Does Employer Size Matter? The Effects of Pre-entry Employer Size and Re-entry Employer Size on Returns to Entrepreneurship among Science & Technology Labor Force (STLF) in Sweden

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Abstract

A dominant question in entrepreneurship research is to understand the returns to entrepreneurship. Using a sample of STLF from Statistics Sweden for 1990-2008, this study investigates how employer size prior to entrepreneurial entry and employer size on re-entry in wage employment influences subsequent wages of ex-entrepreneurs relative to employees with no entrepreneurial experience. Results indicate that on re-entry, ex-entrepreneurs, relative to matched employees have earn less in very small firms (less than 10 employees), more in firms with 10 to 50 employees, and again less for firms with 500+ employees. Additionally, entrepreneurs who were employed in very small firms (less than 10 employees) prior to entry have earn more relative to matched employees while entrepreneurs from large firms (500+ employees) earn less relative to matched employees on re-entry into wage employment.
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ABSTRACT

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Keywords: Human capital, matching, returns to entrepreneurship, STLF
INTRODUCTION

The last few decades have witnessed substantial rise in self-employment. Policy makers throughout the world pursue policies to promote self-employment. Many public policies are designed for individuals to become entrepreneurs in many ways. For example, in Sweden, after 2006, the tax on capital income from unlisted shares was 20%, down from 30% prior to 2006. In the US, the policies have largely favored entrepreneurs relative to wage earners (Acs, Åstebro, Audretsch, & Robinson, 2016; Blanchflower, 2000). Intuitively, individuals are likely to take advantage of the favorable policies towards entrepreneurship, and a significant share of entrepreneurs are prior wage employees. Using data from the Silicon Valley in the United States, Burton, Sörensen, and Beckman (2002) suggest that 93% of the entrepreneurs were wage earners prior to venturing into entrepreneurship.

The substantial interest in entrepreneurship by individuals and policy makers has motivated scholarship in entrepreneurship to investigate the returns to entrepreneurship by comparing the income differentials between employees and self-employed (e.g. Evans & Leighton, 1989; Hamilton, 2000; Hartog, Van Praag, & Van Der Sluis, 2010; Levine & Rubinstein, 2017). Although this literature adds to our knowledge on the returns associated with entrepreneurship, a comprehensive understanding lies in examining the returns to entrepreneurship post entrepreneurial experience. Literature suggests that entrepreneurship is not an end itself (Burton, Sörensen, & Dobrev, 2016), but part of a dynamic career. While some of the entrepreneurs who attempt self-employment remain self-employed, many return into wage employment as employees with an entrepreneurship experience (Carroll & Mosakowski, 1987; Luzzi & Sasson, 2016). Using a sample of Danish men, Kaiser and Malchow-Møller (2011) find that 50% of the employees who attempted self-employment returned back into wage employment.
after 5 years. In this study, it is identified that 41% of the employees who attempted entrepreneurship from 1994-1998 move back into paid employment after venturing into entrepreneurship.

A few empirical studies in this area have found mixed results to find either negative or positive effects of past entrepreneurship experience on wages in paid employment. For example, using a dataset of Norwegian entrepreneurs and employees, Luzzi and Sasson (2016) suggest that ex-entrepreneurs earn 19% more on average than employees who switch jobs. Alternatively, Bruce and Schuetze (2004) and Kaiser and Malchow-Møller (2011) find negative returns to entrepreneurship. Hence, we are still uncertain about the returns to entrepreneurship in wage employment post entrepreneurial experience. To understand entrepreneurship as a labor market activity just like another job and the subsequent career experience shaped by the entrepreneurial experience (Burton et al., 2016), it is pivotal to understand the outcome of entrepreneurship post re-entry into wage employment relative to those who do not experience entrepreneurship. Research on career mobility (e.g. Rider, Thompson, Kacperczyk, & Tåg, 2016) suggests that individuals evaluate entrepreneurial career options relative to other employers. Additionally, literature suggests that entrepreneurship is a labor market activity different from wage employment (Sørensen & Sharkey, 2014) thereby indicating that the skills of entrepreneurs are likely to be different than those employees who do not experience entrepreneurship. Therefore, to understand the career experience in entrepreneurship lies in investigating the effect of entrepreneurship post re-entry into wage employment relative to employees who do not experience entrepreneurship.

A fundamental challenge of measuring the effect of entrepreneurship on re-entry is the identification of the effect of entrepreneurship itself as entrepreneurs select to enter
entrepreneurship, thereby blurring the effect of selection and the effect of being in entrepreneurship (treatment) (Elfenbein, Hamilton, & Zenger, 2010). Moreover, they are more likely to be employees with lower wages, male, “misfits”, from smaller firms and middle-aged (see for e.g. Evans & Leighton, 1989; Kacperczyk & Marx, 2016; Åstebro, Chen, & Thompson, 2011). They might select self-employment, because they are bad employees. To clarify the effect of self-selection into entrepreneurship from the effect of entrepreneurship is a fundamental challenge.

This study addresses this challenge using the Entropy Balanced (EB) Matching algorithm to identify the effect of entrepreneurship on wages of ex-entrepreneurs who re-enter wage employment by comparing them to employees who do not experience entrepreneurship. Additionally, prior studies largely use human capital theory as the main theoretical foundation to investigate the differences in wages of ex-entrepreneurs and employees. However, human capital of entrepreneurs is likely to differ based on prior wage experience (Elfenbein et al., 2010; Sørensen, 2007) suggesting that experience in entrepreneurship is likely to either appreciate or depreciate prior skills gained in wage employment. Additionally, matching theory (Jovanovic, 1979) suggests that organizational heterogeneity in terms of skills requirement can confound human capital of the employee, thus suggesting returns to entrepreneurship are likely to be influenced based not only on the entrepreneurs employer size prior to entry into entrepreneurship and employer size on re-entry into wage employment.

