Report on **Bachelor / Master Thesis**

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

Student:	**Marie Kubíková**
Advisor:	**Matěj Bajgar, M.Sc.**
Title of the thesis:	**What drives cross-country differences in average earnings: occupational structure or within-occupation wage levels?**

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

The bachelor thesis "What drives cross-country differences in average earnings: occupational structure or within-occupation wage levels?" focuses on average earnings inequalities among countries. It consists of two complementing parts: theoretical part and empirical part. The theoretical background is briefly described in Chapter 1. The empirical part dominates the rest of the thesis. The thesis is well-structured. It starts with the introduction into the problem, then it provides relevant literature, it describes data used and sets up methodology for the analysis. At the end it provides original results and discusses main findings. The author provides us with description of all steps of the thought experiment under which the analysis is conducted.

The main task of the thesis is to provide the answer on the question what influences the difference in average earnings among countries; whether it is the wage level of particular country or its occupational structure. The analysis is simple. The author ranks selected countries into groups according to their GDP per capita and then compares each pair of countries by replacing one's occupational structure (or average wages) with that of another country.

The approach used in the thesis is legitimate and was inspired by earlier researchers who dealt with this issue. However, I have some reservations. First of all, replacing occupational structure (or average wages) of one country with that of another country regardless the economic, political and demographical development of selected countries can lead to misleading interpretations. For example, one could think that it is enough to change the occupational structure in Zambia to reflect the occupational structure in Germany in order to make the average earnings in Zambia to approach those in Germany, but that does not hold in reality. Although it is interesting to compare countries in such manner I have doubts about practical utility of such analysis. For the future research I would recommend to focus on, for example, causes of differences in productivity, because these differences could explain different average earnings on the national level better.

I appreciate the effort to write a bachelor thesis in English. The work was intelligible and just with few mistakes ("outlayer" instead of outlier on p. 12). Regardless the language used, some statements should be communicated more precisely and with discretion. Two examples:

- *"The answer I have found is that the differences in average earnings are mainly caused by different wages for comparable occupations and that the size of the differences due to exchanged wages between two countries depends on the relative difference between their GDP per capita and not on the level of their development."* (p. 39). First of all, it is not clear what the word "development" stands for, but I suppose it means economic development. Generally, the GDP per capita is one of the indicators of economic development, thus without any comprehensive analysis it is not appropriate to use similar phrases.

- *"Usually I use the data from years 2006 or 2007, only in a few cases the data are older (the oldest are from 2000), which does not make any significant difference. If I look at the data it is obvious that they change very slowly in time."* (p.11). If the data are not provided to the reader, the data choice should be explained in more detail.

From the thesis appearance and manuscript point of view I would recommend the author not to mix Czech and English in one work, i.e. if the thesis is written in English, the Declaration of Authorship, Acknowledgments etc. should be written in English, too. More serious demerit is the lack of captions under charts and tables (the source should be provided even though if it was author's computation). Sometimes, it is even hard to find out what are the units of the numbers provided in tables. In other aspects the work is neat and can be set as an example of very good bachelor thesis.

Report on **Bachelor / Master Thesis**

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

Student:	**Marie Kubíková**
Advisor:	**Matěj Bajgar, M.Sc.**
Title of the thesis:	**What drives cross-country differences in average earnings: occupational structure or within-occupation wage levels?**

The noticeable formal mistake in the thesis is the use of one symbol for two variables. In the formula on p. 4 it seems that symbol *t* was assigned to both time and experience:

"$lnY_i(t) = \alpha_0 + \alpha_1 S_i + \alpha_2 t_i + \alpha_3 t_i^2 + \varepsilon$

where $Y_i(t)$ are the earnings of an individual i in time t, and the logarithm of earnings is a quadratic function of experience (t)."

Suggested questions for the defence are:

- "Why did you choose the OLS method in the analysis of behaviour of occupational structure's categories and how did you select explanatory variable(s)?" (p. 15)

- "Why were some categories estimated using quadratic relationship and some were not?" (p. 15)

- "Can your findings be utilised in practice or in future research?"

All in all, although there were some objections, the work is written with diligence and it is evident that the author made a great effort to collect data, to use them in the analysis and to demonstrate the results. I believe there is a great potential for further development of author's skills. In the case of successful defence, I recommend **"velmi dobře" (good, 2).**

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

CATEGORY		POINTS
Literature	*(max. 20 points)*	18
Methods	*(max. 30 points)*	23
Contribution	*(max. 30 points)*	20
Manuscript Form	*(max. 20 points)*	17
TOTAL POINTS	*(max. 100 points)*	**78**
GRADE	**(1 – 2 – 3 – 4)**	**2**

NAME OF THE REFEREE: PhDr. Tatjana Vukelić

DATE OF EVALUATION: 07 June 2012

_____
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