

Editorial

Income Distribution, Inequality and Poverty: Evidence, Explanations and Policies

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In recent years, there has been an increasing focus on the complex challenges posed by income inequality and poverty, both in developed and developing nations. These issues have captured the attention of economists, policymakers, and government institutions, due to their growing significance. Despite the implementation of various initiatives aimed at addressing poverty and inequality, such as the Europe 2020 Strategy and the United Nations' 2030 Agenda for Sustainable Development, progress has been limited. This can be attributed to a range of factors, including significant global events such as the Great Recession, the COVID-19 pandemic, and ongoing conflicts such as the wars in Ukraine and Gaza, which have exacerbated poverty and inequality on a global scale.

The articles presented in this Special Issue of *Economies*, entitled “Income Distribution, Inequality and Poverty: Evidence, Explanations and Policies”, offer a comprehensive exploration of income inequality and poverty, shedding light on their complex drivers across various global contexts. These studies delve into a wide range of factors, from energy crises and government policies to the impacts of financial instability and global pandemics, highlighting the persistent and evolving nature of inequality and poverty in both developed and developing nations. Using diverse methodologies—including econometric models, trend analyses, and comparative cross-country studies—the contributions provide a nuanced understanding of how structural forces such as education, labor dynamics, and marketization interact to shape income distribution and social progress.

Several articles focus on specific regions, highlighting the unique challenges they face in addressing inequality. For example, Pakistan and South Africa are examined through the lenses of energy tariffs and social grants, respectively, while Central and Eastern European countries are analyzed in terms of the role of EU cohesion policies and labor market reforms. These studies collectively point to the importance of targeted policy interventions and long-term strategies to mitigate inequality, with a particular emphasis on public investment in education, social safety nets, and labor market reforms.

Other contributions take a broader, global perspective, such as the study on intergenerational educational mobility across 82 countries, or the analysis of income polarization in Europe. These papers emphasize the complex interplay between economic growth, governance, and social policies, while also recognizing the role of historical and structural factors in shaping inequality trends. Collectively, the articles in this issue offer valuable insights for policymakers, researchers, and practitioners seeking to understand and address the deep-seated inequalities that persist across regions and sectors.

The Special Issue brings together 11 original articles that delve into various dimensions of inequality and poverty across different regions and time periods. A thorough summary of the key findings and insights from each contribution is provided to guide readers in identifying the articles most relevant to their interests. Further details on each individual paper can be found in the List of Contributions.

Contribution 1 investigates how energy crises in Pakistan have deepened income inequality from 1997 to 2021. Drawing on Piketty's hypothesis, the study reveals that lower-income groups are disproportionately affected, as they spend a larger portion of their income on energy compared to wealthier segments of the population. This inequality



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is particularly pronounced in rural areas, and the paper calls for energy tariff reforms and social safety programs to mitigate these disparities.

Contribution 2 explores income inequality in South Africa between 1975 and 2017, using a Vector Error Correction Model. The study finds that increased government spending on social grants helps reduce inequality, while factors such as gross savings and population growth contribute to worsening it. Economic growth's effect on inequality is more complex, presenting mixed results. The authors recommend policies aimed at expanding social grants and fostering a culture of savings, while also addressing the challenges posed by population growth.

Contribution 3 shifts focus to the UK, analyzing when and why inequality has become a key topic in public discussions from 2004 to 2023. Using Google Trends data, the study shows that concern about inequality peaks during parliamentary elections and periods of economic instability, such as recessions. These discussions are often tied more to issues of fairness than to concerns about crime or war, particularly during periods of inflation or fluctuations in GDP.

Contribution 4 takes a global perspective, examining how educational attainment is transmitted across generations in 82 countries. The study identifies factors such as public spending on education, income inequality, and urbanization as key influences on educational mobility. Using cluster analysis, countries are categorized by their levels of educational mobility and economic development, with the author highlighting the importance of public investment in education for fostering equality of opportunity, particularly in middle- and high-income nations.

In Contribution 5, the authors investigate how the 2008 financial crisis impacted well-being across European countries over the following decade. Using Principal Component Analysis, they assess changes in multiple dimensions, such as poverty risk, material deprivation, and labor market conditions. The study reveals that different clusters of countries experienced varied impacts, with labor market issues becoming a dominant factor in the decline of well-being, especially in Southern and Eastern Europe.

Contribution 6 examines the effects of marketization, labor dynamics, and economic structures on income inequality in Central and Eastern European countries. The study highlights the roles of economic growth, education investment, labor market reforms, globalization, and governance in shaping income distribution. It suggests that targeted policies in these areas can help reduce inequality, even in the context of market-driven economies.

