

MIGRATORY PATHWAYS FOR START-UPS AND INNOVATIVE ENTREPRENEURS IN THE EU

EMN INFORM

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Recent years have seen a proliferation of admission schemes for ‘start-ups’ and ‘innovative entrepreneurs’, both within the EU and globally. At EU level, improving the EU’s attractiveness for foreign entrepreneurs forms part of the objective of upgrading the single market. Although the primary rationale is rooted in economic policy, attracting start-ups is also in line with EU migration policy objectives, such as tackling demographic change and satisfying labour market needs.

This inform summarises the results of the EMN study of the same title which explores the national policies and practices in Member States to attract and retain start-ups and innovative entrepreneurs.

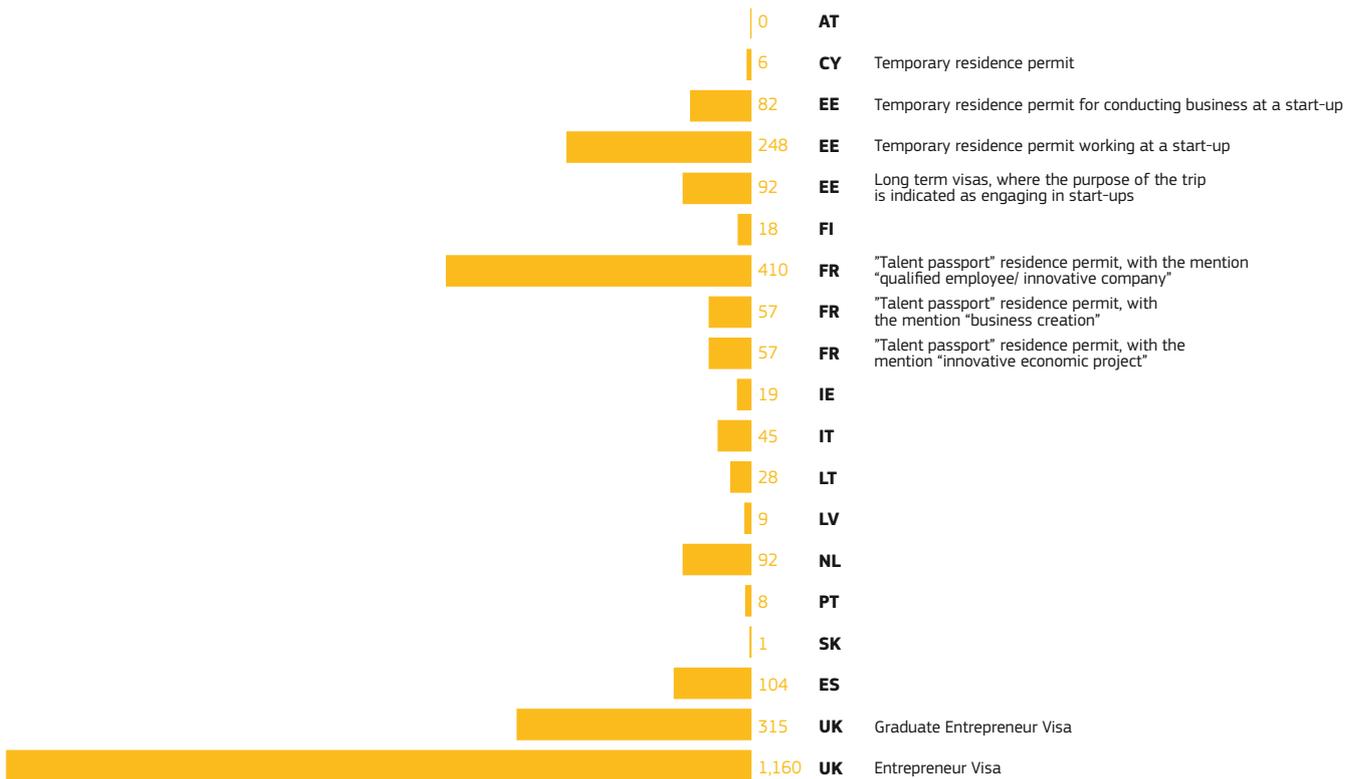


KEY POINTS TO NOTE

- Fostering innovation and entrepreneurship is a national policy priority in the vast majority of Member States.** This is due to the perceived beneficial impact of entrepreneurship on economies, including job creation; fuelling economic growth and investment; and boosting competitiveness in the globalised knowledge economy.
- In 17 Member States, attracting innovative entrepreneurs and start-ups from non-EU countries forms part of a **general strategy to promote a vibrant entrepreneurial culture**. In the rest of the Member States, although fostering innovation and entrepreneurship is a general priority, they do not focus on attracting entrepreneurs from third countries.
- Thirteen Member States have specific admission schemes in place** (mainly residence permits and/or visas) for start-up founders and innovative entrepreneurs from third countries. With the exception of Ireland, Italy, the Netherlands, Spain and the United Kingdom, the majority of the schemes are still in their infancy, having been introduced in the last three years.
- A special visa and residence permit to admit third-country national **start-up employees** currently exists in Cyprus, Estonia, France and Portugal. In the Netherlands, a pilot scheme for key personnel will be introduced in 2020.
- The design and set up of the start-up schemes differ significantly across the Member States**, with a wide variation of admission conditions relating to both the business and the start-up founder. Common to all schemes, however, is that they target a specific type of business, i.e. those that are innovative, scalable and/or with an added value for the national economy and business environment.
- From those thirteen Member States which have a specific scheme in place, eleven Member States require **submission of a business plan**. The business plan typically includes information related to the business activity, product or service, market analysis and sources of financing, and is evaluated by a special committee.
- In 2018, the highest **number of applications** for start-up schemes was recorded in Estonia (783), followed by Spain (305); Lithuania (178); the Netherlands (127)¹; Finland (108); Italy (92); Ireland (42) and Cyprus (7). In terms of the **number of residence permits/visa issued**, in 2018, the number was the highest in the UK (1,160 entrepreneur long-term visas issued and 315 graduate entrepreneur visas); followed by France (524 ‘talent’ passports issued), Estonia (422 visas and residence permits issued for entrepreneurs or start-up employees), Spain (104) and the Netherlands (92). The remaining eight Member States issued fewer than 50 permits each.

