

Abstract

This thesis assesses the impact of taxes and unemployment benefits on the unemployment rates. The aim of the thesis is to find determinants of tax-benefit system which influence the unemployment rate and how much they do so. This issue is studied both theoretically and empirically. The empirical part is built on the panel dataset of 28 OECD countries which covers the period between 2005 and 2012. The main influence on unemployment is ascribed to the labour taxes which drives the wedge between the labour costs and the net income of the worker. On the other hand, the consumption tax seems to be neutral in determining the unemployment rates and the impact of benefit levels crucially depends on the way they are taxed and on the eligibility criteria. Whole tax-benefit system impacts rather the long-term unemployment rates than the overall unemployment.

JEL Classification E24, H20, J08, J30

Keywords labour market, tax-benefit system, benefits,
taxes, unemployment

Author's email p.zofak@centrum.cz

Supervisor's email gebicka@fsv.cuni.cz