Wealth Inequality and Housing Conditions among Middle Classes in Italy

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Abstract: On the basis of Italian SHIW data, this paper conducts a thorough analysis of household wealth in Italy over the last decade. The variance in wealth distribution, taking the role of home-ownership into account, could provide further insights concerning the distinction between middle classes. To support this claim, we have taken into consideration two main indicators – the total amount and the concentration of wealth – in order to deepen the existing differences *between* and *within* social classes, with a special focus on the effects of the economic crisis. Moreover, we have analyzed the role of home-ownership in affecting the composition and the total amount of wealth of the households of the different social classes.

The results of the micro level data analysis show some significant differences emerge with regard to these indicators. During the considered period, the self-employed middle class increases its wealth, but also its internal inequality; conversely, the accumulation process of the employed middle class is slightly more moderate and equal. With regard to the role of home-ownership, we have observed that the self-employed middle class, like the upper class, has more chances of getting a relevant part of its wealth from other assets than home-property, while the wealth of the lower and employed middle classes is more likely to be monopolized by the value of their home.

KEY WORDS: Wealth inequality, Middle class, Home-ownership, SHIW.

JEL CLASSIFICATION: D31 - Personal Income, Wealth and their distribution; Z13 – Social and Economic Stratification; D1 – Household Behavior and Family Economics.

In recent years the interest in the so-called “question of the middle classes” has grown in many advanced countries (Bagnasco 2008, Atkinson and Brandolini 2011). This interest is evident not only in the scientific community, but also in the public debate (Sciarrone *et al.* 2011). A closer look shows this issue has several facets. According to the most pessimistic hypothesis, we are witnessing the extinction of the middle class, due to a social polarization tendency caused by the growing processes of social inequality (Krugman 2003). In other words, contemporary society, which according to the Fordist-Keynesian structure had a configuration like an onion – due to extended middle strata – is taking on an hourglass shape. This latter configuration is characterized by a narrow upper class, superordinate to a higher-level lower class, with the intermediate social groups being residual. Vice versa, the less alarming hypothesis argues that there is an ongoing contraction of the middle classes and a partial erosion of their quality of life.

Both interpretations are based on the idea that a real “fear of falling” has been established (Ehrenreich 1989): the employment conditions of the middle classes no longer ensure the level of well-being achieved during the years of Fordism. This fear is justified by the diffusion of the phenomenon of the working poor even among those who hold high human capital resources (Warren and Warren Tyagi 2003). In a nutshell, many scholars suggest that the crisis of the middle classes is to be found in the phenomenon of under-employment, which is no longer solely a lower classes issue. Respecting this, there are at least three main reasons: i) the effects of the recent financial and economic crisis; ii) the increasing difficulties of political regulation of the economy and the contraction of welfare regimes; iii) the structural instability of the labor market (Crouch 2011).

In order to further examine the matter of the decline of the middle class, and in accordance with a well-established theoretical conception, it is therefore meaningful to assume the idea of social class as an “occupational social class” (Erikson and Goldthorpe 2002), referring to the position in the labour market and the relating distribution of economic assets and social resources. The focus on social class as occupational position is mainly based on the assumption that it is a more inclusive measure of socio-economic inequality than income (Albertini 2013; Goldthorpe 2010): it allows to scrutinize the (hypothesized) decline of middle classes in overall terms. As argued by the asset-based approach, in fact, the middle class is structured around three axes: relational, legal, and economic (Butler and Savage 1995, Lockwood 1995). Being part of the middle class, in the sense in which the term is used here, represents a position which involves market capacity, power, prestige, and specific lifestyles (Goldthorpe 2010). The average levels achieved by the middle classes of these axes are declining. In detail, from a relational point of view, it was possible to identify several social interactions typical of the middle classes that are now disappearing. From a normative point of view, several consumption choices and lifestyles practices typical of the middle classes are becoming less sustainable. Finally, the economic axis, which refers to certain income levels as well as specific property assets (amount of wealth, saving capacity, investment propensity) is shrinking.

As mentioned above, these general issues on middle classes affect the debate and empirical researches in many developed countries. Nevertheless, the question of the middle classes also concerns several features relating to specific local contexts. In this perspective, we will focus our analyses on the Italian case.

