REVIEW OF THE BACHELOR'S THESIS EXTERNAL REVIEWER

Student's name: Ekaterina Vlasova..

Thesis title: The Mystery of Russia's Low Unemployment Rate..

Name of the thesis external reviewer: Ing. Lukáš Augustin Máslo, Ph.D. ....

	1	2	3	4
Assessment of the topic itself (irrespectively of the student)**:**				
1.1 To what extent is the topic current and significant?	☒	☐	☐	☐
1.2 How challenging is the topic in respect of theoretical knowledge?	☐	☒	☐	☐
1.3 How challenging is it in respect of practical experience or fieldwork?	☒	☐	☐	☐
1.4 How difficult is it to get background materials?	☒	☒	☐	☐

Verbal assessment (several sentences), in particular:
Subsection 1.1:
Other (as appropriate):

2. Evaluation of the thesis structure and logical cohesion:	1	2	3	4
2.1 To what extent is the thesis structure logical and transparent?	☐	☐	☒	☐
2.2 To what extent does the author use current / suitable sources?	☒	☐	☐	☐
2.3 How properly did the author select methods in respect of the topic?	☐	☐	☐	☐
2.4 How sufficiently and functionally did the author use in the thesis original charts, tables, data, annexes, etc.?	☒	☐	☐	☐
2.5 What is the compatibility level for the thesis basic line elements: topic – thesis assignment –objective – structure - conclusions?	☐	☐	☐	☒

Verbal assessment (several sentences), in particular:
Subsection 2.1: The logical structure of the thesis is adversely affected by an ambiguity of its goal. See *Subsection 2.5* for details.
Subsection 2.3: This is hard to judge since the thesis follows two parallel goals without admitting it.
Subsection 2.5: The thesis follows two goals: goal 1 - proving that the official unemployment underestimates the real unemployment; goal 2 - identification of determinants of the official unemployment rate. The Assignment sticks to the goal 1; the Abstract stresses the goal 2 but mentions the goal 1 implicitly; the Introduction focuses on the goal 2; the Theoretical Part stresses the goal 1; the Empirical Part concentrates on the goal 2; the Conclusion emphasizes the goal 2 and mentions the goal 1 implicitly only. The thesis suffers from ambiguity of the

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goal which penetrates the thesis deeply and makes the impression of two separate theses having been ground up and mixed into one. See also *Subsection 3.3* on the missing coherence of the Theoretical and Empirical Parts.
Other (as appropriate):

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3. Assessment of the thesis text quality:

3.1 How well – in terms of depth and quality – did the author analyze the topic? ☐ ☒ ☐ ☐

3.2 Did the author formulate the thesis objective clearly and with logical structure? ☐ ☐ ☐ ☒

3.3 Did the author fulfill the defined thesis objective and approved assignment of the thesis that contains the objective? ☐ ☐ ☒ ☒

3.4 How well – in terms of depth and quality – did the author cover the theoretical part of the thesis? ☒ ☒ ☐ ☐

3.5 How well – in terms of depth and quality – did the author cover the practical / analytical part of the thesis? ☐ ☒ ☒ ☐

3.6 To what extent are the thesis conclusions logically structured and show quality, and what is their added value? ☐ ☒ ☒ ☐

Verbal assessment (several sentences), in particular:

Subsection 3.2: The goal of the thesis seems to be dichotomized. The author makes statements which imply that the author regards the official unemployment rate lower than the real unemployment rate: "*It is assumed that the Russian Labour market has a very high level of hidden unemployment.*" (p. 11); "*I discover that the unemployment rate is misleading because it is hiding the real situation in the labor market.*" (Abstract); "*In the past five years unemployment rate has fallen drastically in the country. However, in reality unemployment is much higher than official statistics show. This thesis uncovers mystery of officially low unemployment rate in Russia and explains why there is a large gap between registered and real unemployment.*" (Thesis Assignment). However, when it comes to the empirical part, the leitmotif of official underestimation of the unemployment rate (goal 1) fades away, suddenly, and the author presents her hypothesis: "*The low unemployment rate in Russia depends on demographic factor and output gap.*" (p. 24) It is uneasy for me to see any connection to the above said leitmotif and goal. It looks like the author started with the idea of proving that the official unemployment underestimates the real unemployment (goal 1) but, then, the author modified the goal of the thesis to identification of determinants of the official unemployment (goal 2) and, finally, concluding that "*Uncovering the mystery surrounding the low unemployment rate has shown to be a rather complicated issue, and its nature cannot be explained by a few factors alone.*" (Conclusion). The author interprets her results like this: "*I suspected the impact of omitted variable bias and will set this as X variable. In addition, I subtracted the insufficient variables and denoted them with Y.*" However, the fact that there are some unidentified factors determining the unemployment rate does not say anything about whether the official unemployment rate underestimates, overestimates or equals the real unemployment rate, does it? The Theoretical Part stresses the goal 1, generally, while the Empirical Part concentrates on the goal 2.

