Multinational Firms and Entrepreneurship*

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Preliminary and incomplete

Abstract

Does globalization reduce entrepreneurship? We examine how the expansion of foreign multinational corporations (MNCs) affects the formation of startups in the Israeli technology sector. Using comprehensive administrative employer-employee data for all tech firms and workers between 2005 and 2018, we show that MNC entry sharply reduces the probability that local employees found startups. At the same time, MNCs pay wages 15 percent higher than those of local firms, and their entry raises wages at nearby firms by 7 percent. These findings indicate that MNC expansion increases the opportunity cost of entrepreneurship, leading to a substantial decline in startup formation. We also find suggestive evidence that startups founded after MNC entry are larger and exhibit higher survival rates, consistent with stronger selection or positive spillovers. Overall, our findings indicate that MNC expansion reduces entrepreneurial entry while shifting activity toward fewer but potentially higher-quality ventures.

1 Introduction

Entrepreneurship is central to economic growth: the entry of new firms fosters innovation, allowing more productive firms to displace less productive incumbents - a process

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of "creative destruction" introduced by Schumpeter (1942) and formalized in Aghion and Howitt (1992). Yet in recent decades, startup activity has declined, while multinational corporations have expanded rapidly, particularly in the technology sector. This divergence raises fundamental questions: Does the expansion of multinationals dampen entrepreneurial activity and the creation of new firms? If so, what is the effect of MNC expansion on the performance of firms that are created?

In this paper, we examine these questions, using comprehensive administrative employer–employee data covering the Israeli technology sector between 2005 and 2018. Exploiting variation in the timing and location of MNC entry across local labor markets, we find that startup formation declines sharply following MNC entry. At the same time, MNCs pay significantly higher wages, and their entry raises wages at nearby local firms.

These results reflect a labor-market channel: by raising wages, MNCs increase the opportunity cost of entrepreneurship and discourage startup formation. Figure 1 illustrates our main findings: entrepreneurship declines sharply following MNC entry, while wages increase for exposed workers. We also show that startups founded after MNC entry are larger, exhibit higher survival rates and employ more R&D workers. Together, these findings point to a fundamental tradeoff: while MNC expansion reduces entrepreneurial entry, it also increases wages and improves the selection and performance of startups that are created.

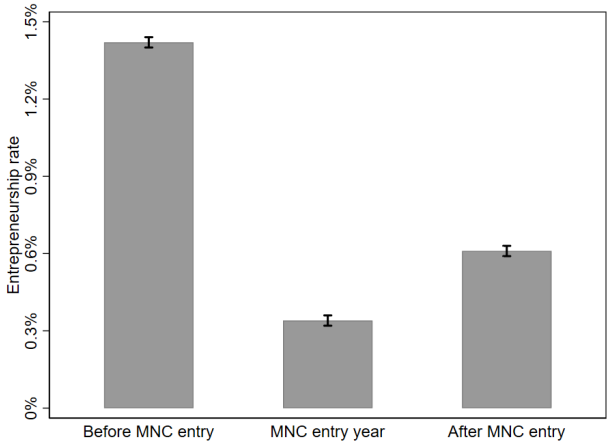
We study these effects in the Israeli technology sector, a setting where entrepreneurship plays a central role in innovation and economic growth. Israel is widely regarded as a "startup nation," with a high concentration of venture capital activity and a large number of technology startups relative to its size.[1] At the same time, the presence of multinational technology firms has expanded rapidly in recent years. Between 2005 and 2018, the share of tech workers employed by foreign firms more than doubled, and hundreds of multinational corporations established local R&D centers. This combination of high entrepreneurial activity and rapid MNC expansion mirrors patterns observed in other technology hubs. Accordingly, this setting provides a unique opportunity to examine the effects of competition between multinational firms and startups for the same pool of highly skilled workers.[2]

[1] Senor and Singer (2011) describe how, despite being only 60 years old, with a population of 7 million (at the time), Israel had the most firms of any foreign country appearing on the Nasdaq and captured a significant fraction of global venture capital investment. As of May 2023, there were 98 unicorns operating in Israel, i.e., private technology companies with an estimated value of at least 1 billion dollars (https://www.techaviv.com/unicorns).

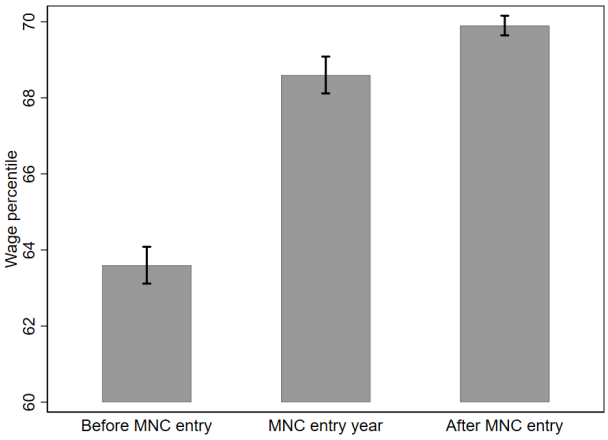
[2] Supporting our argument, Nvidia's entry into the Israeli tech industry and the higher wages it offered led to a steep decline in the number of startups in the local chip industry. See, in Hebrew, www.themarker.com/technation/2024-01-28/ty-article/.highlight/0000018d-4b9b-d561-a5bd-6f9bdf820000?.

Figure 1: Entrepreneurship and Wages Surrounding MNC Entry

Panel A: Entrepreneurship Rate



Panel B: Wage Percentile



Notes: Panel A presents the mean entrepreneurship rate, defined as the likelihood that an employee is one of the top 3 earners in a firm founded in the subsequent year. The rate is calculated among tech workers employed within a 10 km radius of where MNCs began operating, for the pre-entry year (1.4 percent), the entry year (0.3 percent), and the year after entry (0.6 percent).
Panel B presents the wage percentile of workers exposed to MNC entry (within a 10 km radius of where MNCs began operating) benchmarked against workers who were not exposed to MNC entry. We calculate the wage percentile in the pre-MNC entry year (63 percentile), the MNC entry year (68 percentile), and the year after entry (70 percentile).

We follow all individuals employed in the Israeli tech sector between 2005 and 2018 using employee-employer administrative tax panel data. The data include information on each individual's annual salary, city of residence, and the company where she works, as well as the employer's address, opening year, and classification of the company as a local firm or an MNC. We augment these data with rich demographic information about the employees, including age, sex, and detailed educational attributes.

In the empirical analysis, we exploit geographical and intertemporal variation in MNCs' opening and expansion across local markets to separately identify and measure

their impact on entrepreneurship and wages of workers in the local markets. An event-study specification that considers the dynamics of entrepreneurship in the four years preceding MNC entry and the four years following it, shows that the probability that a worker becomes an entrepreneur drops sharply in the year of entry. The negative effect remains, although its magnitude decreases in subsequent years. We also use a matched sample of workers to estimate a dynamic difference-in-differences model. We find similar results: MNC entry nearly eliminates the likelihood of entrepreneurship in the year of entry, and the negative effect remains sizable though smaller in subsequent years.

To further support our findings, we perform panel data analysis that explores the relationship between the presence of MNCs, entrepreneurship, and wages. Across a range of specifications, we find that employees are less likely to transition into entrepreneurship during periods when MNCs make up a larger share of tech firms in the local market. At the same time, MNC employees earn about 15% more, and employees at local firms earn higher wages in local markets with a stronger MNC presence. Relative to areas with hardly any MNCs, wages rise by 4.7 percent in regions with few MNCs, 6.4 percent in areas with a medium share of MNCs, and 7.1 percent in areas with relatively many MNCs.

In the final step of the analysis, we consider how MNC presence shapes the performance of young startups. We find that startups formed in regions with greater MNC presence are larger, more R&D intensive, and exhibit higher survival rates. Also, startups founded by entrepreneurs who previously worked at MNCs perform better and are more likely to survive. These differences are consistent with stronger positive selection into entrepreneurship and/or with positive learning and technology spillovers associated with MNC presence or prior MNC experience.

Our paper contributes to three important literatures: business dynamism, entrepreneurship, and multinationals. A large and growing literature documents a decline in business dynamism, including reductions in firm entry, job reallocation, and startup activity (Decker et al., 2016b,a, 2020; Akcigit and Ates, 2023; Karahan et al., 2024). Existing explanations typically emphasize factors such as population aging, increased market concentration, and changes in innovation and technology (Decker et al., 2014; Autor et al., 2020; Akcigit and Ates, 2023; Decker et al., 2016a). Much of this work focuses on how large firms affect the creation of new firms through product market competition. In contrast, little is known about the impact of globalization and the expansion of MNCs through labor market channels. We contribute to this literature by identifying a novel mechanism: MNC entry raises local wages, increasing the opportunity cost of entrepreneurship and thereby discouraging startup formation. This mechanism provides a micro-level link between globalization and declining business dynamism, and may

help explain broader trends in productivity growth, which is driven by the reduction in the rate of firm creation and reallocation. At the same time, our findings suggest that reduced entry is accompanied by improved selection, as startups that do form following MNC entry are larger and exhibit higher survival rates. Together, these results highlight a trade-off between the benefits of higher wages and potential costs in terms of reduced (though potentially higher-quality) entrepreneurial dynamism.