¹ This number concerns first permits, and does not include change of status. In the Netherlands, start-ups also have the possibility to apply for a residence permit for general self-employment. Nevertheless, there is no data available on this number or on the number of start-up employees that apply for another permit. Therefore, the above-mentioned data only consists of the applications for the start-up residence permit and do not necessarily contain all start-up founders and employees that apply for a residence permit in the Netherlands.

Figure 1 Number of TCNs who have been granted visas/ residence permits for start-up/entrepreneurship in 2018



8. The existence of a special visa or residence permit to facilitate the immigration of start-up founders and innovative entrepreneurs from third countries has been considered a good practice in some Member States. Although most of the schemes are in their infancy, **having a specific admission channel is considered to have helped to attract international start-ups and talent.**
9. **Member States without a specific scheme use other channels to admit start-up founders.** Member States that do not have a specific start-up scheme in place reported that they most commonly admit start-up founders from third countries through long-term visas and residence permits for **self-employment and business activities** followed by employment and gainful activities; investor permits and/or for the purposes of studies and research. Due to lack of statistics, there is limited quantitative evidence on the extent to which Member States without a specific scheme are successful in attracting innovative start-ups from third countries. Some qualitative evidence suggests that some Member States, such as Germany and Sweden, attract entrepreneurial individuals via existing admission channels.
10. One of the most important 'pull' factors for founders/employees is the Member States' start-up scene and the presence of **hubs and locations with well-developed ecosystems** where start-ups can develop and grow. **Socio-economic factors** at play include cost of living, salary levels, housing and quality of life. **Cultural differences**, however, are reported in some Member States to act as a deterrent, for example, due

to third-country nationals not being used to the business culture of the Member State.

11. **Migration-specific incentives to attract start-up founders and innovative entrepreneurs** include: online application systems, fast-track and shortened processing times, reduced documentary requirements, and assistance and support from relevant institutions with the immigration process.
12. **Access to funding and investments (e.g. micro-loans) is available for start-ups in most Member States.** Funding is available through both state and private sector actors, often provided in cooperation.
13. **Common challenges in attracting start-ups and entrepreneurs** experienced at macro level by Member States include global competition for talent, comparable opportunities in domestic and other markets, and lack of incubators and accelerators. Challenges at micro level include burdensome administrative procedures and lengthy application times.