This study builds on human capital theory and matching theory understanding to investigate how the entrepreneur’s employer size prior to entry into entrepreneurship and employer size on re-entry influences subsequent wages of ex-entrepreneurs relative to switching workers. The study uses a matched employee-employer register data to study a sample of STLF
from Statistics Sweden for 1990-2008 (222,921 observations with 741 re-entries into paid employment from incorporated entrepreneurship (Levine & Rubinstein, 2017)). The study samples employees with STEM qualifications with new jobs in 1991 and tracks their labor market transitions into incorporated entrepreneurship after three years in wage employment and back into paid employment. The study then investigates the wages of ex-entrepreneurs by comparing them with matched workers who do not experience entrepreneurship. A long panel data allows to follow individuals from when they are matched to their new jobs until they move into incorporated entrepreneurship and back into wage employment. The study also provides nuanced understanding by investigating the returns of Scientists, Engineers and STEM PhD holders. A focus on a homogenous sample of individuals with STEM qualifications helps reduce bias due to unobservables in matching techniques (Hainmueller, 2012; Morgan & Winship, 2007). Additionally, this labor force finds significant attention in entrepreneurship research (e.g. Elfenbein et al., 2010; Stenard & Sauermann, 2016) as this labor force indicates a potential for the creation of high growth firms and also forces of economic growth (Acs et al., 2016; Delmar, Wennberg, & Hellerstedt, 2011).

The results of this study indicate that on re-entry, ex-entrepreneurs, relative to matched employees have negative wages in very small firms (less than 10 employees), increasing to positive for firms with 10 to 50 employees, and again negative for firms with 5000+ employees, suggesting an inverted U-shaped relationship between re-entry firm size and returns to entrepreneurship. I also find that entrepreneurs who were employed in very small firms (less than 10 employees) prior to entry have positive wages relative to matched employees while entrepreneurs from large firms (500+ employees) have negative wages relative to matched employees on re-entry into wage employment.
This study has important theoretical and practical contributions. First, existing studies use human capital theory that has been key theoretical foundation to examine wages post re-entry. This study complements existing studies (e.g. Kaiser & Malchow-Møller, 2011; Luzzi & Sasson, 2016) by using matching theory (Jovanovic, 1979) in addition to human capital theory to investigate return returns to entrepreneurship post entrepreneurial experience. And second, as public policies are aimed to promote entrepreneurship over wage jobs (Acs et al., 2016), understanding the re-entry of entrepreneurs into wage employment calls into question the purpose of such public policies.

**THEORY & HYPOTHESES DEVELOPMENT**

Human capital theory has received significant attention in entrepreneurship research (Marvel, Davis, & Sproul, 2016) and has been the main theoretical foundation of previous research (e.g. Bruce & Schuetze, 2004; Campbell, 2013; Kaiser & Malchow-Møller, 2011) that examines the returns to entrepreneurship post entrepreneurial experience. Ideally, human capital theory provides a relevant framework for developing the hypotheses.

Basically, human capital refers to the skills, knowledge and ability gained by an individual either through education or work experience. Human capital can be acquired through education in school or thorough on the job training resulting from the labor market experience (Becker, 1964; Mincer, 1974). Human capital can broadly be classified as firm-specific human capital and generic human capital (Becker, 1964). Firm specific human capital involves acquiring skills that are idiosyncratic to the production process of a particular firm, while generic human capital involves skills (e.g. ethics) that are applicable across firms. The human capital of an individual is a likely determinant of wages of their wages.
Although human capital theory (Becker, 1964; Mincer, 1974) provides a basic understanding of wages of an employee, theory of job matching (Jovanovic, 1979) suggests that matching is important determinant of labor productivity. Individuals who match better with their jobs in terms of skills are likely to be more productive relative to employees who are less matched to their jobs. Based on the theory of job matching, I depart from prior studies that examine returns to entrepreneurship in wage employment to suggest two key arguments. First, I argue that employer firm size on re-entry is likely to influence wages of entrepreneurs on re-entry into wage employment. Literature suggests that firm characteristics can confound the human capital of the individuals that is likely to affect the productivity of the employees thereby influencing their wages (Burton, Dahl, & Sorenson, 2017). Larger firms, relative to smaller firms have different employee skills requirement that is likely to influence employee productivity (Even & Macpherson, 2012; Kalleberg & Van Buren, 1996). This indicates that firms, based on their size are likely to differ in their skill requirement and hence would differ in rewarding employees’ talents. Firms provide higher wages to employees who are likely to add value to the firm, while lower wages to employees who create less value to the firm (Bloom & Michel, 2002; Blyler & Coff, 2003; Carnahan, Agarwal, & Campbell, 2012). As larger firms have different skill requirement than smaller firms, employer firm size on re-entry is likely to be an important determinant of wages for entrepreneurs who re-enter wage employment.

Second, I argue that human capital of an entrepreneur venturing into entrepreneurship from wage employment is contingent on the employer size prior to entrepreneurship. A recurrent finding in entrepreneurship literature suggests that employees from smaller firms develop skills and knowledge well-suited for entrepreneurship, contrary to the skills developed by employees in large bureaucratic firms (Kacperczyk, 2012; Sørensen, 2007; Tåg, Åstebro,
Thompson, 2016). This suggests that entrepreneurs from prior wage employment are likely to match differently to entrepreneurship based on the size of the employer they are employed prior to transitioning into entrepreneurship. The matching of skills in entrepreneurship is likely to either appreciate or depreciate prior skills based on prior employer size. On moving back into paid employment, the skills in entrepreneurship is thus likely to influence wages on re-entry into paid employment.

**Re-entry Firm Size and Re-entry Wages**

Numerous studies have examined the rewards associated with working for large as opposed to small firms (e.g. Cobb & Lin, 2017; Kalleberg & Van Buren, 1996; Stolzenberg, 1978). The general conclusion is that large firms pay higher wages than smaller firms – a phenomenon referred to as firm size wage premium.

Although there is a general understanding that compared to smaller firms, larger firms pay higher wages, Burton et al. (2017) argue that worker human capital can confound the firm characteristics given that firms of different sizes draw from somewhat different labor pools. Firms seek employees with appropriate capabilities that fit the local environment.

In comparison to large firms, small firms have different expectations and pay scales, and have different type of skill requirement. On one hand, as small firms are characterized with limited resources, less stable structures and less developed internal labor markets (Baum & Oliver, 1992; Stam, Arzlanian, & Elfring, 2014; Stinchcombe, 1965), they require employee human capital skills that perform a wider range of jobs and tasks and knowledge in a variety of functional areas. Small firms are characterized by flexible structures emphasizing on generalizability of employee skills in varied roles, commercial activities and employee knowledge in a variety of functional areas (Kacperekzyk & Younkin, 2017). On the other hand,
large firms are characterized by high complexity and differentiation that creates a detailed
division of labor characterized by specialization. Large firms invest in firm specific employee
trainings making their skills high suited for the internal production processes of the firm (Blau &
large firms reward depth of skills than breadth of skills. Therefore, large firms and small firms
are likely to differ based on the employee skills characteristics.