The idea that the middle classes are undergoing a process of impoverishment is widely shared in Italy, at least since the outbreak of the financial crisis in 2007. Several empirical evidences support this view: i) the loss of purchasing power of average incomes; ii) the high unemployment of highly skilled young people; iii) the decrease in the amount of the population that represents itself as part of the middle classes (Franzini and Raitano 2009). In addition, the Italian economy has fallen into a long-term stagnation, due to a persistent lack of innovation and a weak presence in the high value-added economic sector. However, this does not imply necessarily that Italy is going through a real process of social polarization. In fact, Italian job stratification still has several intermediate positions, although they are less stable than in the Eighties and Nineties (Negri and Filandri 2010). Precisely for this reason, there is still a need for closer scrutiny, both theoretical and empirical, of the middle class question: which segment of the middle class is dealing with the current economic difficulties effectively?

Relating to this main research topic, we follow the foundational assumption that “social class remains a relevant factor in the structuration of socio-economic inequalities” (Albertini 2013, p. 73). Despite the post-modernist thesis, according to which social structures would lose their influence on individuals’ life course (Biolcati-Rinaldi and Sarti 2014), a large amount of empirical studies have provided that social class is still systematically connected with many outcomes: mortality, health, occupational opportunities and attainment, and economic resources (Albertini 2013, p. 73). Within this framework, the present article aims to shed light on some aspects of horizontal and vertical inequality in the Italian social class structure. In so doing, we focus our attention mainly on trends regarding middle classes. We extend the existing literature in three respects. Firstly, we assume a medium-term time scale, starting from 2002 up to nowadays. This diacronic perspective allows us to observe weather changes in inequality that occur in conjunction with a puzzling phase of the Italian economy. Secondly, we enrich the debate on Italian middle classes with better thorough empirical evidences, since this debate is often ideological and alarmist in nature (Bagnasco 2002). Thirdly, we focus on wealth, which is part of stock data, instead of flow data, such as the income, which has been analyzed by most of the existing studies on social inequality. From this point of view, wealth is both a peculiar element of the economic well-being of the middle classes and an economic asset gaining an increasing relevance in the relation between social class structure and inequality (Piketty 2013). Coherently, in the next section, we will argue why wealth is a useful parameter for a better understanding of the ongoing tendencies in middle classes, and we will lay out a framework for the analysis (section 1). Once the main aspects regarding data and methods have been clarified (section 2), we will present the main empirical findings (section 3). Broader suggestions will be provided in the concluding section.

1. Middle classes and wealth: framework and empirical questions

It is well known that the living conditions and opportunities of the members of different social classes are strictly connected to the allocation of economic resources. To measure this, researchers typically use the income, while there is less systematic attention placed on wealth (Franzini and Raitano 2011)[1]. The lack of focus on this dimension is mainly attributable to the poor availability of data on wealth at individual and household level on one hand, and on the other hand, to the fact that for a long time income has been considered a sufficiently adequate proxy for evaluating social inequalities (Keister and Moller 2000, Piketty 2013). Conversely, we argue that, at least in the current socio-economic context, the amount and composition of wealth is a crucial dimension for understanding the social stratification and its change trends in the medium to long term.

The role of wealth in determining social inequalities has always been important, but this is even more true when unforeseen events occur that for a certain period limit the ability to generate income. This kind of event has become relatively widespread and recurrent starting with the crisis of Fordism, due to the increasing uncertainty in the labor market and the proliferation of atypical work. In this context, the chance to cope with periods without any salary and, in many cases, without social security, has become increasingly relevant. The loss of an individual's earning capacity is primarily offset by the redistributive intervention of one's family, which can redeploy the wealth accumulated over time in order to ensure the living conditions of its members. This intervention has a specific relevance for the middle classes: as shown by several scholars, in fact, for the social reproduction of these classes the availability of economic resources plays a key role, since it allows them to deal with the transition to adulthood by replicating a specific set of conditions, in particular with regard to entering the labor market and leaving the home of origin[2]

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[1] Wealth has been observed at the macro level in greater detail: large stock of wealth pertaining to nations or macro-areas (cf. Mazzaferro and Toso 2006). In addition, wealth has been investigated at micro-dynamic level: wealth accumulation processes during life-course (cf. Modigliani 1986). As mentioned before, there is a lack of meso-empirical research, in which wealth is disaggregated for social classes and adopted as a proxy for observing social inequality or, at least, several dynamics internal to social classes (Brandolini *et al.* 2004; Brandolini *et al.* 2006).