Our paper also contributes to the literature on entrepreneurship, and in particular innovation-driven entrepreneurship ((Botelho et al., 2026)). The focus on innovation-driven entrepreneurship is important because this entrepreneurship is disproportionately responsible for innovation, productivity growth, and the scaling of new ideas. Innovation-driven entrepreneurship is also closely related to the concept of creative destruction developed by (Schumpeter, 1942). Notably, the early literature on entrepreneurship treats all types of entrepreneurs, self-employed gig worker, small traditional business owners, and young tech engineers as one homogeneous group (Hurst and Pugsley (2015); Levine and Rubinstein (2018)). In this paper, we provide causal evidence that changes in local labor market conditions that increase the costs of new startups substantially reduce entrepreneurial behavior by high human-capital entrepreneurs in an innovative-driven industry.

Our data enable us to compare the characteristics of entrepreneurs and other tech workers. We show that innovative-driven entrepreneurs are more educated than the average tech worker, tend to have graduate degrees in STEM (Burton et al. (2002)). Interestingly, we show that while innovative-driven entrepreneurs have similar observable characteristics as MNC workers, working at an MNC reduces the likelihood of becoming an entrepreneur. However, the prospects of such a venture, if created, are better. Importantly, our analysis offers causal evidence on the impact of local labor market conditions on the decision to start a new venture (Bernstein et al. (2022)).

Our paper also contributes to the literature on multinational firms and globalization, which examines how large foreign investments shape local labor markets and firm outcomes. Multinational corporations have a central role in the global economy, and particularly in the tech sector: they account for a large share of R&D, employ a substantial fraction of high-skilled workers, and are key drivers of innovation and knowledge diffusion across countries.[3] In many tech clusters, MNCs compete directly with startups for the same pool of highly skilled workers.

A large body of work demonstrates that MNCs generate important benefits for host economies, including higher wages and positive spillovers to local firms through

[3]MNCs account for a third of world output and employ about a quarter of the global workforce (Ahern 2025; Delpeuch et al. 2025; Kamal et al. 2022). In the US, MNCs account for 22 percent of employment, 40 percent of sales, and 65 percent of goods exported. In 2000, the top 1 percent U.S. exporters accounted for 81 percent of U.S. exports (Antràs and Yeaple (2014); Tintelnot (2017)).

improved management practices, technology transfer, and increased competition for skilled labor (Javorcik, 2004; Haskel et al., 2007; Keller and Yeaple, 2009; Bloom et al., 2012; Greenstone et al., 2010; Setzler and Tintelnot, 2021; Gruber, 2024; Bessen et al., 2024). However, this literature has focused primarily on incumbent firms and worker outcomes, paying relatively little attention to entrepreneurial entry. This omission is particularly important in the technology sector, where startups are a key source of innovation and long-run growth. We find that the same forces that generate positive wage and productivity effects can also discourage entrepreneurship, showing that MNC entry discourages entrepreneurship through a labor market channel.

This paper makes three main contributions. First, we provide causal evidence that the expansion of multinational tech corporations dampens entrepreneurial entry, reflected in fewer tech startups being created. The focus on the tech sector is important because economic growth and innovation are largely driven by this sector. Second, we identify a labor market mechanism underlying this effect: MNC entry raises local wages, increasing the opportunity cost of entrepreneurship and discouraging workers from founding new firms. This labor-market competition mechanism complements existing explanations for declining business dynamism that focus on product market competition and market structure. Third, we show that the reduction in entry is accompanied by changes in the composition of startups, with those that do form exhibiting higher survival rates and stronger performance. This latter analysis adds to our understanding of who the innovation-driven entrepreneurs are. Taken together, our results highlight a tradeoff between the benefits of globalization through higher wages and its potential costs in terms of reduced entrepreneurial dynamism, particularly in innovation-driven sectors.

The paper proceeds as follows. In the next section, we discuss the data and present descriptive statistics. In Section 3, we present the analysis and results, focusing first on the impact of MNCs on entrepreneurship, then on wages, and lastly on the performance of created startups. Section 4 concludes.

2 Background, Data and Descriptive Statistics

The Israeli tech sector is considered a hotbed for worldwide innovation and an important growth engine for the Israeli economy. It employs more than 10 percent of the local workforce and is responsible for about 50 percent of Israeli exports. For many years, Israel has been recognized as a start-up nation, where being an entrepreneur/start-up owner has become a prime example of success in the tech industry and beyond.

Israel has emerged as a global technological hub since the 1990's. Relying on government policies, a large wave of immigration from the FSU, and the rise of the Internet,

a unique pro-innovation environment was formed. This ecosystem supported startups and entrepreneurs and also attracted large tech multinationals, often seeking to recruit local talent for their R&D centers. In most cases, MNCs enter the Israeli market by acquiring a local startup together with its workers, often offering high wages. The main asset of these startups is their worker talent rather than IP. workers.

After 2010, the number of startups in Israel began to decline, while the number of multinational tech firms continued to increase. Between 2005 and 2018, the time frame for our analysis, the share of employees at foreign tech companies more than doubled, increasing from 9.2 percent in 2005 to 19.5 percent in 2018, while the number of employees in the entire tech industry increased by nearly 40 percent. In 2018, more than 400 MNCs operated in the tech sector, including megafirms such as Google, Intel, Amazon, Microsoft, Apple, Nvidia, and Meta.[4] On average, 18 R&D centers were opened every year.

2.1 Data and Descriptive Statistics

We use administrative panel data for all employees who worked in the Israeli tech sector during the years 2005-2018 (about 562,000 individuals).[5] These data include a firm ISIC code, each employee's annual salary income, and the months employed by the firm in each year.[6] Our analysis focuses on full-time workers. We drop observations for workers who earn less than the minimum wage (implying a part-time position) and/or those who work less than 6 months in a specific firm during a given year.

We link the employment data from the Israeli tax authority to administrative records on individuals' education and demographic characteristics. For each worker, we observe their highest academic degree, field of study, type of institution attended (college or research university), number of high school matriculation units in math and English, and psychometric exam (Israel's equivalent to the SAT). Based on the field of study, we classify individuals as R&D workers if they earned degrees in computer science, electrical engineering, communication systems engineering, aerospace engineering, math, physics, statistics, information systems, mechanical engineering, or industrial engineering. We also incorporate demographic information, including gender, age, marital status, number and age of children, country of birth, ethnicity (Jewish, Arab, or other),

[4]See, p.40 in the annual report of the Israeli Innovation Authority (innovationisrael.org.il/document/annual-report-2023-the-state-of-tech-high.)

[5]The tech sector is defined according to the International Standard Industrial Classification (ISIC) codes, and includes codes: 21–pharmaceuticals, 26–hardware products, 303– air and spacecraft, 61–telecommunications, 62–software, 63–information services and 72–R&D.

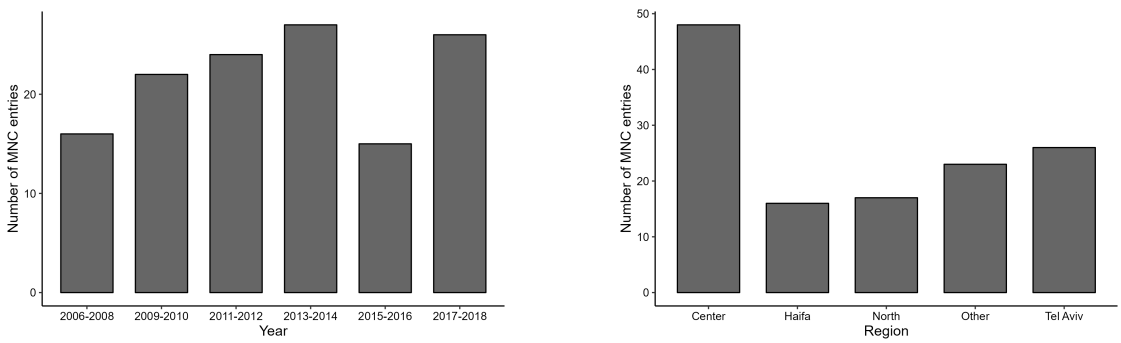
[6]The income data does not include equity-type remuneration (stock options). While this form of remuneration is common, it is evaluated and reported to the tax authority if and when the equity is sold, typically several years after it is granted.

and religion. Finally, we add geographic data on the employee's place of residence and the employer's headquarters location.

We follow existing studies and identify founders as the top three highest-paid individuals in a newly established firm (Azoulay et al. (2020); Kerr and Kerr (2016)). MNCs are firms controlled by a non-Israeli corporation that either establish a new firm or acquire an existing local firm in Israel.[7] MNC entry is defined from the point of view of a tech worker as the year when an MNC began operating within a 10-kilometer radius of where an employee works.[8] Overall, we have 130 entry events spread over 13 years. Figure ?? shows how entry events spread over time and across geographical regions. These patterns are important because they demonstrate that events are not concentrated in certain periods or areas.