In addition to the differences based on skills characteristics, literature suggests that small
firms are characterized by the liability of smallness (Aldrich & Auster, 1986). Smaller firms are
likely to be constrained, for example, in terms of financial (Cardon & Stevens, 2004) resources
limiting opportunities for employee training. An employers’ cost optimization problem
involves increasing productivity of prospective workers by limiting the on-the-job training and
hiring workers that require limited initial training (Barron, Black, & Loewenstein, 1987),
smaller firms compared to larger firms would likely to hire workers that require limited initial
training that would optimize the costs associated with workers training.

Entrepreneurship involves development of skills that are more generic in nature.
Entrepreneurs are likely to develop varied skills that not only includes application knowledge as
well as management skills (Lazear, 2004; Lazear, 2005). Individuals engaging in
entrepreneurship are hence likely to develop broad skills such as supervision, recruitment of
employees as well as the technical knowhow of the entrepreneurial idea. On moving back into
paid employment, entrepreneurs are likely to be more productive where their skills find a better
match in the employing firm. Matching theory (Jovanovic, 1979) suggests that matching is
important since individual and organizational heterogeneity is substantial and is a driver of
worker productivity (Jovanovic, 1979). Workers who are better matched to their jobs are likely to more productive than workers less matched to their jobs.

Ex-entrepreneurs, relative to employees who remain in wage employment, are likely to gain human capital from their experience. For example, new knowledge of raising capital and broad management skills. While those who remain in wage employment are likely to be limited to their human capital in wage employment. As entrepreneurs are likely to develop skills and knowledge from their experience in entrepreneurship, the value of the human capital gained in entrepreneurship is likely to differ based on the size of employer on re-entry.

As smaller firms are characterized by skills that demand knowledge in broad functional areas, ex-entrepreneurs are likely to find a better match of their skills in smaller firms than in larger firms. However, in smaller firms, employees who do not experience entrepreneurship are likely to have their human capital limited to their experience in wage employment. This suggests that ex-entrepreneurs, endowed with human capital from their entrepreneurial experience are not only likely to find a better match in smaller firms than larger firms and hence more productive (Jovanovic, 1979), but also with human capital gained from their entrepreneurial experience are likely to earn higher in smaller firms relative to match employees who do not experience entrepreneurship.

In larger firms, characterized by the rigid structures and formal division of labor (Sørensen, 2007; Weber, 1946), employers expect employees to be skilled and trained in their internal production processes. Ex-entrepreneurs, moving back into larger firms are likely to be less matched due to the broad human capital gained from their entrepreneurial experience and hence less productive. Whereas, employees employed in larger firms are likely to be trained for
knowledge and skills that develops their human capital highly suited for the production process of the firm. This suggests that ex-entrepreneurs, relative to matched employees are less likely to be matched to their jobs than employees who do not experience entrepreneurship, suggesting lower wages to ex-entrepreneurs in larger firms relative to matched employees.

However, there exists differences between very small firms (micro firms) and medium sized firms (e.g. Borch, Huse, Senneseth, & practice, 1999). Very small firms, relative to small and medium sized firms are financially more resource constrained (Lumpkin, McKelvie, Gras, & Nason, 2010) and are also unlikely to have a complex structure that requires highly generic skills such as people management and varied functionalities. Entrepreneurs moving into very small firms, relative to medium sized firms are thus not likely to find a match to their skills and hence are more likely to earn lower wages than moving into small and medium sized firms.

H1: The wages for ex-entrepreneurs are likely to be lower than employees with no entrepreneurial experience in very small firms, while increasing in small to medium sized firms and subsequently decreasing in larger firms.

Pre-entry Employer Size and Re-entry Wages

Building on the understanding that firms differ based on employee skills characteristics, extant literature in entrepreneurship recognizes that larger firms, being more bureaucratic, hinder skills suited for entrepreneurship while employees from smaller organizations develop skills and knowledge well-suited for entrepreneurship (Elfenbein et al., 2010; Kacperczyk, 2012; Sørensen, 2007; Tåg et al., 2016). Intuitively, employees venturing into entrepreneurship are likely to differ based on the size of the employer prior to venturing into entrepreneurship. Entrepreneurs from larger firms are likely to highly specific human capital that is less likely to be suited for
entrepreneurship relative to the broader skills of entrepreneurs from smaller firms prior to entrepreneurship.

Matching theory (Jovanovic, 1979) suggests that entrepreneurs who venture into entrepreneurship from smaller firms are likely to be better matched to entrepreneurship relative to entrepreneurs who venture into entrepreneurship from larger firms. Individuals better matched to their jobs are likely to be more productive than individuals who have an inferior match to their jobs. Human capital depreciation theory (Mincer & Ofek, 1982) suggests that partial loss of human capital can occur beyond work interruptions. The theory suggests that in situations where skills and knowledge not transferable, leads to a likely depreciation of prior human capital. The greater loss of human capital is likely to draw lower wages compared to those individuals who are likely to appreciate their human capital, for example, staying in paid employment.

Literature indicates the entrepreneurship is a labor market activity that is different from paid employment (Sørensen & Sharkey, 2014). Intuitively, entrepreneurs who venture into entrepreneurship from larger firms are less likely to appreciate their human capital as their prior knowledge and skills are less transferable into entrepreneurship. On the contrary, individuals who remain in paid employment are likely to appreciate their human capital due their job market experience. On venturing back into paid employment, entrepreneurs who were employed in large firms are likely to draw lower wages than employees who remained in paid employment. In similar vein, entrepreneurs who were employed in smaller firms in paid employment prior to venturing into entrepreneurship, are likely to develop additional human capital from their experience in entrepreneurship. Their knowledge and skills from prior employment is likely to complement their skills from entrepreneurship appreciating their human capital relative to wage stayers.
**H2**: The larger the size of the employer prior to entry, lower are the wages for ex-entrepreneurs than employees without entrepreneurial experience.

**SAMPLE & METHOD**

This study investigates the research using a linked employee-employer dataset provided by Statistics Sweden (SCB) consisting of STLF (workers educated in Science, Technology, Engineering, Medicine - STEM) in Sweden from 1990-2008. The study identifies STEM employees based of education codes provided by SCB. The education codes contain information on education groups (Science/Technology/ Engineering/Mathematics) as well as education levels (Bachelors/Masters/PhD). Using the education levels, the study includes individuals with qualified three years or longer post-secondary education (which includes individuals with doctoral and other postgraduate degrees) (Delmar et al., 2011).

