrants conditioned on the applicant's skills, as well as on the business plan presented. The policy measures in Table 1 were collected from responses to a questionnaire sent to the governments of all OECD countries in 2009.

In order to obtain a residence permit as an entrepreneur in most cases some previous professional experience in running a business or a certain level of education and training is necessary. In Japan, for example, applicants must have at least three years of experience in operating or managing a business. Some countries, like Switzerland or Norway, require specialist training in the particular field of business. For admission in the Netherlands different factors like education, personal experience and income are weighted in a point based system. An additional admission criterion in some countries like the UK, Canada and Australia is sufficient knowledge of the local language.

Moreover, immigrants who want to start a business often need a minimum amount of investment capital in order to obtain a residence permit. This investment is EUR 300,000 in Ireland, GBP 200,000 in the UK and EUR 60,000 in Greece. In Germany candidates have to invest at least EUR 250,000. Additionally, they have to create a minimum of five jobs with their business in the country. Exceptions may be granted if a particular business is assessed as being beneficial for the German economy. In France, for example, a migrant entrepreneur is not asked to provide evidence of certain investment capital or any personal qualification certificate, but has to create 50 additional jobs to receive a residence permit. Some governments, however, do not impose such strict visa requirements. In the Czech Republic, for example, applicants merely have to provide evidence of self-support funds of CZK 120,000.

Despite these migration channels only two percent of all foreign-born business owners in OECD countries have made use of a special visa for self-employed immigrants. One reason for this may be excessively restrictive admission policies. To provide more incentives for entrepreneurs from abroad, several countries have simplified admission criteria over the last years. So recent policies in Germany,

Sweden, the United States and Australia account for different categories of businesses, which impose less stringent restrictions for smaller, independent or particularly beneficial businesses: Depending on the visa category, the minimum investment capital in the United States ranges from zero to USD 1,000,000, and from zero to AUD 100,000 in Australia. To obtain a residence permit as a “business owner” in Sweden immigrants have to prove that they own a majority share in a company, whereas “self-employed” visas merely require proof of solid experience in the proposed business. Another reason for a relatively small fraction of migrant entrepreneurs using special residence permits is the existence of further immigration channels. Many governments have joined multi- or bilateral agreements facilitating the movement of labor between particular countries. Citizens from the European Union, for example, do not need a special residence permit in order to start a business in one of the EU member states. In addition, many migrant entrepreneurs do not move to a country for the purpose of becoming self-employed in the first place. Some entrepreneurs immigrate as employees or family-migrants, for example. Thus, a further policy approach to foster immigrant entrepreneurship is to support immigrant entrepreneurs who already live in the host country.

T.N.

### References

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Wadhwa, V., A. L. Saxenian, B. Rissing and G. Gereffi (2007), *America's New Immigrant Entrepreneurs*, Master of Engineering Management Program, Duke University, School of Information, U.C. Berkeley.

Table 1

## Self-employed entrepreneurs admission requirements

	Depends on business type	Experience	Minimum investment capital	Minimum jobs to be created/maintained	Minimum net worth	Language knowledge
Austria	No	Applicant's training, skills, know-how, professional experience	No	No	No	No
Belgium	No	Yes	No	No	No	No
Czech Republic	No	No	No	No	CZK 120,000 (minimum self-support funds)	No
Denmark	No	Documented relevant training/education, experience as a self-employed person and/or work experience in the same field.	No	No	No	No
Finland	No	Documented relevant professional qualifications.	No	No	No	No
France	No	No	No	50	No	No
Germany	a)	Previous business experience may be assessed.	EUR 250,000 (but exception may be granted)	5 (but exception may be granted)	No	No
	b)	No	No	No	No	No
Greece	No	Yes	EUR 60,000	No	No	No
Ireland	No	Proof of personal skills levels to undertake the proposed business	EUR 300,000 (but exception may be granted)	2 (but exception may be granted)	No	No
Italy	No	Yes	No	No	No	No
Netherlands	No	Personal experience: Education (35p); Experience in business (35p); Work experience (10p); Income (10p); Experience in the Netherlands (10p).	No	No	No	No
Poland	No	No	No	No	No	No
Portugal	No	May be required for professions subject to special qualifications.	No	No	No, but funds must be available in Portugal (including deriving from loans obtained by a banking institution in Portugal).	No
Spain	No	Applicant must possess the qualifications and experience required for the exercise of the proposed independent activity.	No	No	No	No
Sweden	c)	Proof of $\geq 50\%$ ownership of a company.	No	No	No	No
	d)	Proof of solid experience in the proposed business; Previous experience in running the business.	No	No	No, but must append bank statements proving personal funds for maintenance for the first year in Sweden.	No
United Kingdom	No	No	GBP 200,000 (25p)	No	No, but maintenance requirement (10p).	Yes (10p)
Norway	No	Generally granted only on the basis of special qualifications in exceptional circumstances. Prove specialist training or possess a craft certificate (whenever relevant).	No	No	No	No
Switzerland	No	Proof of professional qualifications required for the exercise of the proposed activity.	No	No	No	No

