

# Report on Bachelor/Master Thesis

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

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Title of the thesis:	The impact of tax-benefit system on the labour market

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

Author has chosen still very actual topic of impact of the tax-benefit system on the labor market, with the aim to find determinants of unemployment rate. This topic is present not only in academic dispute, but it is substantial in political discourse as well. Since political debate is basically ideological, material evidence can bring arguments closer to reality; hence help to establish "optimal" tax benefit system.

I would like to appreciate form of literature overview. Comprehensive analysis has been provided in brief form. All necessary concepts needed in empirical part have been sufficiently explained. On the other hand I would recommend employment of recent literature in larger extent. Second enhancement in the thesis would be transparent hypotheses statement, since one had to look for them in the general text. It was not sufficiently clear which hypotheses are to be examined.

Employed dataset in empirical part is worth mentioning, since consistent and relevant data has been brought together from various sources as well as appropriate econometric method (fixed effects) has been used. For further work I would recommend better description of model diagnostics with more detailed argumentation supporting assumptions testing. Reader might also appreciate stating p-values for more transparent and comprehensible orientation in results of estimated models.

Suggested question:

- 1) Author states different models supporting opposite effect of progressive taxation on labor supply (page 10 & 11) and states that: "*progression plays a significant role in determining the unemployment rate*". Explain mechanism of labor supply distortions by progressive tax system and motivations of agents to support your statement using real world examples.
- 2) Many studies (including author's one) differ between social contribution paid by employers and employees. However, both of them are technically paid by employer, as they are deducted from payroll. Please explain relevance of discriminating between both types of social contribution and not accounting with just one variable.

In the case of successful defense, I recommend "výborně" (excellent, 1).

## **SUMMARY OF POINTS AWARDED:**

CATEGORY	POINTS
Literature (max. 20 points)	17
Methods (max. 30 points)	26
Contribution (max. 30 points)	26
Manuscript Form (max. 20 points)	19
<b>TOTAL POINTS</b> (max. 100 points)	<b>88</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>1</b>

REFEREE'S NAME: Matej Kosturák

DATE: 9. 6. 2014

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REFEREE'S SIGNATURE