

A black and white portrait of Ruby Polanco, a woman with long, wavy hair, wearing a necklace and hoop earrings. She is looking directly at the camera with a neutral expression.

**RUBY POLANCO,
RUBY MAKEUP ACADEMY**

Polanco came to the U.S. [from Honduras when she was 12](#). Now, she runs a fast-growing chain of schools for makeup artists. “You give a Hispanic woman \$5, and she’ll turn it into a million,” she says.

THE MOST ENTREPRENEURIAL GROUP IN AMERICA WASN'T BORN IN AMERICA.

Immigrants now launch more than a quarter of all new U.S. businesses. All entrepreneurs should welcome a change in law that would make it easier for this class of immigrants to stay—and succeed.

BY ADAM BLUESTEIN
Photographs by Evan Kafka

EREK CHA CAME TO AMERICA as a 12 year old with his parents and three siblings. They came for familiar reasons: “In 1977, South Korea was a poor country,” Cha says. “My parents were looking for better opportunities and education for us.” After settling in California, his mother worked as a seamstress; his father had jobs as a dishwasher and a janitor. Cha delivered newspapers, helped his father with cleaning work after school, and got his first job at McDonald’s at age 16.

Today, at age 49, he is the owner of a 350-store chain of SweetFrog frozen-yogurt shops, which has more than \$34 million in annual revenue. Cha employs about 800 part- and full-time workers in the 70-some locations that he operates himself. (As with all the companies featured in this story, SweetFrog made the 2014 Inc. 500 list of America’s fastest growing companies.) Cha founded the Richmond, Virginia-based business in 2009, as the U.S. was slowly emerging from the deepest recession.

Risky? Yes. But increasingly it is immigrant entrepreneurs like Cha who are willing to take the risk of starting businesses—and without the growth of immigrant-owned businesses like Cha’s, the recession would have been much worse. From 1996 to 2011, the business startup rate of immigrants increased by more than 50 percent, while the native-born startup rate declined by 10 percent to a 30-year low. As a

result, immigrants today are more than twice as likely to start a business than their native-born counterparts.

Despite accounting for about 13 percent of the population, immigrants start more than a quarter of all new businesses in this country. Fast-growing ones, too—more than 20 percent of the 2014 Inc. 500 CEOs are immigrants. Immigrant-owned businesses pay an estimated \$126 billion in wages per year, employing one in 10 Americans who work for private companies. In 2010, immigrant-owned businesses generated more than \$775 billion in sales. If immigrant America were a stock, you'd be an idiot not to buy it.

Yet, U.S. immigration policy has largely ignored the contribution of immigrant-launched businesses. Despite the bipartisan popularity of business-friendly proposals, including increasing the cap on H-1B work visas for skilled workers and creating a new immigrant visa category for venture-backed entrepreneurs, most public debate devolves into shouting about who should be deported and how quickly.

Even the biggest breakthrough in immigration policy in years—President Obama announcing he would take executive action last November—glossed over the role of immigrants as the nation's leading risk-takers and job-creators. Obama spoke of a “dynamic and entrepreneurial” economy, but left vague exactly what his action will do to help entrepreneurial immigrants prosper.

This omission no doubt reflects the limitations of what he can accomplish without Congressional cooperation. And, of course, any changes he makes aren't permanent. They could be overturned by a new president in 2016—and Texas Senator Ted Cruz and others have vowed to block provisions of the executive action from being implemented.

Driven by the politics of short election cycles, the larger economic cycle of im-

Immigrant founders started 52 percent of all new Silicon Valley companies between 1995 and 2005.

migration is getting away from us. Meanwhile, Canada has been advertising its new startup immigrant visa with a billboard on Highway 101, where every foreign-born engineer in Silicon Valley can see it: “H-1B Problems? Pivot to Canada.” America has set up a legal thicket of “Keep Out” signs—which is both tragic and suicidal.

Huge portions of the public will support immigration reform not only because it's in keeping with the American character of attracting world-class talent, but also because the American economy needs the dynamism and creativity of entrepreneurs like Derek Cha. As the immigration debate continues to roil Washington, *Inc.* offers this modest prescription for immigration policies that preserve our national brand as the land of opportunity—and prosperity—for all.

