

# Report on Bachelor / Master Thesis

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

<b>Student:</b>	Pavĺina Kadlecov
<b>Advisor:</b>	Ing. Barbara Perthold-Gebick Ph.D.
<b>Title of the thesis:</b>	Why should the Czech Republic reform its current policy of financing higher education?

## OVERALL ASSESSMENT:

The thesis deals with calibration of three alternative theoretical concepts of private involvement into higher education financing for the specific case of the Czech Republic. First, in Chapter 2, the thesis presents brief literature review of recent historical evolution of Czech financing system of higher education as well as of alternative financing schemes used elsewhere in the world. Chapter 3 follows with a deeper insight into current situation of higher education financing in the Czech Republic and its main drawbacks in comparison to OECD countries. Chapter 4 then describes alternative financing schemes based on higher involvement of private funding. The main work of the thesis is presented in Chapters 5 and 6 where a theoretical model is introduced and elaborately derived for each of the alternatives as well as for the currently used financing system and afterwards calibrated for the Czech Republic case.

The thesis uses 2-period macroeconomic model of decision making about higher education participation based on expected lifetime income under various financing schemes. The approach is definitely legitimate and its practical use for the case study represents valuable contribution to the research topic.

Nevertheless, I have following concerns, mainly to the formal content structure of the thesis, some concrete statements or other details:

- I am not happy with the fact that results of the thesis are presented already in its Introduction, whereas in the Conclusion they are mentioned only sporadically and vanish among summarisation of literature review from the first chapters of the thesis. I would appreciate much more emphasis to be put on own original results and overall contribution of the thesis.
- Concerning the use of acronyms, it would be better to state the full meaning of any abbreviation when it is used for the first time in the text, even if it is in reference to used literature (p. 4, MEYS). Another used abbreviation, (p. 17, HECS), is missing in the complete list of Acronyms at the beginning of the thesis.
- In Table 4.1 (p.18) I would recommend to use historical exchange rate from the year of original data rather than a current one.
- In Chapter 5, where the model notation is introduced, ambiguity arises when "N" is used for total population as well as for a subgroup of non-students, which especially in combination with speaking about tax-payers makes it quite difficult for the reader to orient.
- Regarding assumptions of the model (p. 20), it would be nice to mention their limitations. The first one, that wage of workers without higher education is strictly lower than that of graduated workers, does not hold in general for many fields of higher education in the Czech Republic (e.g. teachers, social workers). Also the third assumption, that probability of successful graduation is fully independent of individual's ability, is quite questionable. However, these limitations should not be thought as too serious or reducing general quality of the model used and results derived.
- On p. 26 the thesis claims that "the tax-subsidy scheme (...) induces excessive participation in higher education". The only arguments of the thesis which could support this claim are the fact that the tax-subsidy schemes leads to the highest participation from the considered schemes and a citation from the study (Zelenka and Ryřka, 2011) that 20% of Czech graduates is forced to work in different area than that they studied (p. 13). According to me, this is not enough to support the normative claim about excessive participation. Especially, as the topic



# Report on Bachelor / Master Thesis

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

<b>Student:</b>	Pavčina Kadlecová
<b>Advisor:</b>	Ing. Barbara Perthold-Gebická Ph.D.
<b>Title of the thesis:</b>	Why should the Czech Republic reform its current policy of financing higher education?

of over-education is generally quite disputable and current literature<sup>1</sup> in this field stresses that it is not meaningful to evaluate it at the very beginning of a professional career, as the cited study (Zelenka and Ryška, 2011) does.

- On p. 28, it should be mentioned that the derived low-skilled wage is in annual terms.
- What I find as a significant fault of the thesis is the fact that it interprets wrongly the model and its results. In Chapter 5 (p. 24), the model of risk-sharing financing scheme is defined as such, under which a successful student bears except for education costs of her own studies also part of the costs of unsuccessful students ( $E + (1-p)*H*E/N$ ). But on p. 33 the thesis claims that “in risk-sharing (...) the amount paid by high-income earners is limited to the full cost of education” and similarly in Conclusion (p. 36) that risk-sharing “does not require graduates to pay more than the cost of their education”. This points to incomprehension of the model.
- Similarly, it is written in the Conclusion (p. 35) that alternative schemes “would bring more resources to the state education budget and solve the problem of underfunding”. I find this formulation wrong as all the variants of the presented model operates with the same amount of education costs; the only thing which differs is proportion of financing from public and private sources. From this point of view at least part of tax-subsidies is substituted by private funding under the individual alternative schemes and thus state education budget would be in fact lower (not higher) than in a pure tax-subsidy scheme. As regards underfunding, this would have to be solved in the model through increase of cost of education, which is defined as a constant and does not depend on a specific financing scheme.

Suggested question for the defence is:

- If girls are generally more risk-averse than boys, are not the proposed alternative financing schemes prone to discourage to some extent girls from higher education?

In case of successful defence, I recommend “**velmi dobře**” (good, 2).

## SUMMARY OF POINTS AWARDED:

CATEGORY	POINTS
Literature (max. 20 points)	18
Methods (max. 30 points)	25
Contribution (max. 30 points)	24
Manuscript Form (max. 20 points)	13
<b>TOTAL POINTS</b> (max. 100 points)	<b>80</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>2</b>

**NAME OF THE REFEREE: Mgr. Pavla Břízová**

**DATE OF EVALUATION: 30. 5. 2014**

  
Referee Signature

<sup>1</sup> See for example: Barone, Carlo and Ortiz, Luis. 2010. Overeducation among European University Graduates: A Comparative Analysis of its Incidence and the Importance of Higher Education Differentiation. DemoSoc Working Paper. No 33. January 2010. [http://www.upf.edu/demosoc/\\_pdf/DEMOSOC33.pdf](http://www.upf.edu/demosoc/_pdf/DEMOSOC33.pdf)