Contribution 7 assesses the impact of EU cohesion policies on economic growth and social progress in Central and Eastern Europe. The findings suggest that EU cohesion policies have a positive effect on both economic performance and social outcomes, particularly by reducing income inequality and poverty. However, the economic benefits take time to materialize, underscoring the importance of a long-term strategy for maximizing the effectiveness of these policies.

In Contribution 8, the authors explore the relationship between gender equality in managerial positions and wages across 22 European countries. Drawing on data from the European Structure of Earnings Survey, the study shows that while gender equality in management has mixed effects on wages—positive in the upper parts of the wage distribution, but negative in the middle and lower parts—it tends to reduce the overall gender wage gap, especially in the middle and lower segments.

Contribution 9 focuses on income polarization in 12 European countries from the early 2000s to the late 2010s. Using the relative distribution method, the study finds an increasing trend in polarization, particularly in the lower income segments. Factors such as occupational sector, education level, and area of residence are key drivers of this phenomenon. The study suggests that coordinated policy interventions could help mitigate the effects of polarization across Europe.

Contribution 10 investigates the relationship between wage inequality and operating revenues in more than 5000 Norwegian enterprises from 2008 to 2014. The study finds that wage inequality can negatively impact operating revenues, as lower wages for many

employees tend to reduce motivation and productivity. Conversely, declining revenues are shown to increase wage inequality, with the lowest earners experiencing the largest relative reductions in pay. The authors argue that a more equitable wage distribution could benefit enterprise performance.

Finally, Contribution 11 examines the impact of both the 2007–2009 financial crisis and the COVID-19 pandemic on income inequality and poverty in Greece. The study finds that both crises exacerbated inequality, with economically disadvantaged groups suffering the most. Unemployment and limited government redistribution played key roles in worsening poverty and inequality during these periods. Although pre-election periods saw temporary reductions in inequality, these effects were short-lived, and primarily benefited middle-income groups.

The contributions in this Special Issue offer a valuable foundation for understanding the key drivers of inequality and poverty across diverse regions and contexts. However, there remain several areas that invite further exploration and could significantly enrich the current discourse on inequality. One such area is the impact of climate change which, while briefly touched upon through energy crises, merits deeper investigation. Understanding how climate-related challenges disproportionately affect vulnerable communities, particularly in terms of resource scarcity and forced migration, could provide important insights.

Additionally, the role of technological advancements, such as digitalization, automation, and artificial intelligence, presents an emerging field of study. These developments are rapidly transforming labor markets, and exploring their effects on income distribution and employment opportunities, especially for those with less adaptable skills, would be a valuable contribution to the understanding of inequality.

Health inequality, another crucial determinant of economic well-being and social mobility, also deserves further research. The ways in which disparities in healthcare access intersect with income inequality, particularly during crises such as the COVID-19 pandemic, represent an area that could significantly enhance the discussions presented in this issue.

While gender wage inequality is addressed in the current collection, a deeper examination of the broader impacts of inequality on other marginalized groups, such as individuals with disabilities or ethnic minorities, would add to the understanding of the multiple barriers these groups face. Exploring how these intersecting identities influence access to education, employment, and social services could provide a more comprehensive view of inequality.

Furthermore, extending the focus from income inequality to wealth inequality would offer a more nuanced perspective on socioeconomic disparities. Wealth distribution, which includes assets such as property and stocks, is often more concentrated than income and can have lasting effects on social mobility.

Finally, the dynamics of global migration, particularly the experiences of vulnerable and undocumented migrants, offer another promising avenue for research. Understanding how migration flows impact inequality in both sending and receiving countries could yield valuable insights for policymakers and scholars alike.

In addition to exploring these thematic areas, more focused studies on the measurement of distributive phenomena, such as inequality, poverty, and polarization, are essential for advancing this field. While various approaches have been used to assess these issues, refining the methodologies and metrics for capturing the complexity and fluidity of inequality and poverty could lead to more accurate and comprehensive analyses. Improved measurement tools would also help in understanding the evolving nature of these phenomena, providing stronger empirical foundations for policy interventions.

By expanding research into these areas and refining the tools for measuring inequality, poverty, and polarization, we can develop a more holistic understanding of the global forces driving inequality and poverty. These additional lines of inquiry would complement the findings in this Special Issue, contributing to the development of more targeted and effective policy solutions.

I would like to express my sincere gratitude to all the contributing authors for their exceptional efforts in meeting the journal's standards. The success of this Special Issue in attracting a substantial number of contributions reaffirms the potential of open access publishing in our field. I am sincerely thankful to the numerous reviewers whose invaluable feedback has greatly enhanced the quality of the published papers. Finally, I would like to extend my deep appreciation to the team of assistant editors, especially Ms. Adore Zhou, for their outstanding support.

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