ATTRACT AND RETAIN MORE HIGH-SKILLED IMMIGRANTS

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ADI PINHAS AND MICHAEL Chertok, cofounders of Superfish, a maker of cutting-edge visual search technology, started their company in a suburb of Tel Aviv with seed money from Israeli investors. But they came to the U.S. in 2008 to raise their first round of ven-

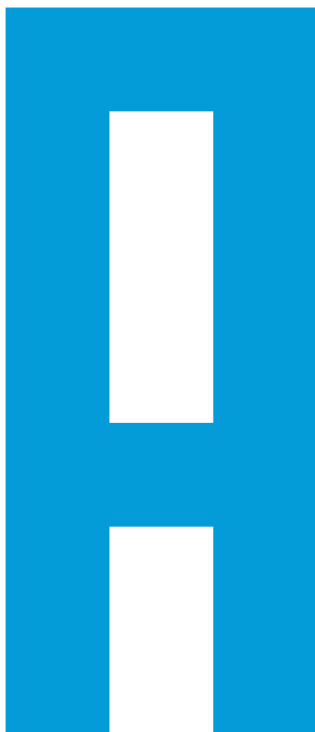
ture funding. “Back then, no one in Israel thought you could do a consumer tech company there,” says Pinhas. “VCs in Silicon Valley got the technology, and were willing to wait for it to develop.” Superfish—now headquartered in Palo

Alto, California—has raised nearly \$20 million in total funding and had revenue of \$35 million in 2013. It employs 25 American workers and an additional 60 employees in Israel.

“Being based in Palo Alto is huge,” Pinhas says. “There is no need to convince anyone to do business with you. Even if you think you're visiting frequently and you read TechCrunch three times a day, it's not the same as being here working with your American team. The culture is different.”

As much as high-tech entrepreneurs like Pinhas and Chertok need Silicon Valley, it needs them, too. Indeed, without immigrants, there would be no Silicon Valley as we know it. In the '80s and '90s, the area attracted more foreign-born scientists and engineers than any other part of the country; by 2000, 53 percent of the Valley's science and engineering workforce was foreign-born. Immigrant founders started 52 percent of all new Silicon Valley companies between 1995 and 2005. And in 2012, immigrant-founded engineering and technology companies in the U.S.—heavily clustered in California—employed 560,000 workers and generated \$63 billion in sales.

But a 2012 study underwritten by the Kauffman Foundation concluded that “immigrant-founded companies' dynamic period of expansion has come to an end.” In Silicon Valley, the percentage of immigrant-founded companies has declined by 8.5 percent since 2005, the first such drop in decades. Many attribute the decline to U.S. immigration policy. “It is getting increasingly difficult to hire high-tech talent here in the U.S., and increasingly easy abroad,” says Emily Lam, of the Silicon Valley Leadership Group, an advocacy organization. “Companies are in a global competition for talent and other countries are rolling out the red carpet for them while we are rolling out the red tape. The U.S. and Silicon Valley are still the place to be,





ANURAG JAIN, PREPAY NATION

Jain came to the U.S. [from India with his wife in 2001.](#)

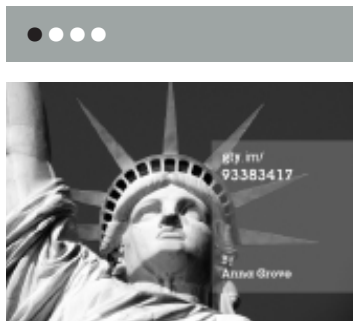
His \$110 million company, PrePay Nation, helps immigrants send money back home. "Being an immigrant myself obviously helps me understand the issue and the pain most immigrants go through," he says.

but if Congress doesn't act soon, it may not be for very long."

There is little argument about what the United States needs to do to turn things around. First, we need to make more H-1B "specialty occupation" visas available. A consistent shortage of these temporary work visas prevents U.S. tech companies from hiring the foreign-born scientific and engineering workers they need. The current annual cap for H-1B visas is set at 65,000, with an additional 20,000 reserved for foreign nationals graduating with a U.S. master's degree or higher. In 2014, there were 172,500 applications for H-1Bs, blowing past the quota cap within days of the first application filing date.

If Congress had enacted the immigration reform bill that the Senate passed in 2013—or other bills that had made progress in the House—that would have raised the annual H-1B cap to 115,000 right away (and up to 180,000 over time). Obama couldn't raise the H-1B cap with his executive action; Congress has to do that. But he did expand and extend a program that allows foreign graduates with scientific and technical degrees from American universities to work in on-the-job training programs at U.S. companies. "This will be very beneficial to high tech employers, who depend on foreign graduates," says Matthew Kolodziej, an immigration attorney in the New York offices of Ogletree Deakins and a former legislative fellow at the nonprofit American Immigration Council.