I build the sample in the following three steps. First, the sample includes employees with a new job in 1991. A new job in 1991 ensures that these employees had no prior experience in the focal firm and enables estimates of similar employees (Burton et al., 2017). It also reduces biasing due to left censoring (Yang & Aldrich, 2012). Second, the study follows these employees from 1991-1993 to include only those who remain in paid employment during this period. This ensures exclusion of employees who may have become unemployed or have tried a very small window (1-2 years) of experience in entrepreneurship reducing biases due to unemployment and serial entrepreneurship (Sørensen, 2007). This enables to focus on a restricted sample of employees who have stable careers in paid employment over a period of three years prior to venturing into entrepreneurship and is a suggestive indicator higher opportunity costs of venturing into entrepreneurship. If such employees move back into wage
employment after experiencing entrepreneurship, studying the returns to entrepreneurship hence becomes pertinent for such individuals. And third, the study follows these employees for their transitions into incorporated entrepreneurship from wage employment and re-entry into wage employment from incorporated entrepreneurship from 1994-2008.

This study focus exclusively on employees who transition into incorporated entrepreneurship from wage employment and back into wage employment from incorporated entrepreneurship. I acknowledge that self-employment and incorporated entrepreneurship are different proxies for entrepreneurship and the returns are likely to differ based on the proxy (Andersson Joona & Wadensjö, 2013; Levine & Rubinstein, 2017). Literature suggests that incorporated entrepreneurship demands strong non-routine cognitive skills such as creativity and analytical thinking and is more likely to be engaged by individuals with higher education and is also associated with “Schumpeterian” entrepreneurship (Levine & Rubinstein, 2017). Incorporated entrepreneurship is hence likely to be a better proxy for the skilled employees from the STLF. Additionally, a focus on incorporated entrepreneurship is likely is have a homogeneity in the sample.

The research design of a new job and a subsequent three year career in wage employment allows to focus on employees with fixed tenure prior to their entry into incorporated entrepreneurship. This design differs from Kaiser and Malchow-Møller (2011) who focus on employees in 1990 and their subsequent entry into self-employment and re-entry into wage employment. Such a design is likely to include employees with varying tenures in wage employment prior to their entry into entrepreneurship that is likely to have different influence on wages in subsequent paid employment. Additionally, a focus on self-employment by Kaiser and Malchow-Møller (2011) is likely to induce heterogeneity by bringing individuals who consider
mere self-employment and incorporated entrepreneurship as proxies for entrepreneurship. The research design is however limited in terms of the fact that Statistics Sweden records occupation only once a year means that the study cannot follow individuals who may have a very small window (e.g. 2-3 months) of entrepreneurial experience in between the two consecutive year. This limitation is also echoed by Kaiser and Malchow-Møller (2011) and also other related studies that use similar datasets (e.g. Luzzi & Sasson, 2016).

Overall, the research design of this study mitigates unobserved heterogeneity – a fundamental challenge in identifying the effects of entrepreneurship on subsequent wages as differences between individuals may simultaneously affect choice of entrepreneurship and subsequent wages (Kaiser & Malchow-Møller, 2011) – by focusing on a homogenous sample of STEM employees with new jobs and fixed tenure prior to venturing into incorporated entrepreneurship.

Data Descriptives

To understand the underlying data, I plot transition tables – both for entry into incorporated entrepreneurship from wage employment and re-entry into wage employment from incorporated entrepreneurship. I however do not present the tables for the reason of brevity. The tables can be obtained from the author on request.

For entry into entrepreneurship, I observe that for 1994, there are total 103 transitions into entrepreneurship (45 for self-employment while 58 for incorporated entrepreneurship) out of the 15,786 observations in wage employment in 1993. This forms 0.65% transitions into entrepreneurship. This observation is similar to prior research in entrepreneurship, for example, Folta, Delmar, and Wennberg (2010) who observe 0.7% transitions into self-employment from
wage employment. From 1994-2008, I observe 1,794 transitions into incorporated entrepreneurship. The total number of this study is significantly smaller than that of Kaiser and Malchow-Møller (2011) and can be attributed to the restricted sample of STEM employees with fixed tenure of three years in wage employment prior to entry into incorporated entrepreneurship. Additionally, I observe that from 1994-2008, there are 1,201 transitions into self-employment. The observation of less number of transitions into self-employment compared to incorporated entrepreneurship, is at odds with other studies (e.g. Tåg et al., 2016: 132) that look at broad samples to indicate that employees are more likely to venture into self-employment than incorporated entrepreneurship. My restricted sample of STLF employees is more likely to venture into incorporated entrepreneurship than self-employment, providing insights that those venturing into incorporated entrepreneurship are likely to be more educated (Levine & Rubinstein, 2017). Additionally, I observe that there are more men (82.55%) than women (17.45%), more scientists and engineers (total: 86.51%) than technologists (5.07%) and mathematicians (8.42%), transition into entrepreneurship.

For re-entry into wage employment, I observe a total of 741 transitions back into wage employment from 1995-2008. This suggests 41.86% transitions back into wage employment after venturing into incorporated entrepreneurship. This observation is relatively smaller than Kaiser and Malchow-Møller (2011) who report 50.8% transitions back into wage employment. This observation is likely to due to the high opportunity costs involved with moving out of incorporated entrepreneurship. I also find that more men (83.94%) than women, more scientists and engineers (total: 84.48%) than mathematicians and technologists re-enter into wage employment.
In figure 1 and 2 presents the frequency tables of the re-entry employer size and the pre-entry employer size. In fig 1, I observe that employees are more likely to move into smaller firms (69.23% into firms with less than 50 employees) than larger firms. Fig. 2 indicates that from those who move back into wage employment, a significant share (71.26%) had prior experience in firms with less than 50 employees. In general, this observation is in line with research in entrepreneurship that indicates that employees from smaller firms are likely to develop skills and knowledge that is suited for entrepreneurship (Elfenbein et al., 2010) and on moving back into paid employment, smaller firms than larger firms are more likely to value skills from the entrepreneurial experience.

