

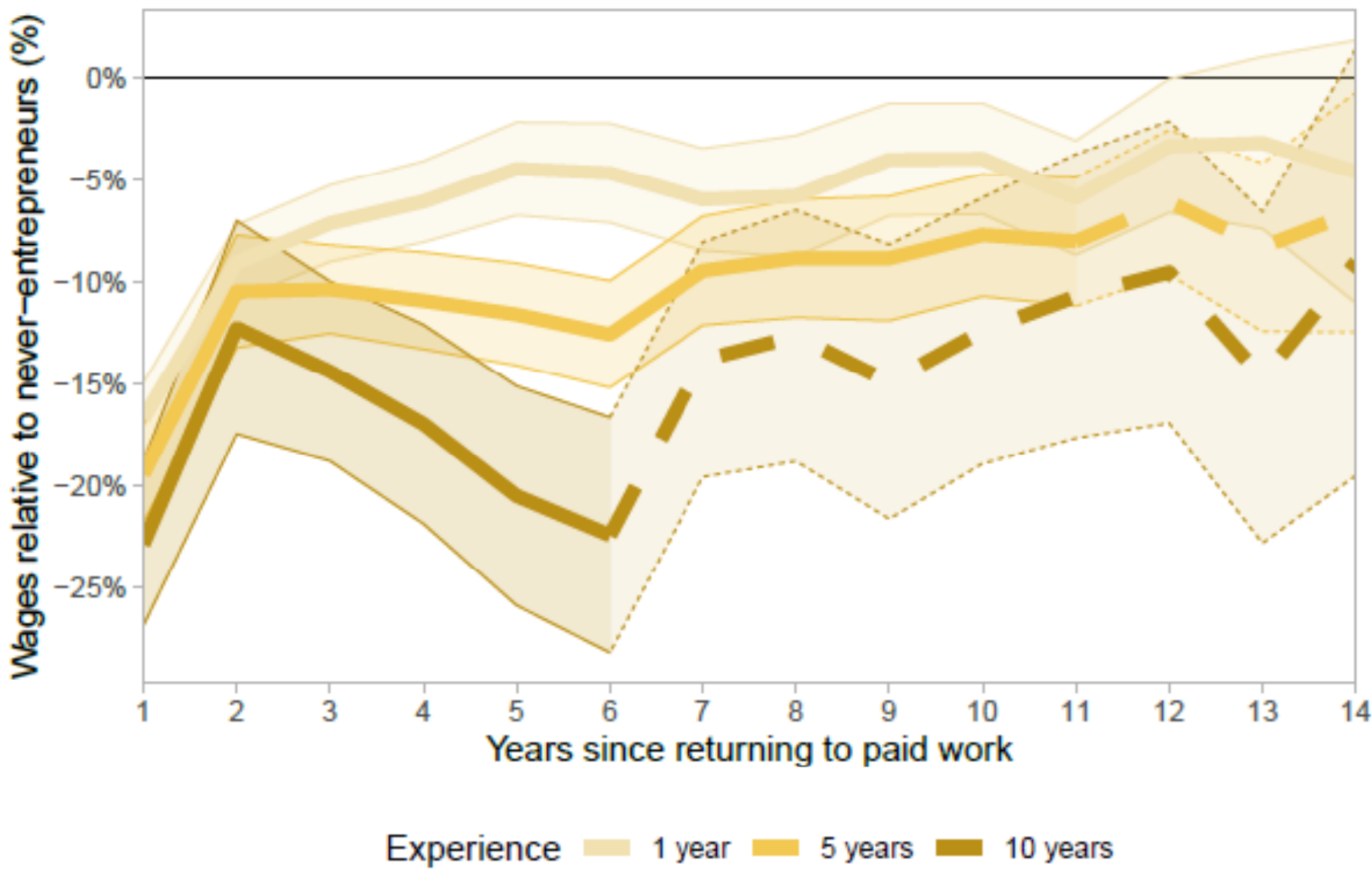


The longer entrepreneurs run their business, the worse off they are when they return to paid work

Economics in a picture



Wage trajectories by entrepreneurial experience



Notes: Regression results from specification with occupation fixed effects. Increasingly darker lines represent wage trajectories after returning to paid work from 1, 5, and 10 years of entrepreneurship, respectively. Shaded regions represent 95 percent confidence bounds. Dashed line segments represent out-of-sample predictions.

Entrepreneurs face many barriers to starting a business. One such barrier is the outside option of entrepreneurship: what entrepreneurs could do and how much they could earn if they returned to paid work.

Comparing Portuguese entrepreneurs to similar workers who never started a business, we find that entrepreneurs who return to being employees suffer an 18 percent immediate wage loss which stays at 5 percent in the long run. The losses are 5—10 percentage points larger for return-entrepreneurs with longer business experience. These numbers suggest that entrepreneurial human capital is not a substitute for human capital gained through experience in paid work.

For more details see the article “[Human Capital and Entrepreneurship](#)”, published in the [Banco de Portugal Economic Studies, volume X - n°2](#).

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