More visas alone aren't the answer, though. An H-1B only allows the holder to work in the U.S. for up to six years—after that, he or she must leave, or obtain a different kind of visa. "The real problem isn't H-1Bs—it's green cards," says serial entrepreneur Vivek Wadhwa, a Stanford Law fellow and author of *The Immigrant Exodus*. "There are backlogs of tens of thousands people in line who would start companies, but they're waiting for green cards." Under the current system, high-skilled workers who have applied for green-cards can wait decades for their visas to become available. The President's executive action would make changes that allow such workers to move and change jobs



The Immigrant Effect

Immigrants are crucial to health of the U.S. economy, launching startups at a higher rate than those who were born here.

21%

Portion of Inc. 500 CEOs—the leaders of the fastest growing private companies in the United States—that were born outside of the U.S.

40 million

Approximate number of foreign-born people living in the U.S. They account for 13% of the population.

11 million

of them are undocumented

2x

Immigrants start new businesses at twice the rate of native-born citizens.

+50%

Increase in the number of new immigrant businesses from 1996 to 2011

-10 percent

Decrease in the number of native-born businesses started during that time.

\$775 billion

Estimated gross annual sales generated by immigrant-owned businesses.

\$126 billion

Estimated annual wages paid to Americans who work at immigrant-run companies.

more easily while they are waiting.

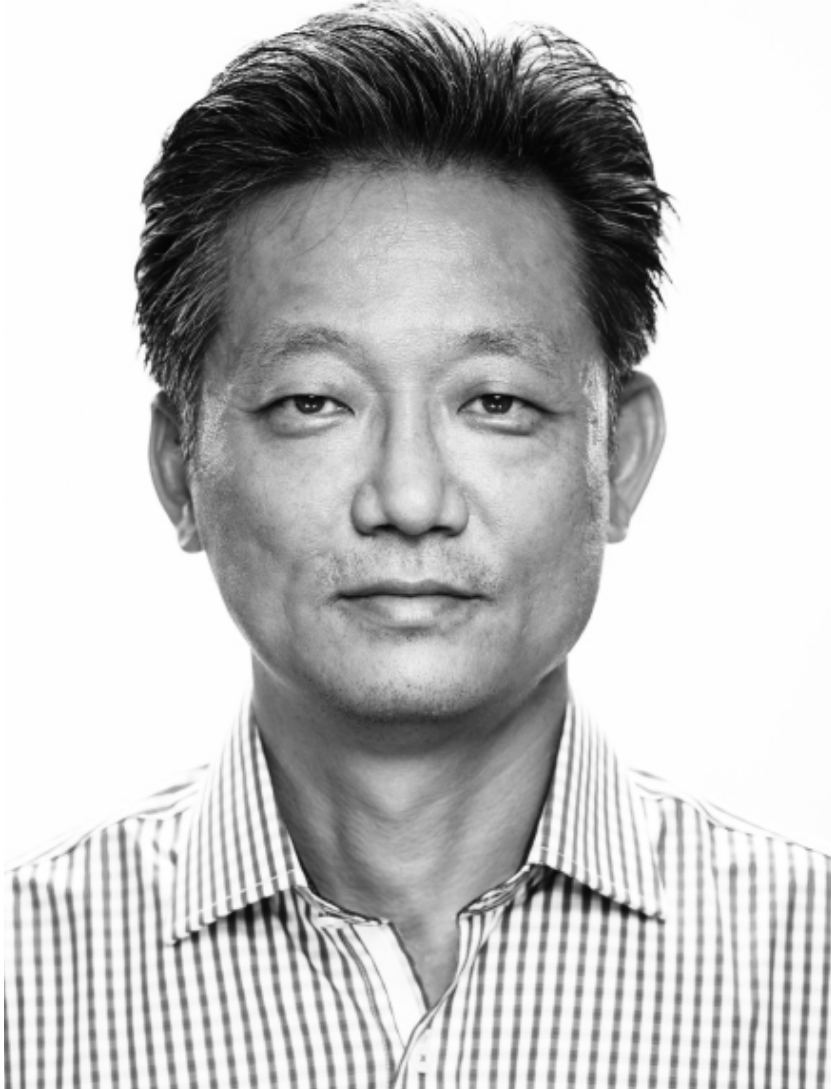
The U.S. currently has a 140,000 annual quota on employment-based (EB) "immigrant" visas—which, unlike H-1Bs, may lead to permanent resident status. There are quotas for different skill categories, as well as per-country limits, which can push would-be immigrants from countries like India and China—who make up the majority of Silicon Valley's immigrant workforce—onto decades-long waiting lists. The U.S. should drop the country limits for employment-based visas and add 85,000 more employment-based green cards, as was proposed in a House bill.

