

Report on Bachelor / Master Thesis

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

Student:	Bc. Mikuláš Krupa
Advisor:	doc. Ing. Tomáš Cahlík, CSc.
Title of the thesis:	Pros and Cons of Minimum Wage

OVERALL ASSESSMENT

The author has chosen both economically and policy relevant topic and has written a highly interesting bachelor thesis on it. In particular, he found a statistically significant and economically large negative impact of higher minimum wage on youth employment for a subset of European Union countries. The main drawback of the thesis is that there is missing robustness and sensitivity analysis of this result, which would substantially increase its reliability. Further, the author does not discuss the magnitude of the impact—the main contribution of the thesis—in the other parts of the thesis except for the Empirical analysis.

Contribution

The thesis offers a clear contribution to the literature with the estimate of a large negative impact of increase in minimum wage on youth unemployment for a subset of European union countries. To be specific, there is 1.2 percent decrease in employment in the 15-19 age group after 1 percent increase in a ratio of minimum to median wage. The impact is sizeable and, assuming it is correct, serves as a strong argument against minimum wage. Unfortunately, the author does not sell it enough: he does not mention or interpret the magnitude of the impact in abstract, introduction or conclusion. The thesis then looks more like general discussion of pros and cons of minimum wage, supported by appropriate literature review, with the empirical part being only a short digression.

Methods

Author uses panel-date model with fixed effects, a methodology appropriate for a bachelor student, and presents it in a clear way. The application of the methodology is also correct. The missing part is robustness and sensitivity analysis; for example, omitting countries with high youth unemployment such as Greece and Spain from the sample; using just sub-samples such as sample before and after 2008, including additional explanatory variables or including lags of used explanatory variables.

Literature

The literature review is exhaustive and up-to-date. There are no serious mistakes.

Manuscript form

The thesis is well-written with clear structure and appropriate academic English and it was a pleasure to read it. There are, however, few shortcomings. First, it is generally not recommended to use Wikipedia as a reference. Second, there are fourteen notes under the text in five-page introduction, what seems excessive. Third, the author uses Figure 2.2 from another paper, but he does not describe comprehensively the notation used in it. Lastly, results in the Empirical analysis are just copied from R: it is more common to create a table for it, to improve a rather rough formatting from R.

In sum, it is an excellent thesis with some rather small shortcomings. For a defense, it would be interesting to know if the results hold also when the robustness analysis is applied. Further, the author compares his results with those in Laporšek (2013), but a comparison with more studies would be welcomed.

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

CATEGORY	POINTS
<i>Contribution</i> (max. 30 points)	28
<i>Methods</i> (max. 30 points)	28
<i>Literature</i> (max. 20 points)	20
<i>Manuscript Form</i> (max. 20 points)	19
TOTAL POINTS (max. 100 points)	95
GRADE (1 – 2 – 3 – 4)	1

NAME OF THE REFEREE: Mgr. David Svačina

DATE OF EVALUATION: 30.8.2017

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