For the panel data analysis, we use an MNC exposure variable. This variable is defined as the fraction of firms that are MNCs in a 10-kilometer radius from where an individual is employed. Our analysis considers the impact of moving across the four quartiles of MNC exposure. The quartile cutoffs of MNC exposure are 2.06 percent, 3.34 percent, and 4.21 percent of surrounding firms that are MNCs.

Figure 2: MNC entries by Year



Notes: The figure presents the distribution of MNC entry events over time and across regions in our main specification. Overall, there are 130 entry events. Panel (a) reports the number of entries by year group, and Panel (b) reports the regional distribution of entries. The "Other" category includes Jerusalem, the West Bank, and the South regions.

In Table 1, we report summary statistics for individuals working in the Israeli tech sector in 2018, the last year of our data. Columns (1)-(3) compare characteristics of entrepreneurs and employees.[9] Entrepreneurs earn 25 percent more than non-entrepreneurs. Among R&D workers, the wage gap is smaller but still substantial (12.5

[7]Indigenous tech multinationals whose core ownership, management, and intellectual property are in Israel are not considered MNCs.

[8]If multiple MNCs began operating in a 10 km radius in different years, we focus on the largest entry event, where size is based on the number of employees hired in the first three years. In Section 3, we also consider alternative definitions of the local labor market, using radii of 5, 15, 20, and 25 km around the worker's place of employment. Results are qualitatively the same.

[9]We focus on employees who were never classified as entrepreneurs. Also, the wage data used in columns 1 and 2 are for 2017, to capture entrepreneurs' wages before they start their own firm.

percent). Entrepreneurs have better academic backgrounds, are more likely to work in R&D, are younger, and are considerably more likely to be males.

Columns (4)-(6) of Table 1 compare workers employed in MNCs with those working in local firms. In 2018, MNCs employed 46,681 workers, over a fifth of the tech sector workforce. MNCs attract workers with a stronger academic background, and pay roughly 32 percent higher wages than local firms. The share of R&D workers in MNCs is 47 percent versus only 27 percent in local firms. The share of female workers in MNCs is 29 percent versus 35 percent in local firms.

The average wage and academic background across entrepreneurs and workers employed at MNCs (columns 1 and 4 of Table 1) are quite similar. The similarities between these two groups could suggest a high rate of entrepreneurship at MNC firms. Interestingly, we find the opposite. The entrepreneurship rate among MNC workers is 0.4 percent, which is lower than in local firms (0.5 percent).[10]

[10]Table 1 reports characteristics of only 1,013 entrepreneurs out of a total of 2,467 entrepreneurs in 2018. The difference arises because many entrepreneurs were not formally employed in 2017 and likely worked in stealth mode. Using the total number of entrepreneurs in 2018, we calculate an overall entrepreneurship rate of about 1 percent per year in the full data.

Table 1: Summary Statistics

	Role in firm			Type of firm		
	Entrepreneurs (1)	Employees (2)	Difference (3)	MNC (4)	Local (5)	Difference (6)
Average wage (NIS, as employee)	31,443 [28,249]	23,522 [36,019]	7,921*** (141.0)	31,503 [26,861]	21,395 [37,812]	10,109*** (143.8)
R&D average wage (NIS, as employee)	36,490 [25,519]	31,916 [23,510]	4,574*** (143.8)	39,805 [27,301]	28,260 [20,519]	11,545*** (141.0)
Psychometric score	644.1 [82.5]	609.5 [91.9]	34.6*** (0.47)	633.1 [84.1]	601.7 [93.0]	31.4*** (0.47)
BA (yes/no)	0.65 [0.48]	0.54 [0.50]	0.10*** (0.000)	0.65 [0.48]	0.52 [0.50]	0.13*** (0.000)
MA (yes/no)	0.26 [0.44]	0.19 [0.39]	0.08*** (0.000)	0.21 [0.41]	0.18 [0.39]	0.03*** (0.000)
Age	37.44 [8.48]	40.34 [10.47]	-2.90*** (0.05)	40.21 [9.66]	40.36 [10.67]	-0.15 (0.05)
Female	0.15 [0.36]	0.34 [0.47]	-0.19*** (0.000)	0.29 [0.46]	0.35 [0.48]	-0.06*** (0.000)
R&D worker	0.43 [0.50]	0.31 [0.46]	0.11*** (0.000)	0.47 [0.50]	0.27 [0.44]	0.20*** (0.000)
Entrepreneurship Rate				0.004 [0.061]	0.005 [0.070]	-0.001*** (0.000)
Observations	1,013	217,009		46,681	171,341	

Notes: The table presents mean characteristics for workers in the Israeli tech industry in 2018, calculated based on 2017 data. Columns (1)-(3) consider entrepreneurs and employees, while columns (4)-(6) focus on workers at MNCs and local firms. Standard deviations are reported in square brackets, and standard errors are in circle brackets. The Entrepreneurship variable measures the probability of becoming an entrepreneur in the following year (i.e., being one of the top 3 wage earners in a newly established firm). *significant at 10%; **significant at 5%; ***significant at 1%

Our event study analysis estimates the effect of MNC entry on local employees. To alleviate concerns that differences in worker trajectories across localities drive the results, we construct a matched sample of "control" workers. Specifically, we use propensity score matching (PSM) to pair employees exposed to MNC entry (treated) with comparable employees in unaffected areas. Propensity scores are estimated based on pre-entry characteristics— age, field of study, type of institution attended, number of high-school math matriculation units, and prior-year wage. We then implement a nearest-neighbor 1-1 matching algorithm with replacement to link treated workers with those of similar propensity scores at the time of the event. This allows us to run a dynamic difference-in-differences model to compare employment outcomes between "treated" and "control" workers in the years leading up to and following an MNC entry event. Appendix Figure A3 shows the kernel densities of the estimated propensity scores for treated and control workers. Before matching, some control workers had systematically lower probabilities of being exposed to MNC entry (see distribution of "Unmatched"). After matching, the distributions overlap closely, suggesting that our procedure successfully balances observable characteristics between the two groups.

Appendix Table A1 provides summary statistics for both the full sample and the matched sample. As can be seen in the table, the matching procedure is effective in making the treated-exposed and control-unexposed group look considerably more alike in observables. For instance, the R&D average wage difference falls ten times from the full sample to the matched sample, from 10,165 to 1,071 NIS. Also the academic background education variables (share of BA and MA degree holders and psychometric score) become more alike in the matched sample, and likewise the hi-tech experience variable.

3 The Effects of MNCs on Entrepreneurship, Wages, and the Performance of Startups

In this section, we present the empirical analysis that investigates how the entry, and expansion of MNCs affect the formation of new firms, the wages and their performance. The analysis exploits intertemporal and geographical variation in exposure to MNCs.

3.1 MNCs on Entrepreneurship

To examine the relationship between MNCs and entrepreneurship, we first estimate the following event study:

$$entreprenuership_{ict} = \sum_{\substack{k=-4 \\ k\neq -1}}^{4} \alpha_k \, \text{MNC}_{ict} + \rho_i + \delta_c + \gamma_t + \epsilon_{ict}, \tag{1}$$

MNC_i represents the year in which an MNC began operating within a 10 km radius of where worker i was employed in year t, so that α_k captures the average difference in entrepreneurship between workers treated by an MNC opening in the vicinity of their workplace and all other workers up to 4 years before and after the event. We also control for worker (ρ_i), year(γ_t), and city (δ_c) fixed effects. If multiple MNC entries occurred in different years, we consider the largest event, where that size is measured by the number of additional employees that an MNC employed 3 years after its entry.

Ideally, α_k in Equation 1, captures the effect of MNC entry on local entrepreneurship. If MNC entry suppresses local entrepreneurship, we would expect α_k to be negative for $k > 0$, relative to the baseline year immediately preceding the MNC's arrival. The α_k coefficients in the years leading up to the opening of an MNC should be zero if workers within a 10-kilometer radius of the location where an MNC will begin operating have similar entrepreneurship rates like other employees in the sample.

Panel (a) of Figure 3 presents the coefficients α_k from the event study specification (equation 1) using the full sample. In the years leading up to MNC entry, entrepreneurship rates remain stable at about 1.4% (see Figure 1). Upon MNC entry, we measure a sharp statistically significant 1.3 percentage point decline in the probability that an employee starts a new firm. This represents a near-collapse of local entrepreneurship at the time of entry. One year after entry, entrepreneurship rates rebound to roughly two-thirds of their pre-entry level, and subsequently stabilize at a new lower level – about 0.35 percentage points below the baseline, representing a decline of roughly 25 percent. By the third year, entrepreneurship seems to be approaching the rates observed prior to MNC entry.