Most EB visa types require a sponsoring employer; as the founder of a startup, you can't sponsor yourself. A proposed EB-6 "startup visa"—a component of the bill that passed in the Senate but stalled in the House—would offer a path to permanent citizenship tailored to entrepreneurs, allocating up to 10,000 visas annually to foreign-born founders whose companies raise at least \$500,000 from qualified investors and create at least five full-time U.S. jobs. We should enact such a program—yesterday. The Kauffman Foundation estimates that this startup visa would create as many as 1.6 million jobs after 10 years. Canada, the UK, New Zealand, Ireland, and Singapore have already implemented similar visas.

In lieu of permanent legislation to codify the startup visa, Obama's executive action offered a sort of secret pathway for startup founders "who meet certain criteria for creating jobs, attracting investment, and generating revenue in the U.S." Few details of were available at publication time, but those briefed on the policy say it's a step in the right direction. "If entrepreneurs can show that they contribute to job creation, the changes could allow them to enter the U.S. or could have their entry made legal retroactively by granting them 'parole' status," says Kolodziej, the immigration attorney. At press time, it wasn't clear how long parole status would be granted, or what type of visa parolees could be granted after that time, but, says Kolodziej, "this is a very positive change because current programs for entrepreneurs are based on treaties, and if the individuals do not come from a treaty

DEREK CHA, SWEETFROG

In 1977, at age 12, Cha arrived from [South Korea with his parents](#). These days, the chain of 350 frozen yogurt shops he founded has annual revenue of \$34 million. “I don’t believe in handouts from the government,” he says.



across most of the fastest-growing sectors of the economy, starting 29 percent of all new wholesale and retail businesses between 2007 and 2011, for example, and 24 percent of startups in the leisure and hospitality sector, according to the Partnership for a New American Economy.

What’s more, only a small percentage of immigrants have advanced degrees. And that’s OK, because even without the benefit of a college education, immigrants tend to be far more entrepreneurial than native counterparts. Only about a third of new immigrant business owners have taken at least some college classes, versus 54 percent of native-born owners. And more than 37 percent of new immigrant business owners haven’t even finished high school, compared to 16 percent of native-born owners.

But despite the benefits of allowing more immigrants of all skill levels to live and work here legally, U.S. immigration policy makes it very difficult for them to do so. There are only about 5,000 employment-based green cards available each year for unskilled immigrant workers without professional degrees, and existing H-2A and H-2B visas for seasonal low-skilled workers are cumbersome, unpopular with employers, and designed for temporary workers, rather than the longer-term workers increasingly needed in many parts of the economy. The U.S. should listen to the libertarian American Enterprise Institute, whose 2013 study “Filling the Gap” argues that the U.S. should allow more “low-skilled” immigrants to come here legally.

The arguments against low-skilled immigrants are familiar: They take American jobs, gobble up government handouts, and wreck communities. In fact, research shows that the majority of low-skilled immigrants are a lot more like Derek Cha’s family—working hard at jobs that Americans often don’t want to do, and starting businesses without the benefit of lots of formal education.

Cha went to college for a year and a half before leaving to focus full-time on running an art framing business with his father. “My father had always been in business in Korea, but he didn’t speak

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country, their options are very limited.”

By merits of investment and job creation, Superfish’s Pinhas would clearly meet the requirements for a proposed startup visa. That would let him put down roots. Because his company was already operating for more than a year in Israel and doing business in the U.S., Pinhas was able to come to the here in 2013 on a nonimmigrant L-1 visa, which allows executives of established foreign companies to set up or work for a U.S. office. The three-year visa is renewable, but since approval isn’t guaranteed, Pinhas says he is “planning accordingly.”

He and his wife are happy with the school their two sons attend, but he says, “I wouldn’t buy a house here yet—we might need to leave in a year.”

**CLEAR A PATH FOR
LESS-SKILLED WORKERS, TOO**

ALTHOUGH HIGHLY EDUCATED founders of tech companies get a lot of attention from policy makers, they’re only part of the story of immigrant entrepreneurship in America. Immigrant owners are active

English,” Cha says. “But working 14-hour days, 7 days a week, we did well right off the bat.” Their company expanded into more than 80 locations in multiple states, until the recession put them out of business after 20 years.