Table continued

Australia	e)	Successful business experience = AUD 200,000 combined assets of applicant and partner in a qualifying business and $\geq 10\%$ ownership of this business if a public listed company; Annual turnover of main business (-es) in 2 of last 4 fiscal years $\geq$ AUD 500,000.	No, but $\geq$ AUD 100,000 to settle (additional to net worth).	No	AUD 500,000 (combined assets of applicant and partner), transferred to Australia within 2 years.	Yes (vocational level)
	f)	Successful business experience = annual turnover of main business (-es) in 2 of last 4 fiscal years $\geq$ AUD 300,000.	No	No	AUD 250,000 (combined assets of applicant and partner)	No
	g)	Successful business experience = AUD 400,000 combined assets of applicant and partner in a qualifying business; Annual turnover of main business(-es) in 2 of last 4 fiscal years $\geq$ AUD 3 million.	No	No	AUD 1.5 million (combined assets of applicant and partner)	No
Canada	h)	2 years relevant experience: Farm management, Self-employment	No	No	No	Yes (under points system)
	i)	2 years business experience: Managing and controlling a percentage of equity in a qualifying business.	No	No	CAD 300,000	Yes (under points system)
Japan	No	At least 3 years experience in the operation and/or management of a business.	No	2 full-time (in addition to those who operate the business)	No	No
New Zealand	No	Prove business experience that is relevant to the proposed business (business operation or work experience at a senior managerial level in a substantial, relevant business).	No	No	No	Yes (IELTS min. overall score 4)
United States	j)	No	USD 1 million	10 (direct creation of jobs US residents other than the applicant and his/ her family members).	No	No
	k)	No	USD 500,000	10 (direct creation of jobs US residents other than the applicant and his/ her family members).	No	No
	l)	No	USD 1 million	10 (direct creation of jobs US residents other than the applicant and his/ her family members).	No	No
	m)	No	USD 500,000	10 (direct creation of jobs US residents other than the applicant and his/ her family members).	No	No
	n)	Existing trade: the partner-country and the US must already be in progress on behalf of the individual.	No, but trade must be "substantial".	No	No	No
	o)	Not necessary.	No, but investment must be substantial".	No	No	No

Notes: a) Residence permit for the purpose of self-employment: to set up a business (Residence Act, Section 21)  
b) Residence permit for the purpose of self-employment: to work on a free-lance basis as writers, artists, performers, consultants, etc. (Residence Act, Section 21, para. 5)  
c) Residence permit to start and operate a business (business owner)  
d) Residence permit to start and operate a business (self-employed)  
e) Business Owner Provisional (subclass 160) under the Business Skills category  
f) State/Territory Sponsored Business Owner Provisional (subclass 163) under the Business Skills category  
g) Business Talent (subclass 132) under the Business Skills category  
h) Self-employed (one of three Business Class sub-categories, under the Economic category)  
i) Entrepreneurs (1 of 3 Business Class sub-categories, under the Economic category)  
j) EB-5 residence visa  
k) EB-5 residence visa for investment in a Targeted Employment Area (TEA)  
l) EB-5 residence visa pilot  
m) EB-5 residence visa pilot in a TEA  
n) E-1 visa (Treaty trader), based on a Treaty of Commerce and Navigation (non-immigrant visa status) according to INA, 101(a)(15)(E)  
o) E-2 visa (Treaty investor), based on a Treaty of Commerce and Navigation (non-immigrant visa status) according to INA, 101(a)(15)(E)

Source: OECD (2011).