1. SCOPE OF THE STUDY

This Study focuses on 'start-ups' and 'innovative entrepreneurship'. Innovative start-ups are distinct from general self-employment, which falls outside the scope of the Study. Although the focus of the Study is start-ups and innovative entrepreneurs, it explores all migratory channels (e.g. residence permits and visas) through which start-ups and innovative entrepreneurs can be admitted. Start-ups and innovative entrepreneurs can be admitted on different types of visas and/

or residence permits, including special permits (where these exist in Member States), general permits for the self-employed, investors or highly skilled migrants. Due to varying terminology between participating Member States, the terms ‘visas’ and ‘residence permits’ refer to the means to allow entry and stay for a certain period of time for setting up a business/start-up. The term ‘scheme’ can be used in a broader context, including with regard to admission under a particular visa/residence permit and any additional benefits it may provide.

2. AIMS OF THE STUDY

The overall aim of this Study is to provide an overview of the migratory pathways available for start-ups and other innovative entrepreneurs coming to the EU. The Study identifies the factors and prerequisites for attracting and retaining start-up founders and innovative entrepreneurs from third countries, as well as examining the different admission pathways available, including specific start-up schemes. The Study also explores the role of cities, regions and particular locations as entrepreneurial hubs in attracting start-up founders and employees from third countries.

3. METHOD AND ANALYSIS

The information used in this Synthesis Report came primarily from secondary sources provided by 25 EU Member States. National contributions were based on desk analysis of existing legislation and policy documents, reports, academic literature, internet resources, reports and information from national authorities. In some Member States, primary data collection through interviews with national stakeholder was carried out. Statistics were provided by national authorities. Not all countries have special admissions schemes and most of those that do are still in their infancy, resulting in a scarcity of statistics.

4. BUSINESS ENVIRONMENT FOR START-UPS IN THE EU MEMBER STATES

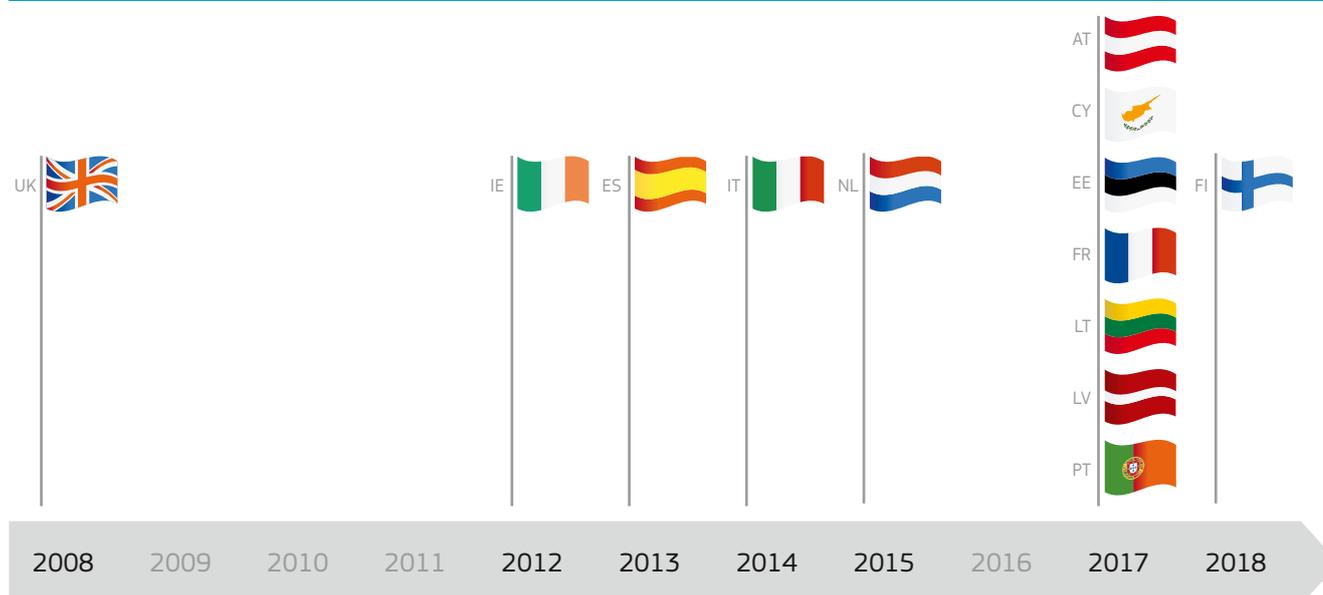
EU Member States aim to create a supportive business environment for entrepreneurs and start-ups (including Member State nationals and EU nationals), most commonly through providing financial support and reducing administrative burdens for new start-ups or entrepreneurs. Supportive environment and infrastructure of start-up hubs and ecosystems have been established to a varying degree across the Member States. Universities and public and private institutions are typically the main contributors to these hubs and ecosystems, generally serving as business ‘angels’, private investors and incubators or accelerators. Cities and regions play a significant role in creating and supporting entrepreneurial ecosystems and hubs.