The sorts of jobs that Cha’s father had before starting his own business—dishwashing and building maintenance—are now filled almost entirely by foreign-born workers. While the number of Americans with college degrees has continued to rise, in our service-driven economy, there are still lots of low-skilled jobs to fill. The dirtiest, most physically demanding, and most dangerous of these jobs—in fields such as construction, landscaping, and building maintenance, for example—are overwhelmingly filled by immigrants, who now account for more than half of all low-skilled workers in the U.S. These are jobs that native-born workers typically don’t want.

A 2013 analysis of the Senate’s immigration reform bill by the nonpartisan Congressional Budget Office estimates that its passage would have resulted in 9 million more people entering the U.S. workforce in the next 20 years, with new immigrants participating in the workforce at a higher rate, on average, than other U.S. residents. As a result, unemployment would tick up slightly higher for several years as labor markets adjusted. But after that, thanks to additional demand for goods and services, employment would be higher than projected under current law. Wages for all workers would be 0.1 percent lower, on average, after 10 years—but largely because new immigrants would earn lower average wages than other residents. And after 20 years, average U.S.

wages would be 0.5 percent higher.

The broader economic payback is more impressive: While implementing the legislation would cost \$22 billion in the first 10 years—and between \$20 and \$25 billion in the next 10 years—it would reduce federal budget deficits by at least \$700 billion in the next 10 to 20 years.

The U.S. should eliminate country quotas for employment-based visas, clear long backlogs in family-based visa applications, and creating a W-visa category for less-skilled employees to work legally for up to three years (with a chance to renew and be sponsored for permanent residence). These are practical steps that would do more to curb illegal immigration than simply increas-

try’s economic growth in recent years.

Immigrant entrepreneurs are also uniquely situated to create innovative business models that tap into the “hidden” needs of immigrant consumers in the U.S. Anurag Jain, a native of India and the co-founder of PrePay Nation in Berwyn, Pennsylvania, is a case in point.

By allowing immigrants to send small gifts of cell phone minutes to relatives back home, his company “solves two problems that most immigrants have,” says Jain. “One is that every immigrant wants to help their family back home, but often they have minimum-wage jobs. And you really can’t send money overseas without ridiculous fees.” Jain’s business model

Immigrant businesses are 60 percent more likely to export, a key factor to U.S. economic growth in recent years.

ing border security, says Stuart Anderson, an analyst at the nonprofit National Foundation for American Policy. “If we had a legal visa category that let people go back and forth, many wouldn’t feel the need to put down roots and instead would work for a time and go back.”

Immigrants want to work, says Cha. “I don’t believe in handouts from the government,” he says. “I’m a conservative at heart. But I believe that newer immigrants from poorer countries are hardworking and not afraid of doing jobs that people here don’t want to. If we can responsibly help them come here, it’s a good thing for the country.”

SUPPORT FOREIGN-BORN ENTREPRENEURS

— **IMMIGRANT ENTREPRENEURS PLAY** a vital role as connectors to global markets—both abroad and here in the U.S. Immigrant businesses are 60 percent more likely to export than native-owned firms, and more than 2.5 times as likely to rely on exports for a large part of their sales, according to the Partnership for a New American Economy. Exports are responsible for about half of the coun-

allows immigrants to transfer as little as \$2 worth of minutes at a time to family overseas, with no fee to the sender or recipient (foreign cellular network operators give PrePay a commission on sales). Additionally, with PrePay, senders know where the money is going. “People want to take care of relatives’ basic needs,” Jain says, “but they don’t necessarily want to pay for parties and alcohol.” The company, founded in 2010, now has sales of more than \$110 million.

“Being an immigrant myself obviously helps me understand the issue and the pain most immigrants go through,” says Jain, who earned \$50 a day when he came to the U.S. in 2001 with his wife, who was studying on a J-1 educational visa. (This type of visa allows spouses to work legally in the U.S.; spouses of H-1B visa holders, though, have been prevented from working, sidelining many educated immigrants who could be contributing to the economy. President Obama’s executive action includes changes that would allow many H-1B spouses to work.)

Although many immigrant entrepreneurs choose to cater to a community they are familiar with, Jain says, “I think

success comes when you try to go out of your comfort zone. A majority of the mentors I got advice from are American citizens. If you're trying to do business, the more kinds of people you know, the better. If you just stick to your own community members, your perspective is going to be more limited."