[2] For example, in the Italian case this specific set of conditions characterizing the social reproduction of the middle classes includes: entering the labor market in a good working position, waiting for the "right" job instead of accepting the first offer you receive; a later leaving of the home of origin to live in their own homes, purchased with the

(Iannelli and Smyth 2008, Albertini and Kohli 2012).

In other words, we can argue that the predictive power of income has been progressively reduced, while the link between the economic well-being of individuals and their households' wealth has gained more emphasis. Moreover, for the reasons explained above, the family becomes more important than the individual as the unit of analysis.

The general trends that we have briefly described obviously vary as to time and space. In this regard, it is therefore reasonable to assume that the current economic crisis has further accentuated and intensified some processes, thereby constituting an exogenous shock that exacerbates the already existing trends of change.

Furthermore, we can expect to observe differences in these dynamics according to the specific characteristics of the socio-economic and institutional context in question. In the Italian case, the importance of household's wealth in the conditions of the well-being of individuals is emphasized at least by two elements. Firstly, having a stable labour income is becoming increasingly difficult, especially for the younger generation, given that the youth unemployment rate is now equal to 42.9% in the whole country (it was 20% in 2007), with an over 60% spike in southern Italy. Secondly, Italian private wealth is extremely consistent[3], as well as unequally distributed among the population (Brandolini et al. 2004, Cannari and D'Alesso 2006). Moreover, this empirical evidence is consistent with a general trend: distribution of wealth worldwide is much more unequal than that of income (Piketty and Zucman 2014).

The topics on wealth we have pointed out relate to the middle class as a whole. However, middle classes have substantial internal differences. Already Wright Mills (1951) holds them to be a "mixed salad" of professions. Moreover, many scholars claim that the differences within middle

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substantial help of the family (Negri and Filandri 2010).

[3] Herein lies an element of strong contradiction of the Italian economic and financial asset: it is a country with large private wealth and equally large public debt. On the one hand, Italy shows the second highest Public Debt to GDP ratio among G8 countries after Japan. The Italian public debt, in fact, in the first semester of 2014 reached an all time high of 132.6% (Source: Eurostat 2014).On the other hand, Italy shows the highest value of the median of household's wealth among G8 countries (Davies, Lluberas and Shorrocks 2012). This data also suggests, from a comparative point of view, the relevance of the Italian case in studying the social class' distribution of wealth.

classes have increased in recent years, such as those relating to other social classes. In fact, the processes of individualization and heterogenization within social classes have been fostered by current capitalisms, which are more volatile and uncertain than Fordist models (Sennett 1998)[4]. Therefore, we need to outline some cleavages within middle classes in order to identify the units of analysis which we consider in the empirical sections of the paper. In this regard, we have made a thrifty choice. Our aim is to exhaustively treat the internal variance of middle classes, taking into account some specific elements of social stratification in Italy.

It is well established that there are two main gateways to middle classes: i) permanent work, pertaining to knowledge workers and civil servants in the public or private sectors; ii) self-employment and entrepreneurship, pertaining to small and medium-sized business holders. In relation to the Italian case, both these gateways have been – and still are – significant. Given the high incidence of small production systems in the Italian economy, self-employed workers are the core of the urban petty bourgeoisie, both in big cities and in medium-sized ones (Becattini, Bellandi and De Propis 2009). The white collar middle class, both in public sector and private sector, is equally relevant (Bagnasco 2008). Consequently, we will distinguish between the self-employed middle class and the employed middle class.

We now need to clarify two caveats. Firstly, given that we will focus on relative positioning *between* two main components of middle classes, we also need to take into account upper and lower boundaries for middle classes, thus concerning upper class and lower class. Secondly, in order to scrutinize two components of middle classes – employees and self-employed – the analysis of the tendencies *within* them is also needed. Given these assumptions, we can now clarify what we are searching for in this paper. Within a timeframe starting in 2002 up to 2012, namely precedent to and during economic crisis, we will focus our attention chiefly on the employed and the self-employed middle classes in order to estimate:

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[4] This does not imply that middle classes have lost their "identification capability". Middle classes are still a partially uniform segment of social stratification. Beyond different employment positions, being part of the middle class entails having aspirations, living conditions, and economic assets which are quite similar.

