

Referee's report on "Effects of a reduction in employers' Social Security contributions: Evidence from Spain", MS 1878

This paper analyzes the impact of a reduction in employers' Social Security contributions on unemployment rate in Spain. Considering three fiscal scenarios (without fiscal compensation, with indirect taxes compensation and with personal income taxes compensation), this paper employs a computable general equilibrium model and uses the SAMSP-09 database and concludes that a reduction in employers' Social Security contributions fails to reduced unemployment when they are combined with compensation by revenues from indirect taxes, but this proposal has better results in terms of reduction of unemployment rate if it is combined with personal income taxes.

In my opinion, the main conclusion of the paper is clear and potentially significant, because it offers a clear answer to a very specific proposal from the Spanish Confederation of Enterprise Organizations. The analysis is correct in the context of Computable General Equilibrium models, but I think that a weakness is that the model is static, and the temporary path is very important in the changes that the fiscal policy causes in the unemployment and in others variables, because the short-term effects can be very different from the long-term effects. Authors should consider dynamic aspects in their model.

Moreover, I think that to publish the paper is necessary to explain better the database used, SAMSP-09 (or SAMES-09?). These data are not well known, because are not clearly and precisely documented. The database is not readily available to any researcher for purposes of replication.

Minor comment

In paragraph after equation (2), l_j and k_j are the technical coefficients for the corresponding factor, but they do not appear in equation (2).