ECONOMY

By Steve Tobocman

INTRODUCTION

Haiyen and Neeson Vang met when they were just 15 years old, while growing up in Minneapolis off of Lake Street during the 1990s. The neighborhood was run down and crime was commonplace. Haiyen and Neeson, both immigrants from South Asia, experienced the effects of that environment. “We were the children from a neighborhood that was a bit forgotten,” Neeson said. Haiyen adds, “As teenagers we both skipped school…we gave our parents a hard time and didn’t do what we should have done.”

Haiyen and Neeson both dropped out of high school. Interested in clothes and fashion, they worked in retail and experienced frustration that the clothes they bought at the clearance racks of local stores were out of style. They conceived of a store where the latest fashions would be priced under $10, but they didn’t know where to turn for advice. They heard about a series of business planning courses in their neighborhood offered by Northside Economic Opportunities Network, a local community development corporation, in partnership with the Neighborhood Development Center (NDC), a regional entrepreneurial development organization, and decided to attend.

From that series of courses, The Clearance Rack was born. Haiyan and Neeson not only received coaching on creating their business plan, but were able to obtain a character-based microloan from NDC. They opened their first store within the year.

The Vangs might never have pursued their small business idea, but for a program that reached out and supported their entrepreneurial ideas, that was accessible to them, and that was intentional about including people like them into its efforts. “We came to NDC with bad credit, no education…and they believed in our idea and they believed in us – most importantly they believed in us,” says Haiyen.

Fifteen years later, NDC’s investment in the Vangs has paid off – for the Vangs and for the community. The couple has opened four additional stores across the Minneapolis metro area and they provide jobs for more than 20 employees, offering full-time employees benefits like paid time off and training.

The Vangs’ story is not unique. Across the U.S., immigrants are helping to revive economies as small business owners, startup founders, and STEM and high-tech employees. Recognizing the benefits of growing immigrant populations, a handful of leading economic development organizations has sought to build immigrant-inclusive strategies, policies and practices into their work.

HOW LOCAL ECONOMIC DEVELOPMENT CAN SUPPORT IMMIGRANT BUSINESS OWNERS, INVESTORS AND ENTREPRENEURS

Across the U.S., immigrants are helping to revive economies as small business owners, startup founders, high-tech employees and exporters. A handful of leading economic development organizations has sought to build immigrant-inclusive strategies, policies and practices into their work. Organizations like Global Detroit and the Neighborhood Development Center in Minneapolis/St. Paul have developed successful immigrant-inclusive economic development strategies. Their work offers lessons and approaches that are replicable in cities and communities of all sizes.
WHY IMMIGRANT ENTREPRENEURS MATTER

Immigrant entrepreneurs have long been central to the American economic experience. Since the nation’s founding, immigrant companies have had tremendous impact on the American economy. In fact, of the Fortune 500 firms in America, 223 (or 44.6%) were founded by immigrants or their first-generation children. These firms, including Ford Motor Company, Dow, The Home Depot, Google, Intel and eBay, employ 13.5 million workers worldwide and grossed $6.1 trillion in 2018. If these companies were their own country, their annual economic output would rank 3rd in the world, only behind the U.S. and China.

Today, immigrants comprise roughly 13% of America’s population (a percentage that continued to grow, even under President Trump) and account for over 20% of the business owners. According to the New American Economy, in 2017, 3.1 million immigrant-owned businesses in the U.S. grossed $1.3 trillion and employed 8 million American workers. In fact, if immigrant entrepreneurs in the U.S. were their own country, they would comprise the 15th largest economy in the world, just behind Russia and not far behind Canada in total output. The growth of immigrant businesses in the U.S. has accelerated over the last 25 years, while the number of businesses started by U.S.-born entrepreneurs has declined.

