For Small Firms, Visas Are a Big Headache

Startups Say They Lack Resources to Compete With Tech Giants in Luring H-1B Talent

By ANGUS LOTEN

Kelsey Falter, founder of New York startup Poptip, says the headaches of immigration paperwork have put her venture in limbo.

Last year, Ms. Falter hired an Arizona-based software developer who had helped create a program that she used to get her startup—a website that analyzes real-time social media surveys—off the ground.

But there was a hitch: The developer, 25-year-old Rolando Fentanes, was a Mexican citizen who needed to apply for a separate immigration status before Ms. Falter could file the paperwork for an H-1B visa—a temporary work permit the U.S. issues to highly skilled foreign workers. That separate application wasn't approved until June, two months after the annual cap for H-1B visas was reached. Now, Ms. Falter and Mr. Fentanes will have to wait another year to apply.

"There was no one out there doing what he does," says Ms. Falter. "It adds a whole extra layer of risk."

Large technology companies such as Microsoft Corp., MSFT +2.47% Intel Corp. INTC +0.41% and Facebook Inc. FB +0.60% have long urged Congress to increase the quantity H-1B visas—claiming there aren't enough American developers, programmers and engineers to fill their open jobs.

But some small employers say that even if the annual cap is raised—a move Senate lawmakers approved earlier this summer—they still won't be able to compete with the tech giants in luring H-1B talent. Most startups and small firms lack human-resources departments to handle the complex paperwork, and the funds to cover legal expenses associated with hiring someone under the program.

Only about 30% of applications for H-1B visas make it past the preliminary stage of the process, the bulk of which are filed by startups and small employers, according to immigration data analyzed by the Brookings Institution, a Washington research group.

"Doubling or tripling the cap does nothing to fix this," says Michael Koeris, the founder of Sample6, a three-year-old Boston firm that produces biotech food-testing kits. He says the firm, which has 20 employees, has given up on recruiting H-1B workers because the risks of an application being rejected are too high.

Paul Graham, the founder of Y Combinator, a Silicon Valley business incubator, says "All the most successful startups we've funded have had trouble hiring foreign programmers" with the visas, citing such high-profile ventures as Airbnb Inc., an accommodations sharing service, and Stripe Inc., an online payments firms, both based in San Francisco.

In an August report, the Bipartisan Policy Center, a Washington nonprofit group, said temporary worker programs, like H-1B, need "simplified procedures" to enable smaller employers to recruit the workers they need.

A spokesman for U.S. Citizenship and Immigration Services, which oversees the H-1B program, says that last year the agency launched an entrepreneurship-in-residence program aimed at helping startups deal with immigration issues.

Currently, 65,000 H-1B visas are available for first-time applicants each year—plus an extra 20,000 for advanced degree holders—a cap that was reached in April just five days after the immigration agency began accepting 2013 applications. Most are awarded to workers in computer-related fields, mostly from India or China, according to U.S. immigration agency data. Foreigners who are renewing their visas aren't subject to the cap; the visas can be valid for up to six years.

Unlike green cards, the visas are tied to a specific U.S. employer. Of roughly 70,000 employers who applied for H-1B visas on behalf of their workers in 2011, nearly half applied for just one, and most applied for less than 10—suggesting they were startups or small employers, according to Neil Ruiz, a Brookings analyst.

By contrast, Microsoft applied for 4,109 H-1B visas, while Intel, International Business Machines Corp. IBM +0.18% and Oracle Corp. ORCL +0.31% each applied for more than 1,400 of the visas.

"Small tech companies have the biggest problems getting H-1Bs," says Mr. Ruiz, adding that few have the resources to ensure numerous forms and procedures are done correctly, and before the annual quota fills up.

Last year, the immigration agency received 307,713 applications for H-1Bs, up 15% from 2011, agency data show.

Ted Acworth, the founder of Artaic, a Boston-based firm that develops software and robotics to make mosaic tile designs, said that this summer he hired an Italian national with a mechanical-engineer degree from Boston University, after reviewing nearly 100 applications for a job as head engineer.

But in July, the employee's temporary student visa expired and he is set to return home this week. "As a small company, I can't wait 15 months for the chance to get him back" by applying for the next round of H-1B visas, Mr. Acworth said.

Still others argue that the need to hire high-skilled foreign workers is exaggerated. A study released in April by the Economic Policy Institute, a left-leaning Washington think tank, concluded that colleges and universities are cranking out plenty of U.S. graduates in science, technology, engineering and math programs, but only half are finding jobs.

"A lot of startups are going to be disappointed that they can't get the talent they want," says Hal Salzman, a Rutgers University workforce and public policy professor who co-wrote the study. "But if you want to hire someone from the top 10 class at Stanford or Berkeley, it is going to be tough," he adds.

Mr. Salzamn says higher demand for H-1B visas doesn't reflect a limited supply of qualified workers, but rather a demand for cheaper workers. Raising the annual cap, he says, will lower wages in the IT labor market and chase more domestic IT graduates into different fields.

Alden Zecha, chief financial officer of Sproxil, Inc., a Cambridge, Mass., firm with 10 employees that creates serial numbers that track the authenticity of consumer products, says he doesn't ask job applicants about their immigration status: "We're looking for qualified individuals, and if they're U.S. nationals, that would be easier for us."

He says the firm has had an unfilled opening for a developer for the past five months. In April, the firm applied for an H-1B visa for a technology architect from China, and is currently waiting for a decision: "She really had the right set of skills and experience to fit this position."

Mr. Zecha wants to see a portion of H-1B visas set aside for startups and small firms, so that they aren't always competing head-to-head with much larger employers.

Brent Grinna, the founder of EverTrue, a Boston-based platform that connects school fundraisers with alumni, said his first H-1B engineer was approved in July, for a position that was open for at least three months. "It really felt like we won the lottery, it was such a stressful time," he says.

Despite the "mountain of paperwork" that the firm had to provide along with added fees and legal costs that would not be required for a local hire – he says he wouldn't hesitate to go through the process again: "Talent is the most important thing. We're looking for the best people, period."

http://online.wsj.com/article_email/SB10001424127887323980604579027130895875634