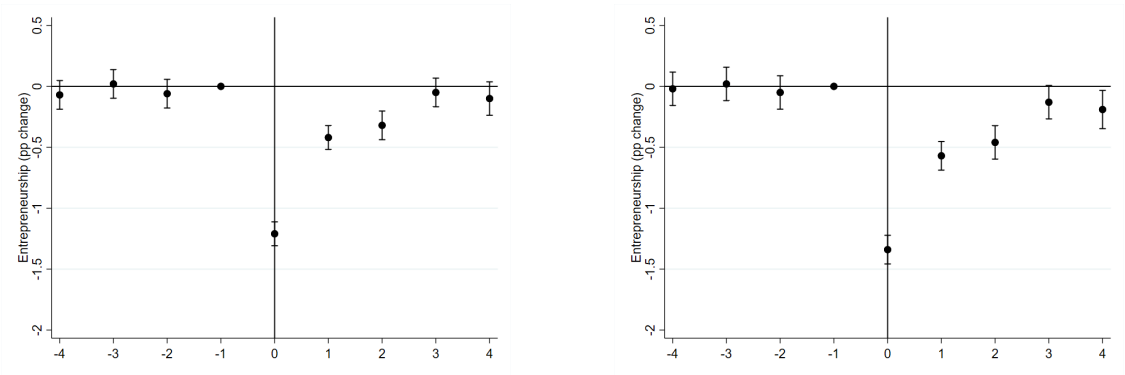
The identifying assumption underlying equation (1) is that, employees who were exposed to MNC entry have similar entrepreneurship rates as employees working elsewhere. In other words, MNCs must not systematically time or target their entry toward areas with specific characteristics or time periods that are correlated with entrepreneurship rates. Additionally, there must be no anticipation effects, whereby entrepreneurial decisions are made based on expectations that an MNC may open up nearby.

To alleviate such concerns, we take advantage of the rich data we have on employee characteristics, and use propensity score matching to construct a closely matched control group for treated workers. Using the matched sample described in Section 2, we estimate the following dynamic difference-in-differences specification around the timing of MNC entry:

$$entreprenuership_{ict} = \sum_{\substack{k=-4 \\ k\neq -1}}^{4} \beta_k \, \text{Post}_k \times \text{MNC}_i + \sum_{\substack{k=-4 \\ k\neq -1}}^{4} \delta_k \, \text{Post}_k + \rho_g + \delta_c + \gamma_t + \epsilon_{itc}. \quad (2)$$

This specification allows us to control for yearly trends in entrepreneurship in matched control locations where MNC presence remained unchanged ($\sum_{k=-4}^{4} \delta_k$). The benefit of the dynamic difference-in-differences specification is that we can weaken the identifying assumption from that of MNC entry being uncorrelated with unobserved factors impacting entrepreneurship to one of parallel trends. By controlling for matched group fixed effects (ρ_g), we can compare pre-event trends for workers at treated and matched control groups. If the estimated coefficients β_k in the years leading up to the opening of an MNC are not significantly different from zero, this would support the parallel trends assumption underlying the causal interpretation of our difference-in-differences estimate.

Figure 3: MNC Entry and Entrepreneurship



(a) Full sample (b) Matched sample

Notes: The figure presents results estimating the impact of MNC entrance on entrepreneurship. Panel (a) summarizes results from an event study specification on the full sample and Panel (b) summarizes results from a dynamic difference-in-differences analysis on the matched sample. MNC entry is defined as the year in which an MNC began operating within a 10-kilometer radius of where the employee works. In all subfigures, the vertical line at '0' indicates the year of MNC entry. The Y-axis is measured in percentage points.

Panel b of Figure 3 presents the results of the dynamic difference-in-differences specification (equation 2) for the matched sample. The results are very similar to the event-study estimates obtained when focusing only on treated units (Panel a). This similarity suggests that after controlling for individual fixed effects and city fixed effects, MNC entry is not highly correlated with unobserved characteristics related to entrepreneurship. The close alignment between the two approaches provides reassurance that our results are not driven by MNCs selectively entering localities where entrepreneurship had al-

ready peaked and was likely to decline even in the absence of entry. One important difference between the two analyses is that in the matched sample (which excludes 7% of the original sample), we observe a decline in entrepreneurship rates in areas treated by MNC entry even three and four years after entry.

In Appendix Table A2, we summarize these event study results across a range of different specifications. Column (1) provides the baseline estimates as they appear in panel (a) of Figure 3 from estimating regression 1 on the full sample. Column (2) estimates equation 2 on the matched sample, controlling for individual fixed effects and location fixed effect. The coefficients reported are those on the interaction terms $\text{Post}_k \times \text{MNC}$ when controlling for changes in entrepreneurship behavior among matched workers who were not treated by MNC entry in that year. The third column includes an additional control for the propensity score from the matching specification. In this specification, we find a significant negative effect of MNC entrance on entrepreneurship even 3 and 4 years after entry. This lasting effect of MNC entry is robust to including match group fixed effects and location fixed effects (see Column (5)). Panel (b) of Figure 3 plots the results of this fully saturated model.

We further extend our analysis to examine the robustness of our results to alternative definitions of the local labor market and entrepreneurship. In Appendix Table **??**, we estimate our event study under alternative definitions of the local labor market. We find very similar results when defining MNC entry based on MNC's entering within a 5, 10, or 15, 20 and 25 km radius of where the worker is employed (see columns (1)-(5) of Appendix Table **??**. In Appendix Figure **??**, we plot our event study results under alternative definitions of entrepreneurship. Specifically, we find very similar results, regardless of whether entrepreneurship is defined as being the highest earner in a new firm, or one of the three or five highest earners in a new firm.

Next, we explore the impact of MNC entry on the wages of local workers at surrounding firms.

3.2 MNCs and Wages

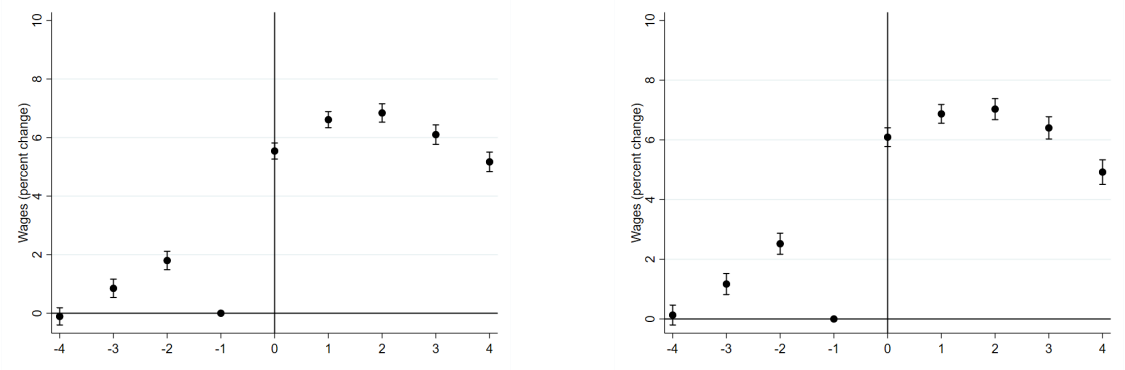
To examine whether wages respond to MNC entry in our context, we re-estimate equations 1 and 2 using log(wage) as the dependent variable. The results, reported in Figure 4 show that while wages exhibited modest fluctuations of 1-2 percent per year prior to MNC entry, they rise significantly – by about 6–8 percent – in the year the MNC begins operating for individuals employed in the affected locality.[11] Four years after entry, wages remain 4 to 6 percent higher than their pre-entrance levels. In Appendix Table

[11] Applying the Sun and Abraham (2021) method to account for the staggered timing of treatment across locations estimates a more stable wage difference in the pre-entrance period between treated and control workers.

A3, we show the robustness of these results across a range of specifications. Specifically we run the analysis on both the full sample and matched sample when including different sets of controls and find a consistent 5-7 percent increase in wages following MNC entry.

We further extend our analysis to examine the robustness of our results to alternative definitions of the local labor market and entrepreneurship. In Appendix Table **??**, we estimate our event study under alternative definitions of the local labor market. We do not find any evidence that alternative defitions of local labor markets impact the wage response to MNC entry (see columns (4)-(6) of Appendix Table **??**. Taken together with the evidence in Section 3.1, the results suggest that MNC entry leads to both higher wages and a decline in startup formation.

Figure 4: MNC Entry and Wages



(a) Full sample (b) Matched sample

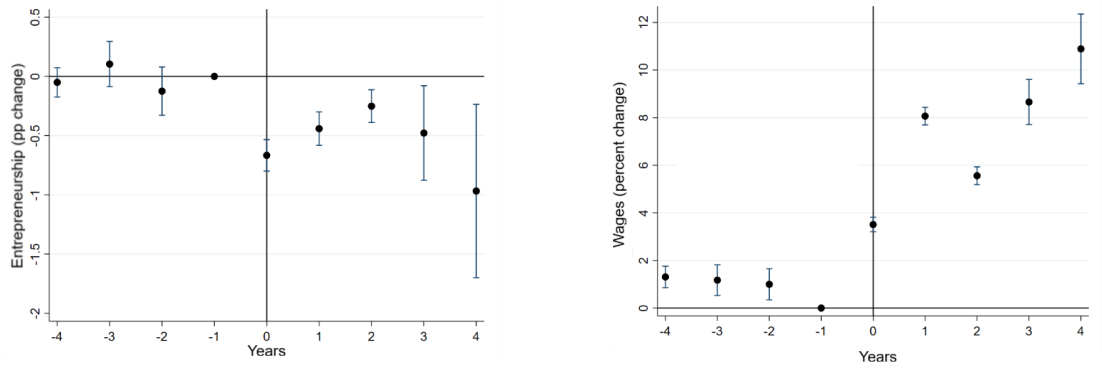
Notes: The figure presents results estimating the impact of MNC entrance on wages. Panel (a) summarizes results from an event study specification on the full sample and Panel (b) summarizes results from a dynamic difference-in-differences analysis on the matched sample. MNC entry is defined as the year in which an MNC began operating within a 10-kilometer radius of where the employee works. In all subfigures, the vertical line at '0' indicates the year of MNC entry. The Y-axis is measured in percents.