Small businesses account for nearly 45% of economic activity and jobs in the United States, and job growth data shows that smaller and younger businesses hire more workers than do larger and older firms, regardless of the economic reality outside their doors. Main Street businesses – such as grocery stores, restaurants and retail shops – are considered important to the revitalization or stabilization of urban commercial districts and communities. Census research suggests that while 28% of all Main Street businesses across the nation are immigrant-owned, 58% of dry cleaners, 53% of grocery stores, 38% of restaurants and 32% of clothing stores are immigrant-owned.1

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Small Main Street businesses have been especially hard hit by the COVID-19 pandemic. and our nation’s economic recovery hinges on the success of these businesses. If we are indeed to have a robust recovery, we will need to ensure that these immigrant Main Street business owners can access the programs, supports and resources necessary to weather the pandemic.

Immigrants contribute significantly to economic growth in the technology sector as well – they launch startups and help meet high-tech companies’ talent needs. A series of studies by Vivek Wadhwa looking into the role of immigrants in tech startups over the last two decades reveal that one in four American tech startups was founded by an immigrant founder or co-founder. In Silicon Valley, 43% of the firms created between 2005 and 2015 had an immigrant founder or co-founder (down from 52% in the prior decade). By 2017 the U.S. had produced 110 “unicorns” – venture-backed firms valued at over $1 billion – and half of these “unicorns” had at least one immigrant founder.2

Immigrant-owned businesses are also leaders of our nation’s trade and export economy. Many regional economic development strategies include export, trade and even foreign investment strategies. Surprisingly few, however, actually include immigrant communities – immigrant businesses, ethnic chambers and other immigrant institutions – in the execution of these strategies. Yet, according to the New American Economy, immigrant-owned businesses comprise 50.5% of all the American firms that earn more than half their revenues from exports.
Global Detroit was formed in 2009 when the New Economy Initiative – a collaboration of regional foundations that pooled $100 million in philanthropic investment to restart Southeast Michigan’s economy after a decade of lost auto and manufacturing jobs and amidst one of the nation’s regions hardest hit by the foreclosure crisis – and the Detroit Regional Chamber of Commerce joined forces to strategize ways to make the contributions of immigrants a more intentional part of our region’s economic growth. The resulting “Global Detroit Study” detailed the enormously positive contributions that immigrants, immigrant workers and immigrant businesses make in Metro Detroit, a region whose population contains a lower percentage of immigrants than the national average. The study included a strategy plan with 11 separate initiatives which Global Detroit and numerous partners have been implementing and refining over the last decade.

In the three years following Global Detroit’s launch in 2010, nearly a dozen key Midwest communities launched their own economic development initiatives that sought to better include immigrants in local, regional and state economic development plans and programs, including Cleveland, Dayton, Pittsburgh, St. Louis and Toledo, as well as within the State of Michigan’s government plans and programs. In 2013, representatives from eleven of these programs assembled in Detroit to discuss strategies and compare notes in what would become a multi-state network, the Welcoming Economies (WE) Global Network, spanning from Syracuse to St. Louis. The WE Global Network is a program of Welcoming America, run in partnership with Global Detroit, that assists local economic development agencies, state and local government, chambers and others in building more immigrant-inclusive economies.

In addition to valuing the contributions of immigrant businesses, many economic development organizations are investing in immigrant-inclusive economic development strategies, policies, practices and programs to support immigrant talent. For a majority of economic regions in America, immigration remains the most promising prospect for sustaining a rapidly aging workforce.

In fact, according to the Economic Innovation Group, 80% of U.S. counties, with a combined total population of 149 million Americans, have lost prime working age population (people aged 25-54) over the past decade (2007-2017) and it’s estimated that by 2037, two-thirds of U.S. counties will have fewer prime working age residents than they did in 1997. Immigrants are more likely to be of prime working age and are an important source of labor for communities with talent shortages and challenges.

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as World Education Services, Upwardly Global, and the Welcome Back Initiative, provide technical assistance to local workforce, education, government and talent initiatives to help skilled immigrant professionals receive their credentials and/or connect with unmet talent opportunities. Other members, like the Community College Consortium for Immigrant Education, help local communities develop immigrant-inclusive strategies for upskilling local immigrant workforce.

