

Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Bc. Tereza Sklenářová
Advisor:	Mgr. Petr Janský, M.Sc., Ph.D.
Title of the thesis:	The Differential Impacts of Minimum Wage on Employment across the EU Regions

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide your assessment of each of the following four categories, summary and suggested questions for the discussion. The minimum length of the report is 300 words.

Contribution

Thesis combines two topics, each of which might have been sufficient for an interesting paper: (i) estimates of regional comparative price levels for additional 11 EU countries at NUTS2 level, (ii) analysis of the effects of the minimum wage on employment and hours work based on extensive LFS sample of EU households. Both of these subtopics are subsequently merged in an attempt to analyze the effects of real regional minimum wages on the afore-mentioned features of labour market participation of selected groups of employees.

The thesis provides a very interesting and mostly logically formulated overview of the issues relevant for attempts to estimate the regional price levels. Besides this, it brings an additional useful contribution in the form of new estimates of the previously unavailable regional price data. Also the combination of the two approaches and the attempt to include the information on regional price levels into the analysis of the effects of minimum wage can be considered as rather innovative and definitely sufficiently ambitious for a master thesis.

Methods

The author uses (i) imputation methods to derive directly unavailable information regional price differences, (ii) more traditional regressions (OLS, probit) on datasets based on LFS data to test possible effects of minimum wages in the presence of the regional price differences. Especially the former methods are less usual. The author credibly explains the problems which contribute to a limited availability of regional price data as well as weaknesses of previous attempts at estimation of such data. Then she introduces and implements the multiple imputation as a method which should be capable of providing more reliable and useable results than previously used approaches.

The author's description and explanation of the methods are logical and can be considered adequate (relative to the available space). As far as the suitability of the methods is concerned, the effects of the decision to use the imputation-based approach can be seen as ambiguous. On the one hand, better data are not available and previously used methods have been shown to produce possibly insufficient results. On the other hand, the author was also forced to adopt additional assumptions (including the stability of the relative regional prices over time) which can render her result less convincing. However, they still seem to rank amongst only few (and thus the best) such results actually available.

Literature

The list of references appears a bit shorter than one would expect for a thesis which attempts to integrate two different research topics (estimates of regional price differences and the tests of the role

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of minimum wage). On the other hand, it seems that directly relevant papers are included, especially as far as recent empirical papers are concerned.

One topic that perhaps might have been covered a bit more extensively are theoretical explanations for the presence and persistence of regional price differences. The author briefly mentions Balassa's and Samuelson's explanation, but with a few imprecise details:

- Year 1963 instead of 1964 when the two papers were published (p. 3).
- Samuelson and Balassa also were not quite the first ones who provided the explanation based on tradables and non-tradables (p. 3). After all, the effect is being referred to as the Harrod-Balassa-Samuelson (HBS) effects in some texts because it was already mentioned in a text by Harrod in 1939.
- The mention of the focus on productivity growth in non-tradable sector is a bit misleading (p. 3), for the explanation to work it is sufficient if productivity in non-tradables remains constant.
- Similarly, the author suggests that the effect leads to a higher inflation in developed countries rather than in developing countries which would contradict the traditional interpretation of the effect
- The HBS is also not the only explanation based on traditional trade models, one might also find the Bhagwati effect relevant in this context.

Given the importance of the non-tradability assumption for the presence of persistent regional price differences it would be logical to expect a bit better explanation. And – the two papers might have been worth a direct reference (they are not included in the final list of references either).

Manuscript form

The paper is mostly written in a correct style and it has a logical structure.

Some ambiguous (or perhaps careless) formulations can be found in the text, but mainly in less important introductory or descriptive parts:

- P. 7 – Strange wording “However, the last effect is not ambiguous, although it has been a subject of many studies.” – whereas papers subsequently cited on p. 8 and p. 9 leave an impression that the effect is ambiguous.

Some general claims might deserve being supported by additional references:

- For instance the author's belief that “overtimes are rarely paid” (p. 23) or that “it would not make sense for employers to reduce the hours of work of their full-time employees” (again p. 23). Accidentally, when being hit by the first wave of the effects of financial crisis, employers in some countries actually opted for the form of adaptation.

Also some of the tables with econometric results might be formatted a bit better.

However, the manuscript form can be described as adequate.

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Summary and suggested questions for the discussion during the defense

The thesis definitely meets the usual criteria and proves that the author is capable of writing a relevant and interesting research paper.

Questions:

1. Do you know a country (outside the EU) which actually different minimum wages in different regions?
2. The author correctly emphasizes (e.g. on p.24, p. 50) that her data are not traditional panel data but that they should rather be considered repeated cross-sections. What are the advantages and disadvantages of repeated cross-sections (relative to traditional panels)?

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	29
<i>Methods</i> (max. 30 points)	26
<i>Literature</i> (max. 20 points)	17
<i>Manuscript Form</i> (max. 20 points)	19
TOTAL POINTS (max. 100 points)	91
GRADE (A – B – C – D – E – F)	A

NAME OF THE REFEREE: *Vilém Semerák, Ph.D.*

DATE OF EVALUATION: *September 12th, 2018*

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
30	15	0

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

<i>Strong</i>	<i>Average</i>	<i>Weak</i>
20	10	0

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F