3.2.1 Alternative Specifications

Recent work has shown that two-way fixed effects estimators can produce biased estimates in the presence of staggered treatment timing, especially when the response to MNC entrance may be heterogeneous across locations or time periods (Goodman-Bacon (2021); Callaway and Sant'Anna (2021); Sun and Abraham (2021)). To address such concerns, Figure 5 applies the interaction-weighted event-study estimator proposed by Sun and Abraham (2021).

Panel (a) of Figure 5 shows that the negative effect of MNC entry on entrepreneurship remains statistically significant and persistent over time. The estimated impact

Figure 5: MNC Entry Sun & Abraham



(a) Entrepreneurship (b) Wages

Notes: The figure presents event-study estimates on the matched sample using the Sun and Abraham (2021) interaction-weighted estimator to account for staggered treatment adoption and heterogeneous treatment effects across cohorts. Panel (a) presents results estimating the impact of MNC entrance on entrepreneurship (in percentage points) and Panel (b) presents results estimating the impact of MNC entrance on wages (in percents). MNC entry is defined as the year in which an MNC began operating within a 10-kilometer radius of where the employee works. In all subfigures, the vertical line at '0' indicates the year of MNC entry.

at the time of MNC entry is approximately 0.6 percentage points, a substantial decline in entrepreneurship—corresponding to a roughly 40 percent decrease relative to the mean. Yet, this effect is about half the magnitude of the effect estimated in our baseline specification. Panel (b) of Figure 5 presents the corresponding wage effects after correcting for the staggered treatment timing. The estimated wage effects range from 4 to 11 percent, and are larger than our baseline specification.

Taken together, these results reinforce our earlier findings that MNC entry reduces entrepreneurship and increases wages. While our event-study estimates identify causal effects of discrete MNC entry events, the analysis in the next section explores whether similar patterns emerge when exploiting continuous variation in MNC presence across locations and time

3.3 MNCs, Entrepreneurship & Wages – Panel Data Analysis

In this section, we explore how the intensity of exposure to multinational corporations in the vicinity of an individual's workplace shapes entrepreneurial decisions and wages. We focus on three dimensions: (i) whether an individual works at an MNC, (ii) the worker's exposure to MNCs in the surrounding labor market, defined as the share of MNC firms within a 10 km radius of the individual's workplace, and (iii) categorical measures of local MNC exposure, distinguishing between low, medium, and high levels of exposure. These measures allow us to distinguish between the effects of direct employment opportunities within MNCs, and the broader spillover environment generated

by the presence of MNCs nearby.

Notably, employment at an MNC is related to an individual's characteristics and may influence entrepreneurship decisions. Also, MNC exposure may be correlated with unobserved market characteristics that may influence wages and entrepreneurial decisions. Hence, the panel data analysis does not allow the same type of causal inference as our dynamic difference-in-differences specification in Section 3.2. Nevertheless, the patterns we present align well with the causal estimates in Section 3.2 and provide insights into broader relationships between MNC activity, entrepreneurial entry, and wage dynamics.

Specifically, we estimate the effect of exposure to MNCs on two primary outcomes:

$$y_{ict}^{k} = X_{ict}\gamma + \gamma_1 \text{MNC}_{ict} + \rho_i + \delta_c + \theta_t + \epsilon_{ict}, \tag{3}$$

where $k \in \{1, 2\}$ indexes the two outcomes: y_{ict}^{1} is an indicator for entrepreneurship (equal to one if individual i in city c is one of the top three wage earners in a newly established firm in year t), and y_{ict}^{2} is the logarithm of wages for individual i in city c and year t.

The main explanatory variable, MNC_{ict}, captures the exposure to MNCs in a given area in a given year. We apply three measures of MNC exposure. First, we consider the effect of being employed at an MNC. Next, we use the fraction of MNCs out of total firms within a 10km radius of where an individual is employed. Lastly, we consider quartiles of MNC presence: low MNC presence is the fraction of MNCs in a 10 km radius below 2.06%, low-medium is between 2.06% and 3.34%, medium presence is between 3.34% and 4.21%, and high MNC presence is above 4.21%.

The vector X_{it} controls for the characteristics of the worker and the company that could impact entrepreneurship. At the worker level, we control for gender, age, age squared, religion, marital status, psychometric grade, 5-matriculation units in English and math, immigrant, children, and academic degree completed (BA, MA, and, as well as the specific field of study). Firm controls include size dummies[12], and the share of R&D workers at the firm in the previous year. We also include worker (ρ_i), city (δ_c), and year (θ_t) fixed effects. Table 2 presents the estimation results.

Columns (1)-(3) of Panel A of Table 2 document a robust negative relationship between employment at an MNC and subsequent entrepreneurial decisions. The baseline estimate in Column (1), which includes only year fixed effects, remains stable when we control for observable worker and firm characteristics, as well as city fixed effects in Column (2), and also when adding individual fixed effects in Column (3). The magnitude of the effect is large. Individuals who work at an MNC are one percentage point

[12]We use five firm size groups: 1-19 employees, 20-99, 100-249, 250-999, and 1000 or more.

less likely to transition into entrepreneurs, at a baseline entrepreneurship rate of 1.4 percent. The robustness of this estimate to including individual fixed effects suggests that the negative relationship between MNC employment and entrepreneurship is not solely driven by selection into MNC employment. However, we cannot rule out the possibility that individuals endogenously select into MNC employment during periods when they would be unlikely to pursue entrepreneurship.

In the remaining specifications of Table 2, we shift focus from individual MNC employment to local exposure to MNC within a 10-kilometer radius of the employee's workplace. Importantly, the patterns we uncover align with the causal estimates in Sections 3.1–3.2. In columns (4)-(6) of Table 2, we use a continuous measure of MNC presence to estimate its impact on entrepreneurship, while in Columns (7)-(9) we classify MNC exposure into four quartiles. The results are qualitatively similar across the different specifications. In Column (4), we estimate that a 1 percentage point increase in MNC density decreases local entrepreneurship by 0.2 percentage points. This effect decreases to 0.1 percentage points when we include individual fixed effects. These findings are consistent with our results in Section 3.2, greater access to MNC employment opportunities is associated with a lower likelihood of pursuing entrepreneurship.

Our estimates in columns (7)-(9) of Table 2 offer a similar story. We find a strong negative relationship between entrepreneurship and MNC exposure. The results suggest that an individual who moves from the bottom quartile of MNC presence to the top quartile of MNC presence is 0.7 percentage points less likely to be an entrepreneur. Note that a 0.7 percentage points drop is very sizable compared to a baseline entrepreneurship rate of 1.4 percentage points.

Table 2: MNC Exposure, Entrepreneurship & Wage

	Individual MNC employment			Local MNC exposure (continuous)			Local MNC exposure (quartiles)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Panel A: Entrepreneurship rate									
Worked last year in MNC	-0.01***	-0.01***	-0.01***						
	(0.00)	(0.00)	(0.00)						
MNC percentage in 10km radius				-0.002***	-0.002***	-0.001***			
				(0.000)	(0.000)	(0.000)			
Low MNC presence in a 10 KM radius							-0.005***	-0.003***	-0.003***
							(0.000)	(0.000)	(0.000)
Medium MNC presence							-0.006***	-0.004***	-0.005***
							(0.000)	(0.000)	(0.000)
High MNC presence							-0.010***	-0.007***	-0.007***
							(0.000)	(0.000)	(0.000)
Observations	2,825,084	2,825,084	2,825,084	2,825,084	2,825,084	2,825,084	2,825,084	2,825,084	2,825,084
Panel B: ln(Wage)									
Work in MNC	0.394***	0.122***	0.149***						
	(0.003)	(0.002)	(0.002)						
MNC percentage in 10km radius				0.065***	0.029***	0.027***			
				(0.001)	(0.001)	(0.001)			
Low MNC presence in a 10 KM radius							0.141***	0.049***	0.047***
							(0.002)	(0.002)	(0.002)
Medium MNC presence							0.210***	0.075***	0.064***
							(0.003)	(0.002)	(0.002)
High MNC presence							0.279***	0.086***	0.071***
							(0.004)	(0.003)	(0.003)
Observations	2,825,084	2,825,084	2,825,084	2,825,084	2,825,084	2,825,084	2,825,084	2,825,084	2,825,084
Year FEs	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
City FEs, Worker & Firm controls	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Individual Fixed Effects	No	No	Yes	No	No	Yes	No	No	Yes

Notes: The table presents regression results of Equation 3 in the paper. In Panel A, the outcome variable is the entrepreneurship rate, and in Panel B it is ln(wage). "Worked last year in MNC" is a binary variable, which equals 1 if the individual worked at an MNC in the previous year. "MNC percentage in 10km radius" is the percent of MNCs out of total firms within a 10 km radius from where an individual works. The primary explanatory variables in columns (5)–(6) are dummies for the quartiles of MNC presence: low 2.06%-3.34%, medium 3.34%-4.21%, and high - above 4.21%. The bottom quartile serves as the baseline. The Worker & firm controls include the following variables: religion, age, age squared, psychometric grade, level and specific field of academic education, immigrant, married, children, number of English matriculation units, and firm size dummies (below 20, 20-99, 100-249, 250-999, and 1000 or more employees in the previous year). Standard errors are clustered at the individual level. *Significant at 10%; **significant at 5%; ***significant at 1%

Panel B of Table 2 presents regression results from estimating equation 3, using log(wage) as the dependent variable. Columns (1)-(3) focus on the wage premium of workers at MNCs. In Column (1), including only year-fixed effects, we find that MNC workers earn 39 percent more than those working at local firms. Controlling for worker and firm characteristics and including city fixed effects in Column (2) reduces the MNC premium to 12 percent, which remains statistically significant. Including individual fixed effects in Column (3) increases the premium slightly to 15 percent.