Jain's mentorships came about accidentally—he rented space for his first business in a shared office where an attorney and another business owner were already working. "The three of us got together every few weeks to talk about problems in our businesses, and that helped a lot. They became good friends and brought me perspective I was missing." Among other things, they helped prevent business etiquette gaffes. "In India, it's very common to give a favor in exchange for business. They told me that wasn't acceptable here."

Helping immigrant entrepreneurs become as successful as they can be is in the country's best interests. The U.S. should support a formal system of mentorship for immigrant businesspeople. A program proposed in both Senate and House versions of immigration reform bills would be a good start, awarding grants to nonprofits and state and local governments to run immigrant integration programs. The nonprofit group WelcomingAmerica.org is already running such programs in cities like St. Louis and Detroit, which are supporting immigrants as a way to spur stagnant local economies.

LEGALIZE THE UNDOCUMENTED

RUBY POLANCO, the Honduras-born founder of Ruby Makeup Academy based in Temple City, California, came to America like hundreds of thousands of other immigrants—brought here as a child. "The transition from Honduras was very scary," says Polanco, who was just 12 years old when she arrived in the U.S. almost three decades ago. With her mother and two brothers, Polanco lived in Los Angeles, in a 300-square-foot apartment with no kitchen. School, she says, was "very hard on kids who

didn't speak English." And the convoluted process of obtaining green cards—particularly challenging for immigrants from Central America—added to the family's sense of insecurity. At 17, Polanco was a pregnant high-school dropout, married to a man she'd divorce a year later.

Finally getting her green card, Polanco says, "changed my mentality. In my own crazy mind, I decided I wanted to make myself American, to make this country my country. After many years, I had the right to stay here." Polanco got a job as a cashier at McDonald's, and eventually became a manager. After getting her GED, she attended community college, and later got a bachelor's degree in business management.

Since founding a school for makeup artists in 2006, Polanco now has four locations in the Los Angeles area, revenue of more than \$2 million and about 45 employees. Polanco has also become a visible entrepreneurial presence in L.A.'s Hispanic community. "You give a Hispanic woman \$5, and she'll turn it into a million," she says, "but not a lot of people are investing money and time on these young women." Polanco hopes she can help other Hispanic women to overcome an "illegal" mindset. "Even legal people here, think very illegal," she says. "They think they can only do business in their corner."

Whether you call it "amnesty" or a "path to citizenship," any serious immigration reform program must address the question of what to do about the 11.7 million undocumented migrants who have settled in the U.S., two-thirds of them for more than a decade. Keeping people like young Ruby Polanco and her ambitious protégés in a drawn-out state of legal limbo serves no one. President Obama's executive action essentially kicks the can down the road, offering temporary relief from deportation and work permits for an estimated 3.7 million undocumented parents of U.S. citizens or legal permanent residents, and nearly 1.5 million people who entered the U.S. as children before 2010.

Like the rest of the President's execu-

tive action, this deal will expire unless the next President chooses to continue it—or in the unlikely event that the new Congress approves a path to citizenship like the one outlined in the Senate's immigration bill. That bill would have allowed undocumented adults who arrived here before a certain date to live and work here legally—but without access to federal benefits like Medicaid, food stamps, or Obamacare health subsidies. After a period of at least 13 years—assuming they paid taxes, passed background checks, and stayed out of legal trouble—they could have qualified for citizenship. Those who were brought to the U.S. as children, like Polanco, would have been able to earn citizenship after five years.

Each year, about 65,000 undocumented students who have lived in the U.S. for five or more years graduate from American high schools. And then their lack of legal status keeps them out of higher education, the workforce, and the military. Allowing these young people to live and work here without fear could increase federal revenue by \$2.3 billion over 10 years, according to the Congressional Budget Office and the Joint Committee on Taxation.

Stoppag measures, executive actions, and partisan standoffs don't cut it anymore as policy for a country that was literally built by immigrants. The business case for immigration reform is clear and compelling. It's long since time for politicians on both sides of the aisle to look at the facts—and beyond the unfounded fears—about immigration and start enacting pragmatic solutions. "For many years, the U.S. was the best place in world to go to start a company," says Jason Weins, a policy director at the Kauffman Foundation. "If we don't provide ways for these people to stay here and create companies—we're going to lose out." ■

— ADAM BLUESTEIN is a Burlington, Vermont-based journalist and regular contributor to *Inc.* He wrote a guide to Obamacare for the December/January 2014 issue.