In additional unreported descriptives I observe that the average age of the individuals venturing into entrepreneurship is 48.93 years and 49.8 years for entrepreneurs moving back into paid employment. The age of the sample is not only higher than that of prior studies on returns to entrepreneurship, for example Kaiser and Malchow-Møller (2011) where the average age of the self-employed is 36 years, but also higher than that reported in prior studies of entrepreneurial entry, e.g. Folta et al. (2010) that examine the Swedish dataset. A further investigation of my dataset suggests that the age is likely to be driven by restricting the sample to individuals who are consistently employed for three years in wage employment. Intuitively, younger employees are more likely to have several career options (e.g. breaks for higher education) making them move in and out of wage employment. While older employees are likely to pursue steady careers due to reasons such as family commitments, thereby driving the age higher in the sample.
Dependent variables

*Wage (log):* The study follows Kaiser and Malchow-Møller (2011) and other related studies Luzzi and Sasson (2016) and Bruce and Schuetze (2004) to test the hypotheses on log transformed wages in subsequent wage employment.

Independent variables

*Re-entry employer Size and Pre-entry employer:* Re-entry employer size represents the number of employees in the employing organization while pre-entry employer size represents the number of employees of in the organization where the entrepreneur was employed prior to entry into entrepreneurship. I use prior research (Burton et al., 2017; Pearson, Stringer, Mills, & Summers, 2006) to group firm size into various categories to examine effects for micro, small, medium, large and very large firms. This variable is created in the following categories: <= 10 employees (micro), 10-50 employees (small to medium), 50-500 employees (small to medium), 500-5000 employees (large), and 5000+ employees (very large).

Control variables

At the individual level the study controls for the following variables. *Age:* is included to capture the effect of age on entrepreneurial entry. *Gender:* The variable is coded “1” for males and “0” for females. This variable captures variation across gender in entrepreneurial behavior of individuals where women transition to entrepreneurship. *Married:* An individual’s preference for entrepreneurship may vary according to his/her marital status. To control for the unobserved preferences that are common to married individuals, the variable is binary coded as “1” for married. *#Children:* A count variable indicating the number of dependent children belonging to the focal individual. *#Children Under six:* A count variable indicating the number of children
under the age of six. *Capital Income* indicates the interest received on cash deposits that indirectly measure the liquid wealth of the focal individual, and hence accounts for liquidity constraint (Hurst & Lusardi, 2004). *Sector Code:* Since the dynamics of entrepreneurship is markedly different in government sectors (Sørensen, 2007). This variable is coded “1” if the employee works in a non-publicly owned sector and coded “0” otherwise. *STEM:* This variable is coded “1” if the employee is has Natural Science as the highest qualification, “2” if the employee is a technologist, “3” if the employee is an engineer and “4” if the employee has mathematics as the highest qualification. *PhD:* This is a dichotomous variable coded “1” if the employee has obtained a PhD or coded “0” otherwise. *Stockholm Municipality:* This variable is included as approximately 17% of the entries and re-entries occur in the Stockholm municipality. *Income at t-1:* Income of the individual at t-1.

The study uses the following variables to control for organizational characteristics. *Employer Age:* is entered as categorical dummies divided in three categories: < 3 years (omitted category); 3-10 years; and 10+ years. *Operating Profit at t-1:* Operating profit of the firm to indicate firm performance.

At the industry level, the study includes *Industry Switch:* a variable indicating if the industry of the firm in entrepreneurship is affiliated to the same industry as the firm on reentering in paid employment. Specifically, it is coded 0 if the firm at t-1 does not belong to the same industry as the firm at t, while it is coded 1 firm at t-1 does not belong to the same industry as the firm at t. The variable is constructed using the three digit industry level.

*Year* and *Industry* dummies are added to control for other macro level unobservables to capture time trends or shocks in the economy.
Model

The main objective of this study is to estimate the treatment effect of entrepreneurship exit firm size and re-entry firm size on the wages of entrepreneurs who re-enter wage employment. To test the hypotheses, this study follows Luzzi & Sasson (2016) to use the matching methodology to compare the earnings of ex-entrepreneurs with switching employees who never experienced entrepreneurship by identifying the treatment and control groups.

Definitions of treatment groups:

The study follows Kaiser and Malchow-Møller (2011- Fig 1: page 581) to identify appropriate treatment groups to test each of the hypothesis of the study. Specifically, to test hypothesis 1, the study identifies treatment groups based on the size of the employer that ex-entrepreneurs move into (see fig. 3). Specifically, Treatment (T1) for the entrepreneurs who move into firms with less than 10 employees, Treatment (T2) for the entrepreneurs who move into firms with 10-50 employees, Treatment (T3) for the entrepreneurs who move into firms with 50-500 employees, Treatment (T4) for the entrepreneurs who move into firms with 500-5000 employees and Treatment (T5) for the entrepreneurs who move into firms with more than 5000 employees. The study then estimates the average treatment effect on the treated (ATT) using an appropriate matching methodology comparing each of the above treatment groups with the control group consisting of switching employees. I build similar treatment groups to test hypothesis 2, where each treatment group belongs to the size of the employer prior to entry into entrepreneurship. The firm size distribution is based similar to that described above for re-entry employer size.

Matching methodology:
As the hypotheses are tested using the matching methodology, it is essential to find balanced samples for the treatment and control groups. The basic descriptive statistics (Table 3) divulges that these groups are composed of very different individuals. For example, the never entrepreneurs have an average age of 51.44 years while the ex-entrepreneurs have an average age of 47.67 years. There are also differences in the individuals based on their capital income and the number of job changes. Before proceeding with any comparison, it is important to generate a balanced sample of both the groups. Generation of a balanced sample ensures an unbiased estimate of the average treatment effect on the treated (ATT).

The study follows recent research (e.g. Merida & Rocha, 2018) to use Entropy Balancing (EB) as a matching technique to match matches each of the groups, i.e. ex-entrepreneurs (treatment group) and never entrepreneurs (control group. One of the main advantages of EB over other popular matching methods (e.g. Propensity Score Matching) as such methods make it difficult to achieve balanced sample due to the manual iterative process of modeling, matching and balance checking in order to search for a suitable balancing solution. In the worst case, these techniques are likely to increase bias for the subsequent treatment effects when improvement in balance estimation due to some covariates come at the cost of other covariates. In EB, the researcher begins by imposing a set of balance conditions to imply that the treated and the reweighted control group match as closely as possible. EB then directly adjusts the unit weights to the specified sample moments while moving the weights as little as possible to retain information (Hainmueller, 2012).