Across Columns (4)–(9), we examine the relationship between local MNC density and wages, finding that a higher density of MNCs is correlated with higher wages at local firms. In particular, Column (9) shows that moving from the lowest quartile of MNC presence (below 2 percent) to the highest quartile of MNC presence (above 4.2 percent) corresponds to a 7.1 percent wage increase.

Our results thus far demonstrate that fewer startups are formed as MNCs expand in local markets. Moreover, the results indicate that this trend is driven by higher wages that MNCs pay to their own workers, and as a result, also higher wages paid to individuals who work at nearby tech firms. Next, we move to examine the performance of startups that are created near MNCs.

3.4 MNCs and the Performance of Startups Created

Our results show that the expansion of MNCs reduces startup creation because they raise local labor costs. This effect, however, does not contradict prior evidence of positive productivity spillovers from MNCs to surrounding firms (Javorcik (2004); Haskel et al. (2007); Keller and Yeaple (2009); Gong (2023)). Since MNCs are often better managed and more technologically advanced, they may provide valuable training for local employees, equipping them with managerial and technical skills that can foster the success of nearby firms. These skills could be important for startup performance and survival. Fewer entrepreneurs, may also mean that the start-ups that are established have better prospects than those that are not, as those entrepreneurs who choose to start their own firm, are either the ones with better, more promising ideas or the ones that can more easily raise capital, recruit workers and run the startup.

To better understand this dynamic, we create a database of all startups observed in our data. We analyze how startup outcomes vary with two measures of MNC exposure. First, we consider the fraction of MNCs in the surrounding area. Second, we examine direct spillovers by identifying whether a startup founder previously worked at an MNC. These analyses allow us to estimate the relationship between MNC expansion and startup performance across locations. Notably, These results should be interpreted cautiously, since both founder characteristics and MNC location choices are

endogenously determined. Nevertheless, we think these results are still important and provide valuable insights.

Equation (4) considers the relationship between the measures of MNC exposure and a set of startup characteristics and outcomes (y^k_{ict}):

$$y^k_{ict} = X_{ict}\phi + \phi_1 \text{MNCexp}^m_{ict} + \delta_c + \rho_t + \epsilon_{ict}, \tag{4}$$

where $m \in \{1, 2\}$ indexes the different measures of MNC exposure: MNCexp^1_{ict} is the fraction of MNCs within a 10 km radius of the firm (equal to MNC_{ict} in equation 3), and MNCexp^2_{ict} is an indicator for the founder having prior MNC experience. $k \in \{1, 2, \ldots, 5\}$ indexes the set of different startup outcomes: y^1_{ict} is an indicator for survival (equal to one if the startup survives at least three years), y^2_{ict} is the logarithm of employees in the first year, y^3_{ict} is the logarithm of employees in the third year, y^4_{ict} is the percent of MNC workers employed in the first year, and y^5_{ict} is the percent of female workers employed in the first year.

X_{ict} includes controls for founder characteristics that may influence firm outcomes and correlate with MNC experience. Specifically, we account for the founders' average years of work in the Israeli technology sector, the share of founders who graduated from a research university, and the share who were above-median earners in their previous firm. We also control for the share of founders with an R&D degree and the share of R&D employees in their previous firm. Additional controls include founders' average age, age squared, education, immigration status, parental status, and marital status. The full specification further incorporates location (δ_c) and year (ρ_t) fixed effects to absorb unobserved time- and place-specific factors affecting startup formation and outcomes.

In Column (1) of Table 3 we find that a 1 percentage point increase in MNC density in the surrounding area is correlated with a 1.5 percentage point increase in (three-year) startup survival rates, at an average (three-year) survival rate of 62 percent. We also find a statistically significant effect of increasing MNC density on initial employment, a 1 percent increase in MNC exposure is associated with a significant 4.2 percent increase in initial startup size (Column (3)).

Table 3: Spillovers from MNC Exposure

	Survival rate		log(Size) in first year		log(Size) after 3 years		R&D percentage		Female percentage	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Fraction MNC in 10 KM radius	0.015***		0.042***		0.068***		0.020***		0.002	
	(0.004)		(0.010)		(0.015)		(0.003)		(0.003)	
At least one former MNC founder		0.115***		0.84***		0.934***		0.121***		-0.03
		(0.017)		(0.042)		(0.056)		(0.011)		(0.016)
Average founder's hitech experience	0.016***	0.015***	0.039***	0.430**	0.032***	0.474**	-0.001	0.024***	-0.010***	-0.019***
	(0.003)	(0.003)	(0.007)	(0.152)	(0.009)	(0.182)	(0.001)	(0.002)	(0.002)	(0.003)
% founder's from research universities	0.057***	0.051***	0.057	0.794	0.109*	0.887	0.008**	0.307***	0.097***	0.031**
	(0.015)	(0.013)	(0.031)	(0.624)	(0.043)	(0.775)	(0.003)	(0.011)	(0.011)	(0.012)
% founders with high prior earnings	0.056***	0.070***	0.498***	0.472***	0.533***	0.508***	-0.002	0.003	-0.105***	-0.093***
	(0.014)	(0.016)	(0.033)	(0.032)	(0.043)	(0.042)	(0.003)	(0.003)	(0.010)	(0.160)
Mean outcome variable	0.62		6.2		9.6		0.25		0.25	
Observations	9,423		8,181		5,794		9,697		9,697	
Year, City & Industry Fixed Effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Notes: This table presents regression results from estimating equation (4). In odd columns (1,3,5,7,9), the main explanatory variable is the fraction of MNCs within a 10 km radius of the startup. In even columns (2,4,6,8,10), the main explanatory variable equals 1 if one of the founders has previous experience working at an MNC. All specifications control for founder's age, age squared, education, immigrant, has children, married, fraction of founders with an R&D degree, fraction of R&D workers in founders' previous firm. Standard errors are clustered at the firm level. *Significant at 10%; **significant at 5%; ***significant at 1%

Three years later, startups active during periods with a 1 percentage point higher level of MNC presence in their geographic area are 6.8 percent larger (Column (5)). In Column (7), we find that startups operating in an area with higher MNC saturation are not only larger, but also, employ a higher fraction of R&D workers (1.2 percentage points more R&D workers at a baseline rate of 25 percent). These results suggest that at the intensive margin MNCs may play an important role in strengthening startup success.

Our analysis further shows that having at least one founder who previously worked at an MNC is correlated with an 11.5 percent increase in the probability that the firm survives for at least 3 years (Column (2)). We find that startups who have a founder with MNC experience tend to start out with 84 percent more employees (Column (4)), and grow even larger after three years (Column (6)). In addition, having founder with MNC experience is correlated with 12.1 percentage point higher share of R&D workers (Column (8)). We don't find that having an MNC founder is significantly correlated with the fraction of female workers at the startup (Column (10)). While we can control for experience in the technology sector and previous wages in the specifications explored in Table 3, we cannot rule out an explanation where more motivated employees with higher potential tend to both gravitate towards MNCs and open successful startups.

4 Conclusion

Economists have considered innovation a key driver of economic growth at least since Schumpeter (1942). Fifty years later, Aghion and Howitt (1992) developed the Schumpetrian growth theory, highlighting the role of innovations in replacing older technologies. The theory emphasizes the role of entrepreneurs and new firms that grow and drive large incumbent firms out of the market.

Our study highlights the interplay between globalization and entrepreneurship in the tech sector. Exploiting MNC expansion over time and across markets, we uncover a novel labor market mechanism: MNC entry increases wages among local tech workers, but at the same time, it reduces the number of new startups. The impact on entrepreneurship is strongest in the first year of entry, and is still 30 percent lower than pre-entry levels 3 years after MNC entry. When we look at the performance of startups that are created, we find that they are larger, more focused on R%D and less likely to fail. These latter results suggest positive selection or positive spillover from MNCs.

Our results have important policy implications. Governments make great efforts to attract foreign multinationals, providing subsidies and tax benefits. These policies rely on the sizable positive externalities of MNCs on productivity, wages, and employment. Yet, if MNCs also indirectly limit and discourage entrepreneurship, then the overall

impact on the economy is much more nuanced, especially in the long run. Our results make a first step towards better understanding this tradeoff.