Finally, state and local governments have witnessed a rapid expansion in programs and initiatives to build immigrant-inclusion into economic development plans and strategies. There are more than a half-dozen states, including Michigan and Ohio, that have created a state office for New Americans that, in part, emphasizes and acts upon economic inclusion of the state’s immigrant community. These state offices collaborate through a loose national network. Observers expect that the Biden Administration will only further economic inclusion efforts and communities that have established organizations, initiatives, programs and policies to support immigrant businesses, immigrant workforce and immigrant communities will have a competitive advantage in working with any federal efforts. In fact, the Biden campaign position on immigration included a call for creating a federal Office for New Americans based upon plans developed under the Obama Administration.

HOW DO LOCAL ECONOMIC DEVELOPMENT EFFORTS SUPPORT IMMIGRANT BUSINESS AND ENTREPRENEURS?

• Supporting Immigrant Small Businesses

As noted, immigrants play an important and growing role in small business creation and growth, owning as much as 30-50+% of small businesses in select industries, like grocery stores, restaurants, clothing and discount stores. Many local economic development organizations offer technical assistance, access to capital and one-on-one coaching for small businesses, but these programs often do not connect with large numbers of immigrant business owners. Small business programs that have been successful in stabilizing and growing immigrant-owned businesses typically contain the following elements:

Language Access and Cultural Competence

To reach a broader immigrant audience, small business support programs often start with language access and cultural competence. For instance, NDC provides its basic business planning program, Plan It, in five separate languages (English, Hmong, Oromo, Somali and Spanish), including written course packs in these languages with course leaders who are fluent and from the communities where they train. NDC’s lending staff is similarly diverse. Moreover, NDC partners with dozens of local community organizations, some of whom focus on business development, but many of whom are simply active voices in their neighborhoods, such as a mosque or church.

The results are extraordinary. Over the last 27 years, NDC has trained more than 2,000 aspiring immigrant entrepreneurs through a rigorous 11-session business planning course (in addition to over 2,000 African-American entrepreneurs and over 350 Native American entrepreneurs), they have lent over $13 million to 443 immigrant business owners; and provided thousands of hours of technical assistance to hundreds of immigrant businesses. And like the Vangs mentioned at the outset, these immigrant businesses have created thousands of jobs and breathed life into disinvested neighborhoods.

Trusted Connectors

For many immigrant business owners, receiving assistance from the government or a nonprofit economic development organization is indeed a foreign concept. In their home countries, business is often conducted in ways that seek to avoid government attention. Immigrant communities can often be distrustful of large institutions, including colleges, universities, and downtown offices and reluctant to share personal information about their business needs or even success to outsiders. NDC and many leading economic development organizations, thus, invest in trusted connectors who are known and respected within these immigrant business communities. For NDC, it’s the local partner who recruits aspiring entrepreneurs and hosts the 11 sessions for the Plan It course.

In Detroit, the New Economy Initiative (NEI) also has pioneered the use of trusted connectors. In 2014, NEI started five years of annual business expansion grants to small businesses operating in underserved communities in Detroit, Hamtramck and Highland Park. Disappointed with the number of applications from the Latinx/Hispanic community, NEI and its partner, the Detroit Economic Growth Corporation, approached Global Detroit to help market the program. Global Detroit hired local bilingual

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As local economic development organizations strategize on how to assist small businesses in surviving the continuing COVID pandemic it will be critical that they be able to reach immigrant small businesses with the array of grant and loan programs available. Investing in trusted connectors – and compensating them for their invaluable services – is a quick way to enhance a local economic development organization’s or financial institution’s or local government’s capacity to serve and meaningfully include immigrant small businesses.

