

How to explain inequality? - Summary of the research project

In recent years the problem of rising inequalities in the society draws more and more public attention - not only by the politicians and journalist, but above all it becomes the matter of science. Examining sources of existing inequalities seems to be the only way to effectively address the problem by using the targeted policies of welfare states. Subject appears to be very wide, but splitting it into smaller matters may be the right choice on the way to a full understanding of the problem. Although ongoing demographic processes and structural changes are often cited as key aspects of the analysis of economic changes, especially for the countries that underwent political transformation, these issues are ignored in the research on the sources of inequalities. Therefore, we would like to focus on these aspects while undertaking the analysis of existing inequalities and their consequences for the functioning of labor markets, pension systems and investment in human capital.

In the project, firstly we would like to answer the question to what extent demographic and structural changes are responsible for the observed inequality. If so, it can be stated that not the change of the functioning of the labor market, but demographics, structural changes and the associated reallocation are the main sources of inequality. In addition, we would like to analyze these results in the context of political economy and examine how changes in the labor market affect the democratic decisions regarding the extent of the operation of the welfare state. In this sense, the decision to exit the labor market near the retirement age, what is directly related to the structural changes, can play a very important role in the context of existing inequalities for elderlies. Thus, the retirement age will be considered as a parameter of the welfare state policy.

To answer these questions we construct an overlapping generations model, calibrated to the data. For many years this type of models are widely used to evaluate the effects of reforms, including changes in the pension system. The application of this class of model to analyze the demographic and structural changes will be an innovative research approach and great contribution to the development of the field. The use of the model will evaluate the gains and losses of the reforms, which in the process of political transformation was introduced in Poland and other countries of Central and Eastern Europe, in particular those related to access to early retirement and increasing access to higher education. As a result, we will be able to take part in the ongoing debate on the sources and trends of inequality in developing countries and methods of their counter.