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A Appendix Tables and Figures

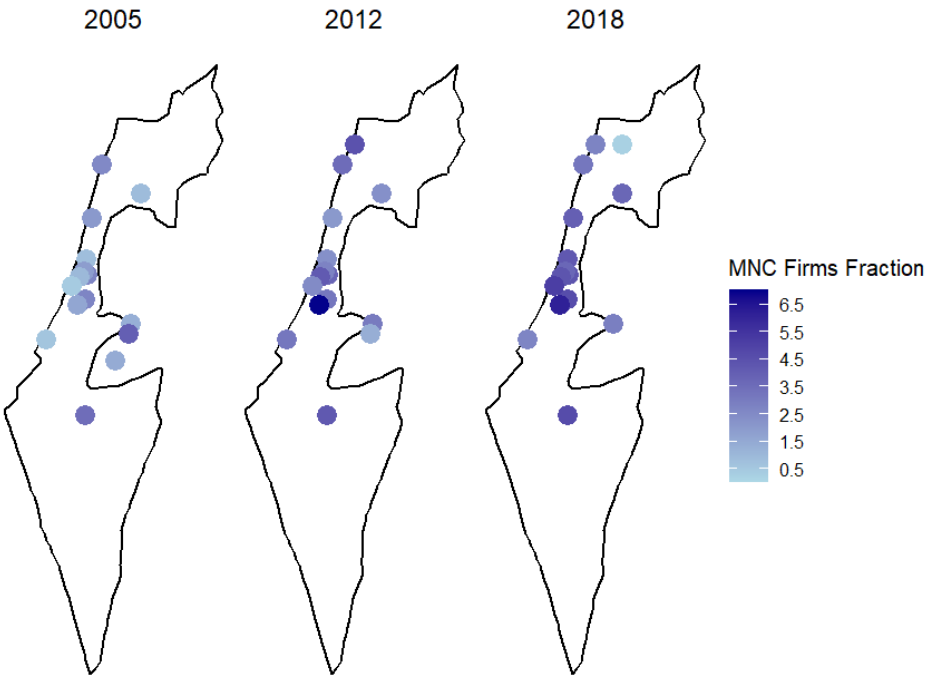
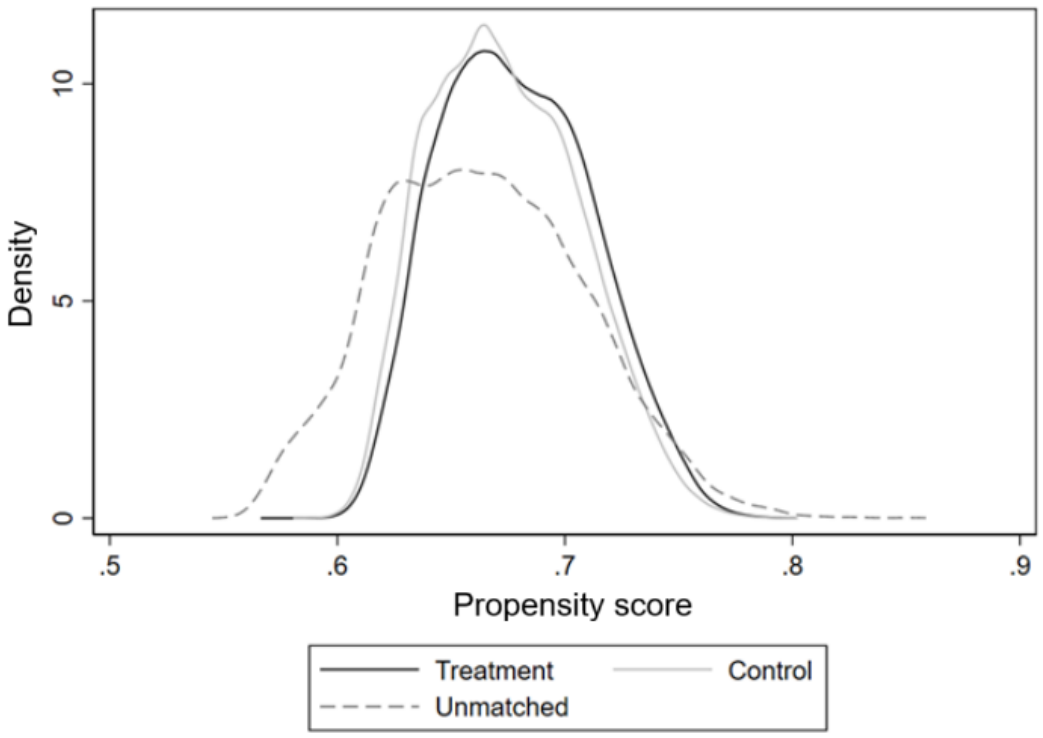


Figure A1: MNC Presence Across Locations and Over Time

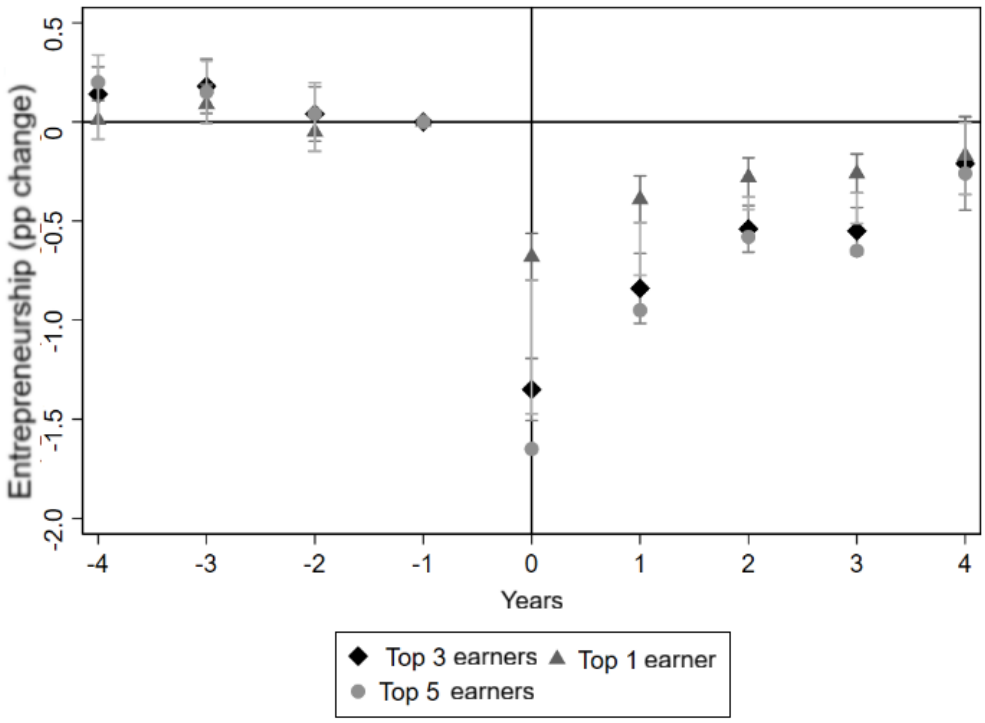
Notes: This figure presents MNC presence in Israel in the years 2005, 2012, and 2018. The figure shows the fraction of MNC firms out of total firms in 722 localities aggregated to 19 areas (by the Central Bureau of Statistics definitions)

Figure A2: Kernel density of propensity score matching



Notes: This figure presents kernel density estimates of the propensity score for treated units, matched control units, and unmatched control units.

Figure A3: Robustness of MNC Entry Effect to Founder Definition



Notes: This figure shows dynamic difference-in-differences analysis results under alternative definitions of an entrepreneur. Our main specification defines an entrepreneur as one of the top three wage earners in a newly established firm. We compare this to two alternative definitions in which an entrepreneur is defined as the single top wage earner, and as one of the top five wage earners. The Y-axis is measured in percentage points.