Residents to canvass the retail shopping main streets in the Latinx/Hispanic neighborhood and increased minority business owner applications from the core target zip code by 350% in that first year of engagement. By the fifth year of the program, Global Detroit’s method of hiring local bilingual residents to canvass their local business corridors in the Bangladeshi, Yemeni, Latinx/Hispanic and African communities accounted for over 20% of all applications, all finalists, and all awards made by NEI (in a city that is only 7% foreign-born).

Trusted connectors can range from local ethnic business associations to individuals who are well networked within a specific immigrant business community or even a faith leader or institution. Deploying such a connector can be a critical and early step to increasing participation of immigrant small businesses.

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Access to Capital

NDC’s model of assisting small businesses has been replicated across more than a dozen cities – including Anchorage, Detroit, Fayetteville, Houston, Miami, Minneapolis/St. Paul, Philadelphia, St. Cloud (MN), Syracuse, Wilmington/Dover/Claymont (DE) – through the Build from Within Alliance. A core component of the model is creating access to capital for immigrant entrepreneurs. For a variety of reasons, many immigrant small business owners struggle to access traditional financing. Some have not established personal credit histories. Others exist in a largely cash economy. Others find accessing capital from family and community networks to be easier than using banks and, once such informal lending starts, it becomes harder to establish business credit histories. And others work in informal economies because of their cultural distrust of government interference.

Build from Within Alliance members ensure that every aspiring entrepreneur who graduates from a series of rigorous business planning courses (often provided over three to four months) is offered the opportunity to seek character-based lending that prioritizes the entrepreneurs’ potential over their credit history, collateral or wealth. As a result, over the last two years, across the Build from Within Alliance, nearly 150 African, Asian, and Latinx/Hispanic business owners, over half of whom were extremely low or low-income, were lent some $1.5 million in micro-loans, creating or retaining an estimated 300 or more jobs. These loans are recorded to begin the process of building the borrowers’ credit and over time these entrepreneurs hope to mature and grow in ways that will enable them to utilize more conventional business lending programs.

• Building a High-Growth Tech and Startup Economy

Immigrants have been at the helm of roughly 25% of the high-tech firms launched in the U.S. over the past two decades and at the center of roughly half of the most successful of these firms, venture-backed companies in the U.S. now valued at over $1 billion (so-called “unicorns”). Yet, there are still barriers that many immigrant high-tech founders face in launching their dream company in the U.S. America does not possess a “startup visa” that nearly a dozen nations like Australia, Canada, Denmark, France, Germany and others offer to high-tech founders. Without this tool – which would need to be created in federal immigration laws – numerous potential high-tech founders need to look elsewhere to launch their startup companies.

International students, who comprise half of the immigrant unicorn founders, often run into this barrier when seeking to launch startups. There are roughly one million international students at American colleges and universities and they predominate the STEM fields, especially among graduate degree programs. In fact, international students comprise 81% of all graduate degree students in electrical engineering at U.S. colleges and universities and 79% of all graduate degree students in computer science, while comprising 40% to 60% of most
of the other STEM graduate degree programs. While at their universities, international students and faculty are central to the scientific research, estimated to play a role in 75% of the research teams listed on IT, pharmaceutical drugs, and molecular biology patents filed by colleges and universities.

Yet, after helping to invent patentable technological innovations, international students are unable to launch new companies in the U.S. based on the technology they just invented. U.S. visa laws do not give them that option. A promising program at more than a dozen universities offers a solution by launching Global Entrepreneurs in Residence (Global EIR) programs that can activate new pathways of research commercialization, leverage intellectual capital sitting on the shelf, and follow rising trends of academia-enabled entrepreneurship by investing in new local internship and job opportunities in the innovation ecosystem. Global EIR, a national nonprofit, partners with universities to connect entrepreneurs with visas and allow them to grow their companies locally through a service commitment to the local community.

