

REPORT ON MASTER THESIS
CENTER FOR ECONOMIC RESEARCH AND GRADUATE STUDIES

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| STUDENT: | Sinani, Sofiana |
| ADVISOR: | Menzel, Andreas |
| TITLE OF THE THESIS: | The Labor Market Effects of the Working Family Tax Credit on Single Mothers in the UK |

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

The student estimates the effects of the 1999 Working Family Tax Credit reform in Great Britain on hours of employment among its main targeted beneficiary group, single mothers. The core contribution to the literature on this reform is the estimation of the impact at different quantiles of the distribution of working hours (quantile treatment effects), beyond just the estimation of the average effect. The analysis uncovers that at the lower half of the distribution, the reform lead to significant increases of labor hours worked, while in the upper half it has no or even negative effects. The student plausibly argues that this could be explained by different relative sizes of income and substitution effects. Overall, the thesis is very interesting and very well written, revealing an enormous amount of work that went into it.

CONTRIBUTION:

The core contribution is the estimation of quantile treatment effect of the WFTC reform on labor hours of among single mothers, beyond mere average treatment effects as estimated in earlier papers. The quantile treatment effects uncover very interesting and policy relevant heterogeneous treatment effects across the distribution of labor hours.

METHODS:

The author uses Quantile Difference in Differences (QDID) and, as a robustness check, Changes in changes (CIC) methodology. Overall, the student shows a good grasp of these (advanced) empirical methodologies.

LITERATURE:

The literature review seems thorough, showing and discussing a variety of previous studies on this reform, as well as of the similar EITC program in the U.S.A.

MANUSCRIPT FORM:

Good, no flaws discovered.

SUMMARY AND SUGGESTED QUESTIONS FOR THE DISCUSSION DURING THE DEFENSE:

Overall this is a very good thesis. I do not have many questions. Some note I took while reading the thesis:

- Be sure to always be clear between the difference of heterogeneous effects and quantile treatment effects. QDID estimates whether effects differ at different quantiles, which is a

sufficient condition for the existence of heterogeneous effects. QDID thus uncovers the existence of heterogeneous effects, but does not estimate them. Only under the very strong assumption of treatment not affecting the ranking of observations on the outcome does quantile regression estimate directly heterogeneous treatment effects.

- It may have been interesting to also directly estimate heterogeneous treatment effects along some dimension, such as number of children, age of mother, or place of residence, by interacting treatment with these variables, and see if interaction terms are significant.
- Unclear, p. 15: “There was a possibility for adults without dependent children to file for the WFTC if they proposed alongside an integrated child credit.”
- Model: Is it appropriate to assume a straight budget constraint to analyse the tax credit program? Tax credit programs like the one studied here could conceivably introduce “kinks” in the budget constraints.
- 71 (66) percent of single women without children (single mothers) are catholic? In UK? Is Angelican belief considered catholic?
- Can you provide more intuition why the parallel trends assumption is not needed for the CIC?
- P. 35, “there is no formal way of making sure that heterogeneous treatment effects exist before performing a full analysis.” Would random forest be a way to proof ex-ante that there are heterogeneous effects?
- “The unconditional QTE suggests that on average, the WFTC increased the single mothers’ labor hours by 0.7 hours/week.” No, it is the standard DID (on the average effect) that shows this, not the QTE that suggests that.
- P. 39, unclear: “Education, experience, and/or accommodation are responsible for the large negative effect in the top quantiles.” Why?

Please indicate whether you recommend the Thesis for defense or not.

I recommend the thesis for defense.

TEXT ORIGINALITY CONTROL

I confirm that I acquainted myself with the report on the originality of the text of the thesis from

Theses Turnitin Ouriginal (Urkund)

Comments on the reported results:

The turnitin report does not reveal any problematic text as far as I can see.

SUMMARY OF POINTS AWARDED (for details, please see the page 3)

| CATEGORY | POINTS |
|---------------------------------------|---------------|
| Contribution (max. 30 points) | 27 |
| Methods (max. 30 points) | 28 |
| Literature (max. 20 points) | 20 |
| Manuscript Form (max. 20 points) | 19 |
| TOTAL POINTS (max. 100 points) | 94 |
| GRADE (A – B – C – D – E – F) | A |

NAME OF THE REFEREE:

Andreas Menzel

DATE OF EVALUATION: 26. August 2022



REFEREE SIGNATURE