Subsection 3.3: In pursuit of two goals simultaneously, the author cannot support her ambition to reach the goal 1 with her empirical results and, vice versa, the author cannot base her empirical results concerning the goal 2 on solid foundations of the Theoretical Part. E. g. I can't see a clear link between the subsection 2.4 on demography and migration and the central hypothesis of the Empirical Part ("*The low unemployment rate in Russia depends on demographic factor and output gap.*"). I don't understand how the author came to this hypothesis because I can't see how this hypothesis follows from Theoretical Part. Next, I can't see any empirical counterpart to the theoretical subsection 2.5 on the shadow economy. It is better in case of the subsection 1.3 on unemployment gap and output gap which are being reflected in the econometric model. In her pursuit of the goal 1 and the goal 2, the author got stuck halfway in both, to my mind. The author should have focus on either the goal 1 - in that case, she should have concentrate on the statistics of the hidden unemployment - or the goal 2 - in that case, she should have concentrate her time and energy on discovering the unidentified factors and explanation of the weak (even positive) correlation between the output gap and the unemployment rate.

Subsection 3.4: The author suggests that the existence of shadow economy leads to official underestimation of unemployment: "*Other potential reasons for such a low unemployment rate can be the missing percentage in GDP which is called the grey economy, where substantial amount of people might be 'employed' Hence, these people do not appeared* [sic] *in official statistics of unemployment.*" (p. 20) Why should they appear in the official statistics of unemployment if they are employed in the shadow economy? The author adds "*Therefore, a significant part of the active population which we consider being unemployed, can possibly be working in informal sectors.*" (p. 21) Now, this is completely confused. If there is a "significant part of the active population" employed in the shadow economy which we regard as unemployed, then the official unemployment should overestimate the real one, not underestimate, shouldn't it?

Subsection 3.5: The author also adds: "*I will not be questioning quality and reliability of data collected, but will look into the amount of data collected.*" (p. 24) However, the official underestimation of the real unemployment rate - which the author states in her Assignment is the supposed answer to the mystery - is a kind of questioning of the quality of data, isn't it? Not that any kind of cheating would be suggested but, rather, that the official statistics do not reflect the real state of affairs, simply. To top it off, the author concludes her thesis with a statement: "*However, this model has to be further developed. This can be improved by using additional variables and implementing more reliable data.*" (p. 40) More reliable data? So, the author does question the reliability of the data used, in the end? Even though she states explicitly: "*Therefore, my basic assumption is that we can rely on the data and statistics collected thru official sources.*" on page 24?

Subsection 3.6:

Other (as appropriate):

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4. Assessment of the thesis form and style:

	1	2	3	4
4.1 What is the formal layout of the thesis?	☐	☒	☐	☐
4.2 What is the quality of citations and references? Are sources identifiable?	☐	☒	☐	☐

4.3 What is the stylistic level of the thesis, particularly the use of correct economic terminology? ☐ ☐ ☒ ☐

Verbal assessment (several sentences), in particular:
Subsection 4.1: The list of references must be presented in alphabetical order.
Subsection 4.2: The author does not state the pages in her references. The page must be stated (if possible).
Subsection 4.3: The number of typos and grammatical mistakes is only too high. Some sentences don't make any sense to me, probably because of their confused syntax (last sentence of the first paragraph on p. 16; second sentence of the second paragraph on p. 20). At some places, two passages of the text seem to contradict each other (the first and second paragraph of the Contract theory subsection on p. 6; the shadow economy issue on pp. 20-21 mentioned in *Section 3.4* of this review), at another place, the text seems to be duplicated (the first and second paragraph of the Two-tier wage structure subsection on p. 15).
Other (as appropriate):

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5. Overall assessment *(It is necessary to state, whether the thesis meets the requirements of the Methodology of the Faculty of Economics in terms of the quality of contents, scope and formal requirements, whether the thesis is/is not recommended for defense. It may also be nominated for a special award, etc.):*
The thesis suffers from ambiguity of the goal. There seem to be two goals pursued by the author, simultaneously, pretending to be one goal, though. This results in a contradiction as regards the reliability of the data, logical incoherence of the Theoretical and Empirical Parts and a general confusion about what the author wants to achieve, actually. Further on, the thesis is riddled with grammatical mistakes and typos which only add to the bad impression caused by the deficiencies regarding the content. Despite all these failures, I regard the thesis defensible, especially if the author manages to offset the failures of the thesis by an excellent oral presentation. I recommend the thesis to the oral defense before the commission.

6. Questions and remarks to the defense:
1. May the author react to my objections concerning the shadow economy presented in *Section 3.4*.
2. The author points out a characteristic feature of Russia's labor market: in periods of recession, the employers lower the wages rather than laying off the redundant employees. This might be reason why Richard Layard characterized the labor market of Russia as "very flexible" (p. 1) and why the author herself states in the Conclusion: "*The labour market seems to adapt to economic inflictions smoothly and in a flexible way, allowing it to maintain an unemployment level which does not fluctuate appreciably along the NAIRU.*" (p. 39) Can we say that Russia's labor market meets the neoclassical ideal of a permanent price/wage clearing?
3. The author states that "*The Employment Protection Legislation (EPL) in Russia is strict, reminiscent of the socialist past* […]" (p. 17). In which sense is it strict? Strict to whom? To the employees? That would seem to contradict what follows, though. Or to the employers? That would contradict the suggested flexibility of the labor market. However, the poor enforcement of the EPL would reconcile the two propositions: the labor market is flexible because (among other things) the enforcement of the EPL is very relaxed. Do I get it right?

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Proposed grade: good

Date: 25. 1. 2018 ....Signature of the Thesis External Reviewer

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