

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	<b>Daria Polenova</b>
<b>Advisor:</b>	<b>Mgr. Ing. Martin Štěpánek M.A.</b>
<b>Title of the thesis:</b>	<b>Choice architecture and the pension system in the Czech Republic</b>

## OVERALL ASSESSMENT:

Daria's thesis compares the Czech and Swedish pension system from the perspective of behavioural economics; the former system being adversely affected by the recent and projected demographic changes, resulting in budget deficits and increasing income differences between the working and retired population, and the latter being often cited as a good example of a financially sustainable system providing a good link between individual's earnings and retirement income while securing minimum living standards for the society as a whole. The comparison is done by assessing people's views on retirement-related issues (as measured by official international surveys), such as working after reaching the official retirement age or the need to increase the official retirement age in the future, using statistical methods.

### Contribution

Daria poses three interesting hypotheses for analysis; unfortunately, despite Daria's efforts, the hypotheses are difficult to verify in practice and there remains some disconnect between the study's findings and a conclusive evidence in favour of – or against – the three hypotheses. For instance, as she writes in the conclusion section, based on the empirical findings we can speculate that Swedish residents have more incentives to postpone their retirement, yet it is not evident whether this is indeed caused by the choice architecture of the system itself or some other, unobserved elements. That being said, the analysis provides important information to the ongoing discussion on the appropriate next steps forward for the Czech pension system by highlighting attitudes of the Czech population with respect to pension, and how those may be reflected, or indeed changed, through a fitting design and choice architecture of the pension system.

### Methods

Daria uses a variety of ordered logit models to estimate the Czechs' and Swedes' preferences regarding retirement, as well as secondary factors that may affect them. This is done using survey data from Eurobarometer. As she describes in the thesis, Daria had to deal with a number of technical issues when carrying out the empirical analysis, and I appreciate that she took the more difficult route and learned new advanced analytical techniques through learning by doing. The main analysis is complemented by a variety of supporting tests to assess validity of the statistical models. Overall, the methodology is appropriate for the selected type of analysis and data.

### Literature

The thesis provides a comprehensive overview of the existing pension systems in the Czech Republic and Sweden, as well as the recent literature on the topic, including numerous reports and studies from the last two years. Importantly, Daria shows good understanding of the Czech pension system's history and the issues that it faces and supports her summary with relevant statistics. Similarly, she provides good information on behavioural economics and its application to the Swedish pension system.

### Manuscript form

The thesis is written in Word using good English, although the text would benefit from further proofreading. Overall, the work is logically structured and properly develops the story and presents the methods and dataset for analysis before discussing the key results. The text reads well and satisfies the format of an academic research work.

### Summary and suggested questions for the discussion during the defense

It is clear that Daria spent a good amount of time and effort working on the thesis and the work greatly extended her knowledge of the topic and her technical skillset by working with various packages and models in R not covered in the standard bachelor's programme. The introductory sections would

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benefit from additional supporting figures/tables showing e.g. the detailed projected demographic changes or budget surpluses/deficits in the two countries, and the thesis should provide a stronger link between its hypotheses and the analysis done. Notwithstanding that, the selection of data and analytical methods is appropriate, the research results and discussion provide an interesting contribution to the existing literature, and Daria made a good effort looking for and analysing suitable and reliable publicly available data. She showed enthusiasm for the topic, clear flow of ideas, and was very independent in her research despite the setbacks.

Mindful of the minor flaws listed above, the thesis is of a good quality and I therefore rate it with the **second highest grade (B)** in case of a successful defence.

Suggested questions for the defence:

- Can you elaborate on the issues of converting an ordinal variable into binomial one and whether the ordinal variable's distribution played a role in your decision making?
- What are some other explanatory and explained variables that would help you to answer your hypotheses? Would you anticipate any issues with reverse causality in such analysis?

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

<b>CATEGORY</b>	<b>POINTS</b>
<i>Contribution</i> (max. 30 points)	21
<i>Methods</i> (max. 30 points)	26
<i>Literature</i> (max. 20 points)	19
<i>Manuscript Form</i> (max. 20 points)	17
<b>TOTAL POINTS</b> (max. 100 points)	<b>83</b>
<b>GRADE</b> (A – B – C – D – E – F)	<b>B</b>

**NAME OF THE REFEREE:**

Martin Štěpánek

**DATE OF EVALUATION:** 21/05/2019

  
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**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 analysed.*

<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