Most Member States can point to examples of support provided to start-ups or entrepreneurs. The scale of the support and the degree of success of the start-ups varies across Member States.

5. NATIONAL LEGAL AND POLICY FRAMEWORK FOR ADMISSION OF START-UPS AND INNOVATIVE ENTREPRENEURS FROM THIRD COUNTRIES

Attracting start-ups and innovative entrepreneurs from third countries is a policy priority in 17 Member States and is reflected in national policies, strategies and action plans. The remaining Member States have no specific policy focus on attracting entrepreneurship from third countries.

Figure 2 Timeline of introduction of start-up schemes



Thirteen Member States have a special admission scheme for start-up founders and innovative entrepreneurs from third countries. In 12 of these schemes, the national legislation provides for a special visa and/or residence permit to facilitate the immigration of start-up founders and innovative entrepreneurs from third countries. The exception is Ireland where the Start-up Entrepreneur Programme (STEP) targets high-potential start-ups and successful applicants are issued with a general residence permit. Although the rationale for introducing specific routes for the admission of start-ups and entrepreneurs is similar across Member States, the design, objectives and specific admission conditions of their schemes differ substantially. As figure 2 shows, the UK was the first country to introduce a specific scheme in 2008, followed by Ireland in 2012, Spain in 2013, Italy in 2014 and the Netherlands in 2015.²

A special visa and residence permit to facilitate the immigration of third-country national start-up employees currently exists in Cyprus, Estonia, France and Portugal. In the Netherlands, a pilot scheme will be introduced in 2020 for key start-up personnel.

6. ADMISSION CONDITIONS FOR START-UPS AND INNOVATIVE ENTREPRENEURS FROM THIRD COUNTRIES

Of the 13 Member States that have specific schemes in place for the admission of start-ups and migrant entrepreneurs, the design and admission conditions of those schemes differ significantly. Admission conditions require a business plan for innovative and scalable business (11 Member States), a minimum level of capital (five Member States), and/or participation in a sponsorship or support scheme (eight Member States). Conditions related to the start-up founder include proof of sufficient resources (11 Member States), insurance (seven Member States), a certain level of qualification (five Member States) and/or language skills (three Member States). The average processing time of applications is around one month in most Member States, although some are reported to take up to three months to issue a decision on the application. Bureaucratic obstacles and language barriers are the main challenges in the application process.

7. MEASURES FOR ATTRACTING START-UPS AND INNOVATIVE ENTREPRENEURS FROM THIRD COUNTRIES

Most Member States do not grant preferential access to permanent residence for start-up founders and entrepreneurs and simply apply the standard rules (in accordance with EU provisions). Nevertheless, exceptions apply in certain cases.

In addition to specific admission schemes, other incentives to attract start-up founders and innovative entrepreneurs include: an online application process; shortened processing times; reduced documentary requirements; and assistance and support with the immigration process from relevant institutions.

Co-working and dedicated spaces/facilities for start-ups are available in all Member States. These include work-spaces that are financed (or co-financed) by municipalities and made available to start-ups. About half of the Member States have consultation services to help with networking/accessing networks on offer, with co-working spaces used to host different education and networking events for start-up founders or entrepreneurs.

Overall, Member States appear to provide good access to incubation and accelerator support programmes for start-ups. Tax incentives for the start-up business exist in just under half of the Member States, usually as part of the general rules that are also apply to third-country national start-up founders and entrepreneurs. These include a reduced corporate tax rate or no corporate income tax on reinvested profits, or other tax incentives (e.g. tax relief for start-up investors, reduction in social security contributions, allowances on personal income tax and support for the attraction of highly qualified employees, tax exemption on dividends for stockholder start-up staff members, equity to buy or a bonus-prize).