Global Detroit, with generous support from the William Davidson Foundation, has worked with Global EIR and partnered with both the University of Michigan and Wayne State University to bring the program to Southeast Michigan, supporting visas for eight founders across seven companies, including Ashok Seetharam, co-founder of PAXAFE. Ashok is a serial entrepreneur who came to the U.S. from India to attain a master's degree in biomedical engineering from Brown University. Ashok was living in Milwaukee when PAXAFE, an early stage startup that uses AI and Internet of Things (IoT) technology to decrease risk in business-to-business shipments and enable dynamic cargo insurance, began to take off. His student visa was set to expire and by connecting with a part-time job at the University of Michigan's Economic Growth Institute where he coaches other startups, Ashok and his business partner were able to continue the growth and development of PAXAFE, raising another $650,000 in pre-seed funding and hiring four Michigan tech workers and interns.

A recent Global EIR initiative with the National League of Cities has brought several local economic development programs and mayors into the fold of pioneering this strategy to assist immigrant startup founders.

But it's not just founders who power high-tech startups. Successful high-tech companies need high-tech talent. In fact, so does much of corporate America. The demand for IT, biotech, health care, industrial and engineering talent remains fierce. And increasingly, local economic development agencies are looking to immigrants and international students to fill unmet talent needs.

As mentioned earlier, members of the IMPRINT network assist local economic development agencies, state and local government and other local talent initiatives to help skilled immigrant professionals attain the necessary credentials and soft skills to fill unmet talent needs. A December 2016 report from NAE, the Migration Policy Institute and World Education Services (WES) noted that almost half of the adult immigrants to the U.S. from 2011-2015 possessed at least a four-year college degree or its equivalent, yet this talent pool was at least 33% more likely than their U.S.-born counterparts to be unemployed or working in low-paying jobs that did not fully utilize their skills. Nationally, the report estimated this group of two million immigrant professionals to signify nearly $40 billion in lost wages and over $10 billion in lost tax revenues over a five-year period. These are talented and ambitious Americans who need no visa sponsorship.

Michigan has been a leader in addressing this so-called “brain waste.” The state has developed licensing and credentialing guides for 44 occupations to help foreign-trained and educated Michiganders attain their professional licenses and credentials critical to working in their field. Through the Michigan International Talent Solutions (MITS) program, the State Office of Global Michigan has previously assisted hundreds of skilled immigrant professionals attain their licenses and credentials and connect with unmet talent needs in the economy. MITS has worked closely with Upwardly Global and WES Global Talent Bridge in developing its program.

Global Detroit's Millie Chu works with Ashok Seetharam of PAXAFE, a Global EIR startup co-founder, and Ilya Preston, co-founder and CEO of PAXAFE.
International students represent a second source of tech talent that has largely gone unnoticed by economic development, talent, workforce and HR practitioners. Yet, as noted, international students account for more than half of all the graduate students studying at U.S. colleges and universities in critical STEM fields. Many employers do not realize that these students are entitled to one year of optional practical training (OPT) after graduation, allowing them to work for U.S. companies without any visa application fees or delays. For students in STEM fields, this can be extended two additional years if the employer utilizes the federal E-Verify systems and provides additional professional training. During those three years, the employer can seek to apply for an H-1B visa for the OPT worker if they seek a longer-term employment relationship, which actually would give employers four chances to win the H-1B lottery if they were connected to the international student during their final year of student enrollment.

In 2011, Global Detroit helped launch the Global Talent Retention Initiative (GTRI) in partnership with the University of Michigan, Michigan State University, Wayne State University and several other schools, as well as with the Detroit Regional Chamber, Automation Alley and the Michigan Economic Development Corporation. The nation’s first international student retention program, GTRI conducts semi-annual job fairs and has connected some 4,000 international students with over 100 Michigan employers. More recently, GTRI has developed a Global Talent Accelerator to intensively prepare a small cohort of graduating international students with the soft skills they need to secure OPT jobs and succeed with domestic employers. Similar programs now exist in St. Louis and Cleveland. Local economic development agencies wishing to launch their own program can begin with simple events that connect international students with local companies and legal workshops led by local immigration attorneys that can educate employers about the OPT and H-1B processes.

