

Report on Bachelor / Master Thesis

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

Student:	Michal Šoltés
Advisor:	Jakub Matějů
Title of the thesis:	Regional Unemployment Analysis: Case of the Czech R.

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

The thesis analyses regional unemployment differentials in the Czech Republic. Although submitted as a bachelor thesis, it is, from the best of my knowledge, the only study covering this topic in comparable analytical depth. Overall, Michal Šoltés proved the ability to conduct an independent empirical research, quickly mastered all the employed technical concepts and thus more than fulfilled requirements for bachelor thesis. The following text is meant to offer a feedback on his valuable work.

Following an introduction, the first part of the thesis describes the distribution of regional unemployment in CR, and its evolution over time. Using tests for detecting normal and chi-squared distributions, the thesis concludes that in some years, unemployment was normally distributed, while in other it was chi-squared. Here I miss a bit of economic interpretation: it seems that the major difference is whether unemployment truncation at zero does influence the shape of distribution, in simple words if the distribution is symmetric or not. In the years when mean unemployment is low, the zero bound is trivially more likely to be binding.

Second part introduces measures of unemployment disparity and analyses its stationarity, showing that regional disparity in CR does not have a clear trend but is one of the highest in Europe. Further, cointegration among regional unemployment rates is tested, showing the interconnectedness of regional labor markets. However, from cointegration analysis there seems to be only a small step to vector error-correction models: VECM (and the literature goes this way, see for example Alexiadis et al., 2013, or Gray, 2005), which could illustrate mutual dynamic properties of regional unemployment differentials. If there is a reason why the VECM is inappropriate for this purpose, the author could explicitly state it in the thesis.

Third part analyses time-series characteristics of regional unemployment series, testing for unit roots. Such tests have a theoretical interpretation: a stationary unemployment series supports the existence of NAIRU, while if unemployment is found to follow a unit root process, it can be viewed as a evidence for the hysteresis hypothesis, where unemployment is path-dependent. While in Prague, Central Bohemia and Vysocina unemployment seems to revert to NAIRU, in other regions hysteresis seems to be more valid and some regions are inconclusive. It is interesting to note that a study consisting only of analysis comparable to the third part of this thesis was recently published in Czech Journal of Economics and Finance (Furuoka, 2014).

This illustrates the overall quality of the work of Michal Šoltés, which clearly outperforms standards of bachelor theses. I also believe this thesis should be granted an appropriate extraordinary award (such as the Dean's Prize).

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References:

Stilianos Alexiadis & Konstantinos Eleftheriou & Peter Nijkamp, 2013. "Do Income Disparities dissipate across the US States? Experimenting with a Vector Error Correction Model," Tinbergen Institute Discussion Papers 13-165/VIII, Tinbergen Institute.

Furuoka, Fumitaka, 2014. Does Hysteresis Exist in Unemployment? New Findings from Fourteen Regions of the Czech Republic. CJEF, Vol 64, Issue 1, p. 59-78

David Gray, 2005. "An examination of regional interaction and super-regions in Britain: An error correction model approach," Regional Studies, Taylor & Francis Journals, vol. 39(5), pages 619-632.

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

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	17
<i>Methods</i> (max. 30 points)	28
<i>Contribution</i> (max. 30 points)	29
<i>Manuscript Form</i> (max. 20 points)	18
TOTAL POINTS (max. 100 points)	92
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: *Jakub Matějů*

DATE OF EVALUATION:

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong Average Weak
20 10 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 analyzed.*

Strong Average Weak
30 15 0

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.*

Strong Average Weak
30 15 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.*

Strong Average Weak
20 10 0

Overall grading:

TOTAL POINTS	GRADE		
81 – 100	1	= excellent	= výborně
61 – 80	2	= good	= velmi dobře
41 – 60	3	= satisfactory	= dobře
0 – 40	4	= fail	= nedoporučuji k obhajobě