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### The Returns to Education for Opportunity Entrepreneurs, Necessity Entrepreneurs, and Paid Employees

by Frank M. Fossen, Tobias J. M. Büttner  
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**Abstract:**

We assess the relevance of formal education for the productivity of the self-employed and distinguish between opportunity entrepreneurs, who voluntarily pursue a business opportunity, and necessity entrepreneurs, who lack alternative employment options. We expect differences in the returns to education between these groups because of different levels of control. We use the German Socio-economic Panel and account for the endogeneity of education and non-random selection. The results indicate that the returns to a year of education for opportunity entrepreneurs are 3.5 percentage points higher than the paid employees' rate of 8.1%, but 6.5 percentage points lower for necessity entrepreneurs.

**Text:** See [Discussion Paper No. 6819](#)

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