1. if household wealth inequality is either decreasing or growing *between* social classes;
2. if household wealth inequality is either decreasing or growing *within* social classes[5].

Our empirical focus will be mainly on the total amount of wealth, nevertheless we will also take wealth composition into account. The main components of total wealth are: financial assets (deposits accounts, shares investments), financial liabilities (consumer loans, mortgages) and real assets (real estate and valuables). In particular, we will focus on home-ownership, since it has a significant importance – both statistically and symbolically – in the peculiar composition of Italian private wealth (Brandolini et al. 2004, Cannari and D'Alesso 2006). According to census data, in fact, in 2008 the home-ownership rate had reached 75%, which is the second highest home-ownership rate among G8 countries (Bernardi and Poggio 2004, Istat 2010). In addition, 9% of the houses was occupied free of charge, which is quite common especially among young people and the elderly (Cremaschi and Tosi 2001). The widespread diffusion of home-ownership in Italy can be traced to a number of factors, regarding cultural and socio-economic contextual features, and to public policies, among others: the use of localized resources of households (land, buildings, and support networks) to ensure access to the home-ownership to its members; the character of a safe haven against inflation that home property had in the Seventies and Eighties; very little social housing; a broad tolerance of unauthorized construction (Poggio 2009). Regarding middle classes, we can especially point out that home-ownership is: i) a means to obtain a middle class status; ii) one of the leading markers of the transition to adulthood for middle class youths (Bagnasco 2008); iii) a differential resource for certain fractions of the middle classes (Devine and Savage 2005, Savage et al. 2005, Bennett et al. 2009, Wolff and Zacharias 2013, Filandri and Olagnero 2014). In

[5] We do not expect to find macro-changes, inasmuch as the wealth trend is highly inertial. However, limited changes in the amount of wealth are also significant, since they tend to be irreversible, especially when they occur in conjunction with economic crises. Therefore, changes in the amount of wealth could generate a significant effect on the macro scale, although limited on micro scale. In addition, restricted erosion of wealth may suggest long-term trends that are consolidating.

this perspective, therefore, we will observe:

3. if there are differences between classes in relation to the incidence of home-ownership on their total wealth; if so, have those differences changed since the pre-crisis years till now?

2. Data, variables, and method

In order to analyze wealth inequality in Italy by focusing on the differences between and within social classes, we will refer to the Survey of Italian Household Income and Wealth (SHIW) data. SHIW is an Italian survey administrated by the Bank of Italy. The dataset contains detailed information on household composition, age, education, labour market variables, individual and household income, savings, and consumption. Information on credit, transfers, and insurance is also included. The survey provides two-year cross-sectional data from 2002 to 2012, each time including approximately 8,000 households (24,000 individual observations). Since our analysis focuses on the households[6] to which we can attribute the social class, the sample went from 8,000 to about 4,700 observations each time.

As mentioned before, we have investigated the association between wealth and social class. Household wealth is defined as the total market value of dwellings, consumer durable goods, and financial assets, net of debts. In order to analyze change over time, for each of the years considered, the net wealth is deflated using the consumer price index elaborated by the Italian National Institute of Statistics[7].

The variable relating to the social class of the household is defined according to the occupational position of its members, according with a version of the European Socio-economic Classification

[6] In the Bank of Italy's survey, information on wealth is collected at the household level, since real and financial property are usually shared by all members regardless their individual formal ownership. This approach is consistent with our analysis framework, which focuses on the role of the family in the redistribution of wealth for the benefit of individuals.

[7] Details about the construction of the consumer price index and its use as a deflator index are available on the website of the Italian National Institute of Statistics: http://www.istat.it/en/archive/36294 (consulted on September 15, 2014).

(ESeC) (Whelan and Maitre 2013) and adopting a dominance criterion: each household is assigned the highest social class among its members, defined on the basis of their occupational status. We aggregate the occupational positions recorded by SHIW into a variable in four categories for social class: upper class, employed middle class, self-employed middle class, and lower class. For the reasons explained above, we have indeed dichotomized the middle class, distinguishing between employees in both the public and the private sectors on the one hand, and the self-employed on the other.