8. RENEWAL OF RESIDENCE PERMITS/VISAS AND RETENTION OF START-UPS AND INNOVATIVE ENTREPRENEURS

Special measures to retain start-up founders and innovative entrepreneurs appear to be limited across the Member States. A simplified renewal process exists in 10 Member States, whereby a new assessment (of the business) may not be required to extend a permit and other requirements may also be eased. The possibility to apply for renewal or schedule an appointment online is available in three Member States.

Tax relief measures are in place for start-up founders and entrepreneurs in seven Member States. These include tax benefits for start-up investors (including founders) as well as supports to attract highly qualified employees. Other retention measures include specialised services for family members, such as career counselling for the spouses of start-up founders (among other top specialists) in Estonia, or the 'first employee rule' that exempts start-ups from paying social contributions for their first employee in Belgium.

² In addition to the start-up scheme, the self-employment scheme (based on a points system) was already introduced in 2007 and can also be used by start-ups and innovative entrepreneurs.



9. BARRIERS AND GOOD PRACTICES IN ATTRACTION AND RETENTION OF START-UPS AND ENTREPRENEURS

Although Member States' approaches vary substantially, they report common barriers in attracting and retaining innovators from third countries. Some of the barriers noted relate to burdensome administrative or bureaucratic procedures, or a lack of access to growth financing, while logistical challenges may result from lack of foreign representation in third countries, for example. More significant are the difficulties in attracting and retaining highly skilled professionals. This stems partly from Member States competing with one another – and indeed with third countries – for talent. It also points to policy discrepancies, where the intention to attract and retain innovators and entrepreneurs is frustrated by restrictive policies and a lack of special provisions for this special group of migrants.

The provision of expert tailored support is considered good practice by several successful schemes (the Netherlands' Point of Entry, the one-stop-shop National Business Centre in the Slovak Republic, Luxembourg's House of Entrepreneurship, etc.). Public-private collaboration, whether through funding or other support (e.g. co-working spaces) is also recognised as good practice (for example, goAustria, Start-up Estonia, TechQuartier Frankfurt and Rising Start-up Spain).



10. TRENDS IN TAKE-UP OF SPECIAL VISAS AND RESIDENCE PERMITS

In 2018, the highest number of applications for start-up schemes was recorded in Estonia (783), followed by Spain (305); Lithuania (178); the Netherlands (127); Finland (108); Italy (92); Ireland (42) and Cyprus (7).

In Austria, Cyprus, Estonia, Finland and Lithuania, these related to the first stage application where the business plan was evaluated and there is a separate application process for a visa or residence permit. In those Member States, the highest number of start-ups were recognised in Estonia (245), followed by Lithuania (41); Finland (34) and Cyprus (5). In the remaining Member States, there is no separate application. There was one application for a temporary residence for business purposes (followed by a positive decision) granted to an innovative project in the Slovak Republic, which has no special scheme in place.

With regard to positive decisions, the number of residence permits and visas issued in 2018 was highest in the UK (1 160 entrepreneur long-term visas issued and 315 graduate entrepreneur visas); followed by France (524 relevant Talent passports issued); Estonia (422 total long term visas / residence permits issued for entrepreneurs or start-up employees); Spain (104) and the Netherlands (92). The remaining eight Member States issued less than 50 permits each in 2018. In Austria, no residence permits were granted under the start-up scheme.

Applicants of the largest numbers of permits in 2018 were nationals of the Russian Federation (top 1 in Cyprus, Estonia, Finland and Lithuania), India (top 1 in Ireland and top 2 in the Netherlands) and Iran (top 1 in the Netherlands and top 2 in Estonia). Top nationalities in 2018 granted permits included Russian Federation, India, USA and China.

No data was available on the survival rates of start-ups after 3 or 5 years of operating a business. There is also a lack of data on the economic results of start-ups, such as job created; investment generated; annual turnover; taxes generated or other success measures.



FULL STUDY PUBLICATION

European Migration Network (2019). Migratory pathways for start-ups and innovative entrepreneurs in the EU. Brussels: European Migration Network

https://ec.europa.eu/home-affairs/what-we-do/networks/european_migration_network/reports/studies_en



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