This study follows previous studies (e.g. Kaiser & Malchow-Møller, 2011; Luzzi & Sasson, 2016; Manso, 2016) to construct matched samples based on the observational characteristics – age, gender, marital status, number of children, Children under six, sector,
Although EB technique simplifies the generation of the balanced sample, it provides no safeguard against bias due to unobservable characteristics that is a difficult problem in observational studies (Hainmueller, 2012). Although this study acknowledges the bias due to unobservables, it follows the similar studies in entrepreneurship (e.g. Kaiser & Malchow-Møller, 2011; Luzzi & Sasson, 2016; Manso, 2016) which use matching techniques on possible observable characteristics. Additionally, Angrist and Pischke (2008) suggest that an alternative strategy to reducing bias due to unobservables is to reduce heterogeneity of the treatment and control group. This study addresses this concern by considering a homogenous sample of employees with STEM qualification with new jobs in 1991 to produce a balanced sample of treatment and control group. The sample after the completion of the EB technique generates a balanced sample (see Table 3) of nearly identical treatment and control groups. After the samples are matched using EB, the study runs the main regressions using the weights provided by the EB algorithm and the treatment variable to obtain unbiased estimates of the ATT. The study follows Kaiser and Malchow-Møller (2011) to use the OLS regression with the associated weights provided by the EB algorithm.

RESULTS

Re-entry Employer Size and Returns to Entrepreneurship

Hypothesis (H1) predicts that entrepreneurs moving into very small firms (with less than 10 employees) are likely to have lower wages than matched employees, while increasing for smaller firms and subsequently decreasing with increasing firm size, ex-entrepreneurs are likely to earn lower wages compared to employees who do not experience entrepreneurship. Table 4 presents
the results of hypothesis 1. The table presents the ATT estimation results for the various
treatment groups based on re-entry firm size and the control group of switching employees using
OLS regression with the weights of the EB algorithm. The first row in column 1 contains the
estimated effect of the treatment of moving into firms with less than ten employees after
experience in entrepreneurship. It shows that post entrepreneurship, moving into firms with less
than ten employees, ex-entrepreneurs have a 15% reduction of wages compared to switching
employees. I also conduct additional analysis for scientists, engineers and PhD holders. In
general, I observe that very small firms (less than 10 employees) pay lower wages (with
significant effects) to ex-entrepreneurs compared to matched switching employees. Specifically,
the ATT coefficients are negative – (-0.14; p<0.001) for engineers, -0.09; p<0.001 for scientists
and -0.13; p<0.001 for PhDs.). This result provides support to the part of the hypothesis that
suggests lower wages to ex-entrepreneurs relative to employees with no entrepreneurial
experience who move into very small firms. The result of row 2 in model 1 suggests that ex-
tenrepreneurs moving into firms with 10 to 50 employees increase their wages by 6%. However,
entrepreneurs moving into firms with 500-5000 employees reduce their wages by 7% (model 1-
row 4) while entrepreneurs moving into firms with more than 5000 employees reduce their
wages by 11% (model 1-row 5). The results of row 2, 4 and row 5 are in line with the hypothesis
1. The results suggest that employers with 50-500 employees value the human capital gained
during entrepreneurship more than larger firms. Larger firms seem to stigmatize (Simmons,
Wiklund, & Levie, 2014) entrepreneurs as their human capital from their entrepreneurial
experience is not valued in these firms. In general, the results provide support to hypothesis 1
thereby accepting the hypothesis.
I provide additional analysis in column 2 of table 4 by estimating the ATT for the different treatment groups controlling for variables at the individual level, firm level and industry level. The row 4 of column 2 suggests that ex-entrepreneurs are likely to earn a premium of 18% compared to similar employees. The result suggests that although ex-entrepreneurs moving into firms with 500-5000 employees, on average reduce their wages by 7%, the wages are likely to change depending on individual, firm and industry level characteristics.

**Pre-entry Employer Size and Returns to Entrepreneurship**

Hypothesis (H2) predicts that with increasing size of the employer prior to entrepreneurship, entrepreneurs are likely to have lower wages relative to similar employees.

Table 5 presents the results of hypothesis 2. The first row in column 1 contains the estimated treatment effect of for entrepreneurs who moved from firms with less than ten employees prior to entrepreneurial entry. It shows that post entrepreneurship such entrepreneurs earn 4% more than similar employees with no entrepreneurial experience. Similarly, entrepreneurs who moved from firms with 10-50 employees prior to entrepreneurial entry earn 13% more relative to matched employees with no entrepreneurial experience. However, for employees who moved from firms with 500-5000 employees and 5000+ employees prior to entry, results indicate that entrepreneurs are likely to reduce their wages by 18% and 16% respectively relative to matched employees with no entrepreneurial experience. In general, the results provide partial support to hypothesis 2, thereby rejecting the hypothesis.

I provide additional analysis in column 2 of table 5 by estimating the ATT for the different treatment groups controlling for variables at the individual level, firm level and industry level. The results indicate that returns are likely to change depending on individual, firm and industry level characteristics.
DISCUSSION & IMPLICATIONS

A central subject in entrepreneurship research is to not only understand the causes to entrepreneurship but also its consequences – examined here as the returns to entrepreneurship for entrepreneurs returning back into wage employment post experience in entrepreneurship. Motivated largely by the public policies towards promoting entrepreneurship and the spurt in participation in self-employment by the labor force, scholarship investigates returns not only during entrepreneurship (e.g. Hamilton, 2000) but also post entrepreneurial experience (e.g. Kaiser & Malchow-Møller, 2011; Luzzi & Sasson, 2016). A significant share of entrepreneurs move into wage employment post entrepreneurship.

This study contributes to the literature (e.g. Bruce & Schuetze, 2004; Campbell, 2013; Kaiser & Malchow-Møller, 2011; Luzzi & Sasson, 2016) on returns to entrepreneurship post entrepreneurial experience by investigating the wages of ex-entrepreneurs who re-enter paid employment relative to employees who do not experience entrepreneurship. Specifically, the study examines how the wages of ex-entrepreneurs from the STLF in Sweden on re-entry, relative to matched switching employees who do not experience entrepreneurship, are influenced by the entrepreneurs’ employer size prior to entry into entrepreneurship and the entrepreneurs’ employer size on re-entry into wage employment. By comparing wages of ex-entrepreneurs with switching employees allows for a direct comparison with Luzzi and Sasson (2016).