Availability of detailed data on wealth allows us primarily to assess its amount, trend, and distribution between and within social classes[8]. We then also analyze a relevant element of wealth's composition: home-ownership. In this case we select only households of those living in their own house, taking into account the home of residence. Firstly, we calculated the percentage of housing value on the total amount of net wealth. Then we dichotomized the variable, setting a threshold equal to the median of all households, therefore distinguishing between: 1) high impact of home-ownership in the household wealth; 2) low impact of home-ownership in the household wealth. The idea is to link the total amount of wealth with the value of the dwelling. If the impact is high, it means that the home-ownership represents the main part of the person's wealth. On the contrary, if the impact is low, the households have a relevant part of wealth that is not wrapped up in their own house.

In our analysis, we use logistic regression models to estimate the likelihood that the main part of the wealth comes from the value of the home. In order to take into account the changes over time, we run separate models, one for each year. Instead of reporting logit coefficients or odds ratios and their level of statistical significance, even though this is a well-established tradition in sociological research, we estimate the average effects, which are predictive probabilities based on a fitted model (see Appendix). They allow comparability across groups, and have an easy interpretation because they can be read as an average probability for each category (Wooldridge 2002, Bartus 2005). Every

[8] To analyze wealth distributions, we use the Gini Index calculation that allows zero and negative values. For comprehensive discussion see Cowell, Karagiannaki and McKnight (2012).

model is specified considering socio-demographic household variables on one hand, and the area of residence on the other. The control variables are: the presence of children, which was treated as dummy variable, by distinguishing between households with or without children; the number of earners within the household, which were articulated in three categories: no earner, one-earner, two or more earners; the size of the household, which is divided into five categories, from a one member household to households of five or more members; the household members: because the age of the members within the household may vary greatly, we use the age of the highest income earner by distinguishing three age ranges: 18-39; 40-54; 55-64, and; the residential location of the households, due to the fact that Italy is characterized by deep socio-economic territorial differences (Busso and Storti 2013). According to the literature, we distinguish three main areas: northern Italy, central Italy, and southern Italy.

3. Major findings

Is the economic downturn creating a sharp erosion of household wealth? The data of our sample allows us to investigate the effects of the crisis on wealth.

In table 1, we note first of all that during the considered period, Italian households have continued to report high net wealth, although in recent years the process of capital accumulation seems to be reducing. In fact, whilst the mean and the median value of wealth have reached different levels – an early indicator of an uneven distribution of resources – they have had a similar trend. They both increased during the pre-crisis years, until 2006, then they suffered a setback.

Another important signal is the significant rise in the percentage of households with zero or negative worth, as well as in the Gini index. In other words, although the total wealth remains quite high, the crisis seems to have exacerbated inequalities, increasing the number of households with debts equal to or greater than the value of their real estate and financial assets.

Table 1. The Wealth of Italian Households: Mean and Median Wealth, Proportion of Households with no Wealth, and Gini Index. 2002 to 2012.

	2002	2004	2006	2008	2010	2012
Mean	240.7	254.1	280.7	277.2	293.0	265.3
Median	146.5	160.9	174.0	168.5	177.7	147.6
Percent with no wealth*	4.2	5.0	4.5	6.0	6.2	8.1
Gini index	0.61	0.61	0.62	0.63	0.64	0.66
N	4849	4.823	4.646	4,698	4.651	4.547

** Households with zero or negative worth.*

We can now assess whether the social class of the household plays a role in this process. Table 2 highlights that there are relevant differences in wealth between classes. As might be expected, the upper and the lower classes are respectively in the best and in the worst position according to almost all of the considered measures. In detail, the upper class shows the highest mean and median wealth, as well as the lowest percentage of households with no wealth, and an intermediate level of internal inequality. Conversely, the lower class has an extremely high share of households whose total assets have a value of zero or negative (more than 16% in 2012), and an asymmetric distribution of resources within the class. We also note that the overall performance of the lower class households has progressively worsened since the advent of the crisis, thus signaling a strong impact of the economic situation on these households.

Focusing on the middle classes, we observe that some differences occur between the two social groups we considered. The employees and the self-employed showed a gap in the total amount of their wealth, with an advantage for the latter. This distance remained stable over time. Nevertheless, the inequality within each class has very different trends. In fact, the Gini index of the employed middle class was essentially flat from 2002 to 2012, while that of the self-employed relevantly increased in recent years.