Table A1: Summary Statistics

	Full sample			Matched sample		
	Exposed (1)	Unexposed (2)	Difference (3)	Exposed (4)	Unexposed (5)	Difference (6)
Distance to work (km)	28.67	33.38	-4.71***	29.28	30.30	1.02***
	[33.2]	[39.3]	(0.3)	[34.0]	[35.6]	(0.2)
Avarage wage (as employee in NIS)	19,018	10,630	8,388***	18,931	17,088	1,842***
	[19,133]	[12,796]	(188)	[19,232]	[16,336]	(116)
R&D avarage wage (as employee in NIS)	27,544	17,378	10,165***	27,482	26,410	1,071***
	[21,425]	[9,920]	(609)	[21,570]	[17,899]	(278)
R&D workers	0.24	0.12	0.125***	0.24	0.22	0.024***
	[0.43]	[0.32]	(0.00)	[0.43]	[0.41]	(0.00)
Female	0.38	0.44	-0.06***	0.39	0.36	0.027***
	[0.49]	[0.50]	(0.00)	[0.49]	[0.48]	(0.00)
Psychometric score	597.5	593.5	3.97***	597.4	597.0	0.4
	[96.4]	[102.3]	(1.4)	[96.5]	[97.6]	(0.9)
Math matriculation units	0.14	0.17	-0.03***	0.15	0.13	0.015***
	[0.36]	[0.38]	(0.00)	[0.36]	[0.34]	(0.00)
BA	0.31	0.23	0.074***	0.31	0.27	0.04***
	[0.46]	[0.42]	(0.00)	[0.46]	[0.45]	(0.00)
MA	0.16	0.09	0.07***	0.16	0.14	0.018***
	[0.36]	[0.29]	(0.00)	[0.36]	[0.35]	(0.00)
Age	38.0	32.3	5.6***	37.9	36.7	1.16***
	[10.7]	[9.6]	(0.1)	[10.7]	[10.5]	(0.1)
Hi-tech experience	4.1	0.9	3.27***	4.1	2.8	1.3***
	[3.0]	[1.6]	(0.0)	[2.9]	[3.5]	(0.0)
Observations	2,867,572	235,790		2,013,619	701,052	

Notes: The table presents mean characteristics for all sample in columns (1)-(3), while columns (4)-(6) present the same statistics for the matched sample only. "Exposed" implies that the worker was exposed to an MNC entry event. Standard deviations are reported in square brackets, and standard errors are in circle brackets. *significant at 10%; **significant at 5%; ***significant at 1%

Table A2: Robustness of the Effect of MNC Entry on Entrepreneurship

	(1)	(2)	(3)	(4)	(5)
Lag t-4	-0.0007	-0.0005	-0.0003	-0.0002	-0.0002
	(0.0006)	(0.0006)	(0.0006)	(0.0007)	(0.0007)
Lag t-3	0.0002	0.0003	0.0004	0.0002	0.0002
	(0.0006)	(0.0006)	(0.0006)	(0.0007)	(0.0007)
Lag t-2	-0.0006	-0.0007	-0.0007	-0.0005	-0.0005
	(0.0006)	(0.0006)	(0.0006)	(0.0007)	(0.0007)
Event t	-0.0121***	-0.0127***	-0.0129***	-0.0134***	-0.0135***
	(0.0005)	(0.0005)	(0.0005)	(0.0006)	(0.0006)
Lead t+1	-0.0042***	-0.0048***	-0.0051***	-0.0057***	-0.0057***
	(0.0005)	(0.0005)	(0.0005)	(0.0006)	(0.0006)
Lead t+2	-0.0032***	-0.0038***	-0.0042***	-0.0046***	-0.0046***
	(0.0006)	(0.0006)	(0.0006)	(0.0007)	(0.0007)
Lead t+3	-0.0005	-0.0009	-0.0013**	-0.0013*	-0.0013*
	(0.0006)	(0.0006)	(0.0006)	(0.0007)	(0.0007)
Lead t+4	-0.0010	-0.0014*	-0.0020***	-0.0019**	-0.0019**
	(0.0007)	(0.0007)	(0.0007)	(0.0008)	(0.0008)
P-score			0.1352***		
			(0.0102)		
Sample	Full	Matching	Matching	Matching	Matching
Location FE	Yes	Yes	Yes	No	Yes
Matching FE	No	No	No	Yes	Yes
Observations	2,825,104	2,613,604	2,613,604	2,613,604	2,613,604

Notes: This table reports event-study estimates for Entrepreneurship from the dynamic difference-in-differences specification across alternative sets of controls and fixed effects. Column (5) corresponds to the main specification. *Significant at 10%; **significant at 5%; ***significant at 1%.

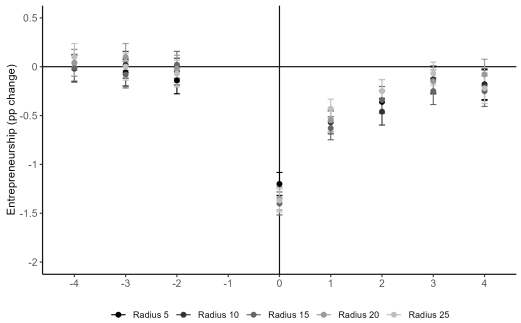
Table A3: Robustness of the Effect of MNC Entry on Wages

	(1)	(2)	(3)	(4)	(5)
Lag t-2	0.0180***	0.0215***	0.0217***	0.0252***	0.0252***
	(0.0016)	(0.0017)	(0.0017)	(0.0018)	(0.0018)
Lag t-3	0.0085***	0.0100***	0.0109***	0.0117***	0.0117***
	(0.0016)	(0.0017)	(0.0017)	(0.0018)	(0.0018)
Lag t-4	-0.0011	-0.0012	-0.0002	0.0013	0.0013
	(0.0015)	(0.0016)	(0.0016)	(0.0017)	(0.0017)
Event t	0.0554***	0.0610***	0.0596***	0.0609***	0.0609***
	(0.0014)	(0.0015)	(0.0015)	(0.0016)	(0.0016)
Lead t+1	0.0661***	0.0710***	0.0691***	0.0687***	0.0687***
	(0.0014)	(0.0015)	(0.0015)	(0.0016)	(0.0016)
Lead t+2	0.0684***	0.0725***	0.0699***	0.0703***	0.0703***
	(0.0016)	(0.0017)	(0.0017)	(0.0018)	(0.0018)
Lead t+3	0.0610***	0.0662***	0.0632***	0.0640***	0.0640***
	(0.0017)	(0.0018)	(0.0018)	(0.0019)	(0.0019)
Lead t+4	0.0517***	0.0553***	0.0513***	0.0492***	0.0492***
	(0.0017)	(0.0018)	(0.0019)	(0.0021)	(0.0021)
P-score			0.8241***		
			(0.0761)		
Sample	Full	Matching	Matching	Matching	Matching
Location FE	Yes	Yes	Yes	No	Yes
Matching FE	No	No	No	Yes	Yes
R^2	0.226	0.226	0.227	0.481	0.481
Observations	2,825,104	2,613,604	2,613,604	2,613,604	2,613,604

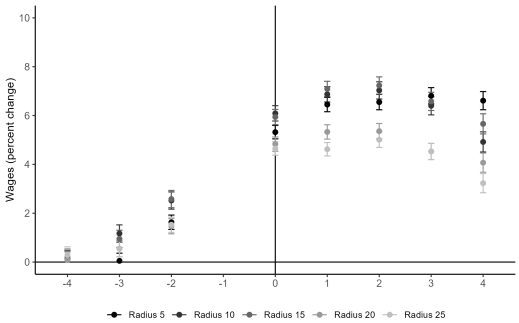
Notes: This table reports event-study estimates for Wages from the dynamic difference-in-differences specification across alternative sets of controls and fixed effects. Column (5) corresponds to the main specification. Standard errors in parentheses. *Significant at 10%; **significant at 5%; ***significant at 1%.

Figure A4: MNC entries by Radius

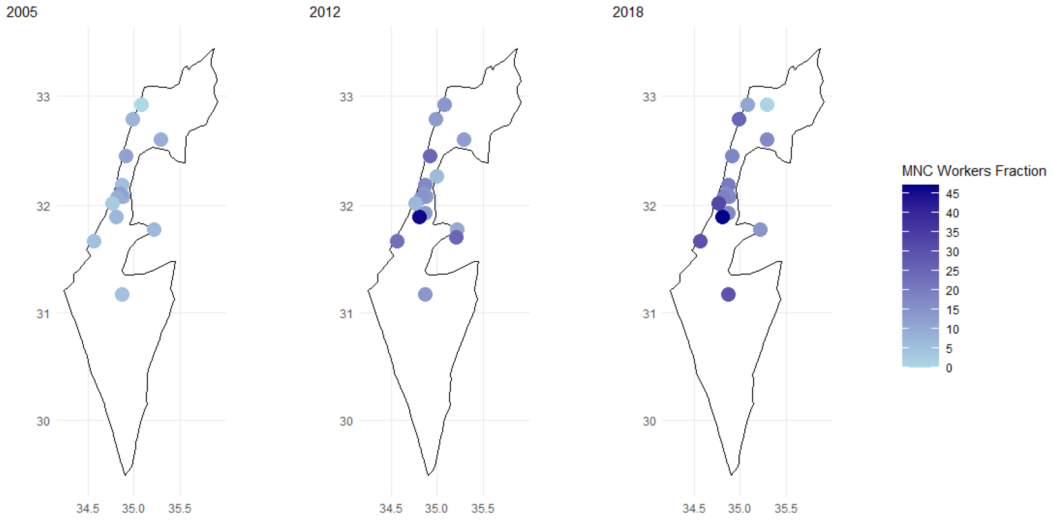
(a) Entrepreneurship



(b) Wage



Notes: This figure reports dynamic difference in differences estimates of the effect of MNC entry on entrepreneurship (Panel A) and wages (Panel B). The event is defined as the entry of an MNC within a given radius around the worker's location. Columns vary the radius definition from 5 km to 25 km, with our main specification using a 10 km radius.



Notes: This figure presents MNC presence in Israel in the years 2005, 2012, and 2018. The figure shows the fraction of MNC workers out of total workers in 722 localities aggregated to 19 areas (by the Central Bureau of Statistics definitions)