

Determinants of Income Inequality In 26 European Union Countries*

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Abstract

The main goal of the research is to empirically investigate the determinants of income inequality in the European Union countries in 2005-2018. Complementary goal is to verify their impact on income inequality in the distinguished subgroups of countries. The research was conducted for twenty-six of those countries (excluding Croatia due to lack of data) and for two groups of thirteen countries which were created by division all countries into subgroups according to socio-economic development. The first part of this research presents the determinants of income inequality that appear in the literature which include globalization, access to education, the structure of the household, the form of employment, various demographic factors and the rent-seeking problem. The estimation of static panel models was made with a use of data from Eurostat and World Bank and to determine the impact of eight variables on income inequality represented by the Gini coefficient before social transfers. The last part of this paper presents the results of the research and conclusions. The results of empirical research show that the level of income stratification in European Union countries was significantly influenced by the level of unemployment, self-employment, share of import and export in GDP, the percentage of elderly people in the society, the number of economically active people and the GDP per capita in PPS between 2005 and 2018.

Keywords: Income inequality, determinants, European Union, panel data.