We can then argue that the crisis has slowed down the process of wealth accumulation for the employed middle class in a generalized way, without thereby accentuating inequalities. On the contrary, within the self-employed class the deteriorating economic situation reflects in a deeper disparity between households. It seems therefore that the crisis has led to start a process of polarization of the self-employed class, in a way making the two middle classes even more distant from one another.

Some assumptions about the reasons for this difference in inequality within the two middle classes will be extended in the concluding section of this paper. Here we are just introducing some points for reflection, referring to the fact that despite the crisis, employees continue to occupy a relatively protected position, not least due to the robustness of their placing in the Italian labor market. Conversely, the worsened economic situation may have further accentuated the differences in such a heterogeneous class as the self-employed one, which includes artisans, retailers, and small businessmen, as well as young free lancers and "bogus self-employment" (for example, workers forced into self-employment by outsourcing and cooperating with a very few numbers of suppliers, in some cases only one).

Table 2. The Wealth of Italian Households by Social Class: Mean and Median Wealth, Proportion of Households with no Wealth, and Gini Index. 2002 to 2012.

	2002	2004	2006	2008	2010	2012
Upper class						
Mean	549.9	552.8	583.5	625.8	681.9	667.4
Median	308.0	321.6	344.5	394.8	419.6	411.5
Percent with no wealth*	3.1	1.2	2.8	1.3	1.6	1.3
Gini index	0.58	0.58	0.59	0.55	0.57	0.58
Empl. middle class						
Mean	215.4	229.6	267.2	283.6	265.0	239.2
Median	167.2	186.3	210.3	210.3	211.7	188.0
Percent with no wealth*	1.9	2.9	2.8	3.2	2.6	3.7
Gini index	0.53	0.50	0.52	0.54	0.51	0.52
Self-empl. middle class						
Mean	341.5	388.5	415.8	397.9	448.8	473.0
Median	224.7	241.7	242.5	262.4	254.4	251.6
Percent with no wealth*	1.4	1.8	2.0	2.9	3.5	3.4
Gini index	0.53	0.54	0.62	0.55	0.63	0.62
Lower class						
Mean	94.1	104.8	124.5	105.3	113.2	94.3
Median	45.8	39.4	64.5	32.7	32.8	18.8
Percent with no wealth*	9.2	10.9	8.3	11.8	12.8	16.1
Gini index	0.64	0.67	0.64	0.67	0.67	0.70

** Households with zero or negative worth.*

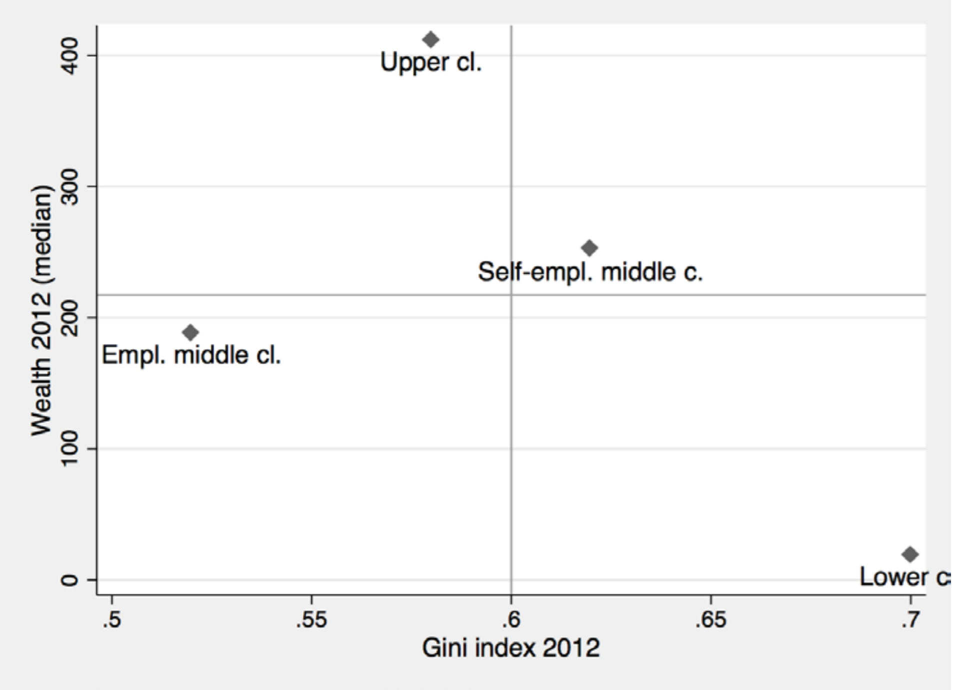
In order to have a synthetic picture of this scenario, we plotted the differences in the median wealth ratio on total median wealth and the Gini index between 2002 and 2012 (figure 1). As we can see, the upper class is in the most advantageous position, since it has increased its wealth ratio while maintaining the internal inequalities stable. From this point of view, the crisis does not seems to have a relevant impact on these households. Moreover, in appearance some widely discussed questions such as the so called "rise of the super-rich" (Godechot 2012), causing a polarization between those who have more economical resources, do not have an empirical correspondence (perhaps also because this trend is hardly observable through a survey). On the other hand, the lower class shows a critical profile, having its wealth diminished from 2002 to 2012 and at the same time having increased its level of internal inequality. Therefore, the crisis has caused not only a general impoverishment for these households, but also a deeper gap between those who are able to deal with the changed situation and those who are seeing their wealth gradually erode (for example, because it must be used to cope with prolonged periods of unemployment or a temporary layoff).