Luzzi and Sasson (2016) suggest that on average, entrepreneurs earn 19% more than matched switching employees. This study elevates the understanding by suggest that we need to look beyond the average returns by providing more fine grained explanation based on the
size of the employer – not only on re-entry into wage employment but also prior to entrepreneurial entry. Firm are different based on their skills requirement and hence likely to value entrepreneurial skills differently. I use matching theory (Jovanovic, 1979) to argue that entrepreneurs’ wages, relative to matched employees is contingent on the match of the human capital gained by during experience in entrepreneurship. An investigation into the returns based on employer size on re-entry suggests that very small firms (micro firms with less than 10 employees) are less likely to value skills of ex-entrepreneurs relative to matched employees. Small firms are likely to have very limited resources with liabilities of small size (Aldrich & Auster, 1986) and ad-hoc recruiting processes due to the absence of specialized human resource activities (Cardon & Stevens, 2004). Additionally, very small firms may have relatively small number of employees and may less require the generic skills of entrepreneurs such as that of people management employee. This suggests that entrepreneurs are less likely to finds their skills matched to the skill requirement of micro firms. However, I find that employers of firm size 10-50 employees are most likely to value skills of entrepreneurs who move back into wage employment by providing a premium of 6% compared to matched employees. Additionally, the results indicate that larger firms (500-5000 employees, 5000+ employees) are also likely to penalize ex-entrepreneurs.

The results of lower wages in larger firms are at odds with Luzzi and Sasson (2016) who suggest that larger firms have higher profits and are thus likely to pay higher wages. Although it can be argued that larger firms, having higher profits are likely to pay higher wages in general, matching theory suggests that wages are likely to depend on the matching of the skills of the prospective employees with the needs of the hiring employers. The result of my study is thus consistent with the matching theory and that of Burton et al. (2017) who
Propose that worker human capital can confound based on the firm size of the prospective employer. Although Luzzi and Sasson (2016) provide us an understanding of the effect of the employer size (measured based on one plus the natural log of annual sales; log of number of employees as robustness check) on entry into subsequent paid employment, their study includes firm size as a control variable to estimate the ATT of entrepreneurship on wages of ex-entrepreneurs. By providing ATT of entrepreneurship experience controlling for firm size hence does not provide an understanding of the direct effect of firm size per se. Additionally, by including firm size on re-entry as a control variable, the understanding provided by Luzzi and Sasson (2016) is limited to empirical knowledge. This study advances our knowledge by not only providing a theoretical understanding on how firm size on re-entry can influence wages of ex-entrepreneurs but also by nuanced empirical understanding how wages can differ based on the various categories of firm sizes. In general, the study finds that the returns are likely to differ based on where entrepreneurs move to post entrepreneurship and where they come from prior their entrepreneurial experience.

An experience in wage employment in large bureaucratic firms endows entrepreneurs with firm specific human capital that is unlikely to appreciate as a result of experience in entrepreneurship. This is likely to depreciate their prior human capital from wage employment indicating lower wages for such entrepreneurs. Those employees who remain in paid employment appreciate their skills in wage employment and earn higher wages relative to entrepreneurs. The effect of bureaucracy seems to remain even post re-entry into wage employment. Prior research in entrepreneurship suggests that employees from larger firms are less likely to depart for entrepreneurship but when they do, they tend to be entrepreneurs of high quality (Hvide, 2009). The results adds to this discussion by suggesting that to emerge as a
high quality entrepreneurs, employees from larger firms need to be persistent in entrepreneurship, spend time and effort in their entrepreneurial journey. Moving back into wage employment is unlikely to provide higher returns, at least relative to matched employees who do not experience entrepreneurship.

This study has important contributions. First, Burton et al. (2016) suggest that entry into entrepreneurship is not an end in itself. To understand entrepreneurship, we need to examine entrepreneurship as a step along the career ladder. I contribute to this understanding by examining the wages to ex-entrepreneurs who move back into wage employment. Over their careers, employees have choices – to either remain with the same employer, move into an alternate job or move into self-employment. To examine entrepreneurship as just another job, we need to view experience in entrepreneurship as a job experience, understand the knowledge and skills gained from that experience, and how the skills and knowledge gained from this experience is valued post career in entrepreneurship.

Second, this study contributes to literature on entrepreneurial stigma where it is observed that “stigma” of being an entrepreneur would depend on where the entrepreneur move into and where the entrepreneur comes from. The pre-entry employer size and employer size on re-entry are important determinants of future wages in subsequent employment. This study elevates the discussion that needs to look beyond the generic effects of stigma. Firms are heterogeneous in their needs and it is not necessarily true that all entrepreneurs are stigmatized.

This study has practical implications. By celebrating entrepreneurs as job creators, policy makers explicitly pursue policies encouraging entrepreneurship. Many public policies involve subsidizing individuals to become entrepreneurs. The subsidies can be, for e.g. in the
form of tax benefits to entrepreneurs or loans at reduced interest rates. The cost of these subsidies raised by taxing others (see Acs et al., 2016). It is fair to assume that employees would like to “ride the wave” of entrepreneurship and decide to become entrepreneurs. However, if entrepreneurs go back into paid employment, understanding the effect of these policies lies in investigating the labor market consequences of entering and exiting entrepreneurship.

**Limitations and future research**

This study has limitations, which provide avenues for future research. In the beginning of the study, I emphasized on the challenge of individual heterogeneity that such studies face. I aimed to overcome this challenge partly by restricting the sample to STEM employees with a new job, albeit necessary to reduce unobserved heterogeneity, yields results likely to be different had I studied the whole population of employed, unemployed, and part-time employed people in Sweden. This is likely to influence the results on returns to entrepreneurship. Additionally, the labor market of Sweden (CME) is different from that of the US (LME) (Soskice & Hall, 2001). The results of this study indicate that large firms in Sweden, being dominant employers and having different expectations from their employees, are likely to penalize ex-entrepreneurs. Future research could test the argument that larger firms are likely to pay higher wages and if this is applicable to ex-entrepreneur by investigating a liberal market such as the US.

And second, literature on entrepreneurial exit (Wennberg, 2011; Wennberg & DeTienne, 2014) suggests different exit routes for entrepreneurs. The literature suggests that the exit strategy taken by the entrepreneur are likely to have implications on future wages of entrepreneurs. Future research can investigate how different exit routes have implications on the wages depending on the size of the exit firm and the size of the employer. In may happen
that very small firms (less than 10 employees) are likely to “welcome” highly successful entrepreneurs from their prior venture and may hence provide them with non-monetary benefits such as stock options and thereby providing higher (indirect) wages to ex-entrepreneurs compared to the employees.