• **Expanding Your Export, Trade and Foreign-Direct Investment Activity**

  The value of exports and imports makes up approximately 25% of the U.S. economy. As noted here, according to NAE, 50.5% of the firms that make half or more of their revenues from exports are immigrant owned. In fact, economists have estimated that on average, a 10% increase in immigrants to the United States increases U.S. exports to their country of origin by 4.7%. Yet, local trade and FDI plans are largely devoid of engagement of local immigrant businesses and communities.

  The development of intentional and proactive policies to utilize diaspora communities as part of a region’s local economic development, growth and trade strategies and programs has been an anomaly. That is both good and bad news for local economic development leaders and strategists. The good news is that there are many unexplored opportunities, low-hanging fruit and easy to implement practices to better include diaspora communities into the local economic fabric. The bad news is that there are few well-developed models from which to borrow. We are largely in new and unchartered waters, but waters rich with opportunity.

• **Building Immigrant Inclusion into Your Local Economic Development Efforts**

  Launching new strategies, policies, programs and practices to support immigrant business owners, investors and entrepreneurs need not feel overwhelming or expensive. Developing an immigrant inclusive economic development strategy works best when it is centered upon a local economic development organization’s existing goals and aspirations. Outcomes are most significant when inclusive strategies align with local data (e.g., international student retention strategies work best when there are large international student populations at local universities), as well as when they include immigrant voices and strong local partners, such as trusted connectors who can connect local immigrant businesses to opportunities.

  An organization looking to develop an immigrant inclusive strategy might start by reviewing current priorities and programs. Next, it can be helpful to study models worth emulating, as well as looking at the data and local knowledge concerning existing immigrant populations, businesses, talent pools, etc. Inclusive economic development practices can start with efforts as simple as reaching out to immigrant business owners and communities and can evolve to established programs that engage trusted connectors, translate small business resources and even fund a Global EIR program for immigrant startups at a local university. Building an inclusion strategy into economic development programs expands the business community and talent pools contributing to the effort.

**TAKEAWAYS**

Immigrant-owned businesses are critical and growing enterprises. Immigrant business owners make up more than one in four “Main Street” businesses (and more than one in two in certain industries) and predominate the technology and startup sectors. Over the last
two decades there has been considerable growth in the number of immigrant businesses compared to losses for U.S.-born businesses.

Ensuring that small business support programs are linguistically accessible and culturally competent is a first step.

Consider building character-based capital to support small immigrant and minority businesses. Many immigrant-owned small businesses operate in the informal economy and are distrustful of the government and large institutions. They often rely upon family and community networks for capital. Character-based lending can help them build credit to facilitate longer-term growth.

Invest in trusted connectors to reach small businesses, as well as to support regional trade and export plans. Trusted connectors can be a critical source to attract immigrant businesses to local lending, technical assistance and support programs. Including immigrant business owners can help expand regional trade and export.

Leverage the STEM and high-tech talent of your region’s international and immigrant communities. Promising programs have helped connect local businesses with unmet talent needs with international student and skilled immigrant talent. The Global EIR program has helped launch dozens of immigrant startup companies.

Build immigrant inclusion into your entire portfolio of programs. Truly inclusive economic development efforts exist not as special projects, social justice programs or charitable endeavors. Inclusion has its most profound impacts and sustainability when it is built into the DNA of local economic development agencies. By revising existing economic development priorities, goals, and programs through an immigrant-inclusion lens – that encompasses data, immigrant voices and immigrant partners – new and profound opportunities for action will emerge, raising performance outcomes.  

ENDNOTES
4 “Immigrant Nation, American Success: Ph.D.s and Patents,” Vilcek Foundation at https://vilcek.org/news/immigrant-nation-american-success-phds-and-patents/ (August 31, 2015). The graphic shows the number of patents awarded to American universities in 2011 where at least one foreign-born inventor was named on the patent (patents with at least one foreign-born inventor are in blue and total number of patents are in orange).