

The Impact of Income Inequalities on the Development of Human Capital in OECD Countries After 1990

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Summary of the doctoral dissertation

The theory and practice of economics leave no doubt that human capital helps its carriers to achieve their personal, economic and social goals. The sum of the positive effects of human capital at the microeconomic level, magnified by its synergistic benefits, contributes to the socio-economic development of entire economies. For this reason, the identification of the determinants of human capital development is an important research area. A particularly important research task is to recognize the scale and scope of income disparities that are conducive to the dissemination of knowledge, health, competence, and skills. This problem can be considered extremely important for two reasons. Firstly, despite convincing theoretical arguments pointing to dependencies between the discussed economic categories, the role of income inequalities in shaping human capital is still not sufficiently diagnosed in the current economic literature. Secondly, many researchers indicate that the impact of income inequalities on human capital is the main mechanism by which the distribution of income determines socio-economic development. Research on the relationship between human capital and income inequalities opens the way to understanding the role of income distribution in shaping the pace of this development.

The above arguments formed the basis for adopting the research topic and formulating the main objective of the present dissertation, which is to identify the role of income inequalities in human capital development processes in OECD countries.

The dissertation consists of 5 chapters. The first of these presents theoretical issues related to the definitions and measurement of human capital. Further, it diagnoses the determinants of human capital development. The second chapter presents definitions and

measures of income inequalities, and also the consequences of income distribution for socio-economic development. The third chapter focuses on the mechanisms of the impact of income inequalities on the development of human capital. The fourth chapter is devoted to the methods used in the empirical part of this dissertation. It starts with the justification of the choice of panel econometrics tools to achieve the assumed goals. Next, it discusses the characteristics and assumptions of static and dynamic panel models estimators. Chapter five is of empirical nature. The initial part presents the dynamics of human capital development and changes in income inequalities in the population of OECD countries. Further, it presents and interprets the results of estimation of human capital regression models. Particular attention was paid to the interpretation of the models estimated with the use of the System Generalized Method of Moments, as well as the results of estimates that include the U-shaped relationship between income disparities and human capital.

In the course of the work, it was found that income inequalities play a double role in the processes of human capital development. On the one hand, high income concentration is a barrier to educational investments. On the other hand, income inequalities provide incentives for self-development, deepening knowledge and acquiring new skills. The strength of positive and negative impact of income inequalities on human capital depends on economic institutions, and in particular - educational institutions. Due to institutional differences, total effects of income inequalities on human capital differ among various countries. It was shown, that in the group of countries characterized by inclusive educational institutions, both too large and too small disproportions in income slow down the development of human capital. The optimal income disparities in these countries were estimated at around 0.30 of the Gini coefficient. At the same time, in countries with exclusive institutions, the negative effects of income polarization for the dissemination of knowledge, competences, health, and skills prevail. The development of human capital in these countries should be supported by lower income inequalities or institutional change that increases the inclusivity of the educational system.

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