REFERENCES:


### Table 1: Summary Statistics

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<th>#Observations</th>
<th>Mean</th>
<th>Median</th>
<th>SD</th>
<th>Min</th>
<th>Max</th>
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<td>8.26</td>
<td>2.20</td>
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<td>1</td>
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<td>0.00</td>
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<td>1</td>
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<td>3.44</td>
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### Table 2: Entry and Re-entry Descriptives

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<th>Re-entry</th>
<th>% change</th>
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<tr>
<td>Total number of observations</td>
<td>1,794</td>
<td>741</td>
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<tr>
<td>Age (mean)</td>
<td>48.93</td>
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<tr>
<td>Capital Income (mean)</td>
<td>1503,85</td>
<td>2249.18</td>
<td>49.56%</td>
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<td>ETP Income (mean)</td>
<td>4321,88</td>
<td>4498.36</td>
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<td>Last Wage Income (mean)</td>
<td>4623,06</td>
<td>4701,39</td>
<td>1.69%</td>
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<td>3973,45</td>
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<td>Mean last year wage Income in firms (11-50)</td>
<td>5686,69</td>
<td>5441,34</td>
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<tr>
<td>Mean last year wage Income in firms (51-500)</td>
<td>5619,25</td>
<td>5441,36</td>
<td>-3.17%</td>
</tr>
<tr>
<td>Mean wage Income in firms (501+)</td>
<td>5099,14</td>
<td>4672,10</td>
<td>-8.37%</td>
</tr>
<tr>
<td>#Children (mean)</td>
<td>1.36</td>
<td>1.37</td>
<td>0.57%</td>
</tr>
<tr>
<td>Municipality (Stockholm)</td>
<td>17.17%</td>
<td>17.41%</td>
<td>1.40%</td>
</tr>
<tr>
<td>Municipality (Göteborg)</td>
<td>6.35%</td>
<td>4.86%</td>
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</tr>
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<td>Municipality (Uppsala)</td>
<td>6.30%</td>
<td>6.88%</td>
<td>9.27%</td>
</tr>
<tr>
<td>Municipality (others)</td>
<td>70.18%</td>
<td>70.85%</td>
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</tr>
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</table>
Fig 1. Re-entry employer size

Fig 2. Pre-entry employer size
Table 3: Matching Descriptives

<table>
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<tr>
<td></td>
<td>Treatment</td>
<td>Control</td>
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<tr>
<td>Age</td>
<td>51.44</td>
<td>47.67</td>
</tr>
<tr>
<td>Gender</td>
<td>0.85</td>
<td>0.77</td>
</tr>
<tr>
<td>Married</td>
<td>0.76</td>
<td>0.67</td>
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<tr>
<td>#Children</td>
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<td>1.22</td>
</tr>
<tr>
<td>Govt. Firm</td>
<td>0.16</td>
<td>0.39</td>
</tr>
<tr>
<td>Children Under Six</td>
<td>0.18</td>
<td>0.34</td>
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<tr>
<td>STEM</td>
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<td>2.42</td>
</tr>
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<td>Phd.</td>
<td>0.12</td>
<td>0.14</td>
</tr>
<tr>
<td>Stockholm County</td>
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<td>Capital Income</td>
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<td>Sum of Job Changes</td>
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</tr>
<tr>
<td>Year</td>
<td>2003</td>
<td>2000</td>
</tr>
</tbody>
</table>
Figure 3 – Treatment groups used in H1 & H2. The employer size represents the Pre-entry employer size and the Re-entry employer size.

Treatment groups (H1 & H2)

- T1 (Employer size less than 10 employees)
- T2 (Employer size 10-50 employees)
- T3 (Employer size 50-500 employees)
- T4 (Employer size 500-5000 employees)
- T5 (Employer size 5000+ employees)
<table>
<thead>
<tr>
<th>C1</th>
<th>Switching Employees</th>
<th>ATT (1)</th>
<th>ATT with controls (2)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T1</td>
<td>(Re-entry size: less than 10 emp.)</td>
<td>-0.15***</td>
<td>-0.15**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.02)</td>
<td>(0.05)</td>
</tr>
<tr>
<td>T2</td>
<td>(Re-entry size: 10-50 emp.)</td>
<td>0.06**</td>
<td>-0.07*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.02)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>T3</td>
<td>(Re-entry size: 50-500 emp.)</td>
<td>0.04</td>
<td>0.11***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.03)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>T4</td>
<td>(Re-entry size: 500-5000 emp.)</td>
<td>-0.07*</td>
<td>0.06**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.04)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>T5</td>
<td>(Re-entry size: 5000+ emp.)</td>
<td>-0.11*</td>
<td>-0.04</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.04)</td>
<td>(0.03)</td>
</tr>
</tbody>
</table>

The controls include Age, Gender, Marital Status, #children, Children under six, Sector, STEM, PhD. (yes/no), Stockholm commune, Capital Income, Firm Size (categories), Firm Age (categories), Industry fixed effects, Year fixed effects, Previous income, operating profit, industry switch. Standard errors are in parenthesis. *** p<0.001, ** p<0.01, * p<0.05

<table>
<thead>
<tr>
<th>C1</th>
<th>Switching Employees</th>
<th>ATT (1)</th>
<th>ATT with controls (2)</th>
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<tr>
<td></td>
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<tr>
<td>T1</td>
<td>(Pre-entry size: less than 10 emp.)</td>
<td>0.04*</td>
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<td></td>
<td>(0.02)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>T2</td>
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<td>0.13***</td>
<td>0.04</td>
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<td></td>
<td></td>
<td>(0.03)</td>
<td>(0.02)</td>
</tr>
<tr>
<td>T3</td>
<td>(Pre-entry size: 50-500 emp.)</td>
<td>-0.05</td>
<td>-0.11***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.03)</td>
<td>(0.03)</td>
</tr>
<tr>
<td>T4</td>
<td>(Pre-entry size: 500-5000 emp.)</td>
<td>-0.18**</td>
<td>-0.13**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.06)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>T5</td>
<td>(Pre-entry size: 5000+ emp.)</td>
<td>-0.16***</td>
<td>-0.23***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.04)</td>
<td>(0.05)</td>
</tr>
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</table>

The controls include Age, Gender, Marital Status, #children, Children under six, Sector, STEM, PhD. (yes/no), Stockholm commune, Capital Income, Firm Size (categories), Firm Age (categories), Industry fixed effects, Year fixed effects, Previous income, operating profit, industry switch. Standard errors are in parenthesis. *** p<0.001, ** p<0.01, * p<0.05