Figure 1. Differences in the Median Wealth Ratio on Total Median Wealth, and the Gini Index between 2002 and 2012 by Social Class of the Household.

Figure 1 also highlights the distinction between the two middle classes. In this regard, the employees' group is not so dissimilar from the upper class, with no increase in internal inequality from 2002 to 2012 and a positive wealth ratio, even if at a considerably minor level. On the contrary, the self-employed middle class shows peculiar characteristics: during the considered period it increases the asymmetry in the distribution of the economic resources, as does the lower class, but at the same time it exhibits a level of wealth higher than that of the employed middle class.

We can summarize the empirical findings shown in table 2 and figure 1 by building up a "social space" with two cartesian axes: the first relying on the level of wealth, which can be read above, and the overall mean below; the second relying on the level of wealth inequality, which can also be read above and the mean below. Within this space, we can situate the four classes we are focusing on (figure 2). The proposed classification has a simply heuristic meaning, in order to highlight the different position and profiles of the classes. The values on the axes should be therefore interpreted in relative terms, taking into account the existing differences in the distribution and amount of wealth of the social groups.

Figure 2. Wealth Amount and Wealth Inequality: Four Social Classes' Position.



Moving to the second step, we focus on one of the most important aspects of wealth: its composition. As we have seen in section 1, there is a close connection between wealth and home-ownership. Moreover, home-ownership is the main component of the wealth of Italian households. In this connection, our data shows that there is a peculiar unequal distribution among social classes.

In summary, table 3 shows two different home-ownership orientations. The first one concerns the lower class, which has a relatively small rate of owners, slightly above 50% in the pre-crisis years and which has fallen below this threshold with the worsening economic situation. The second one concerns the other three social groups – the upper, the employed, and the self-employed middle classes – which exhibit high home-ownership rates, between 70 and 80% in each year under observation, though with some inter-groups differences.

Therefore, on the one hand there is a consistent gap in the home-ownership rate between the lower class and the other ones. This difference is attributable also to the fact that the housing price per square meter is not compressible below a certain threshold (see table 4). In other words, the access to the home-ownership requires a starting amount of wealth[9]: this constitutes a barrier for the households who are in the most disadvantaged situations[10]. On the other hand, the diffusion of home-ownership seems to be a relatively unifying feature of the upper and the middle classes.

Table 3. Home-Ownership Rate by Social Class of the Household with the Average Housing Value per Square Meter in Parentheses. 2002 to 2012.

	2002	2004	2006	2008	2010	2012
Upper class	78.4 (2.260)	69.3 (2.590)	79.2 (2.950)	80.1 (2.900)	77.6 (2.970)	78.3 (2.530)
Empl. middle class	71.7 (1.920)	72.6 (2.360)	73.6 (2.680)	74.3 (2.580)	76.1 (2.530)	75.8 (2.290)
Self-emp. middle class	75.9 (1.780)	72.0 (2.170)	70.3 (2.390)	73.4 (2.320)	69.0 (2.290)	70.9 (2.170)
Lower class	52.2 (1.530)	50.0 (1.840)	51.8 (2.080)	48.4 (2.050)	48.1 (2.040)	46.9 (1.920)

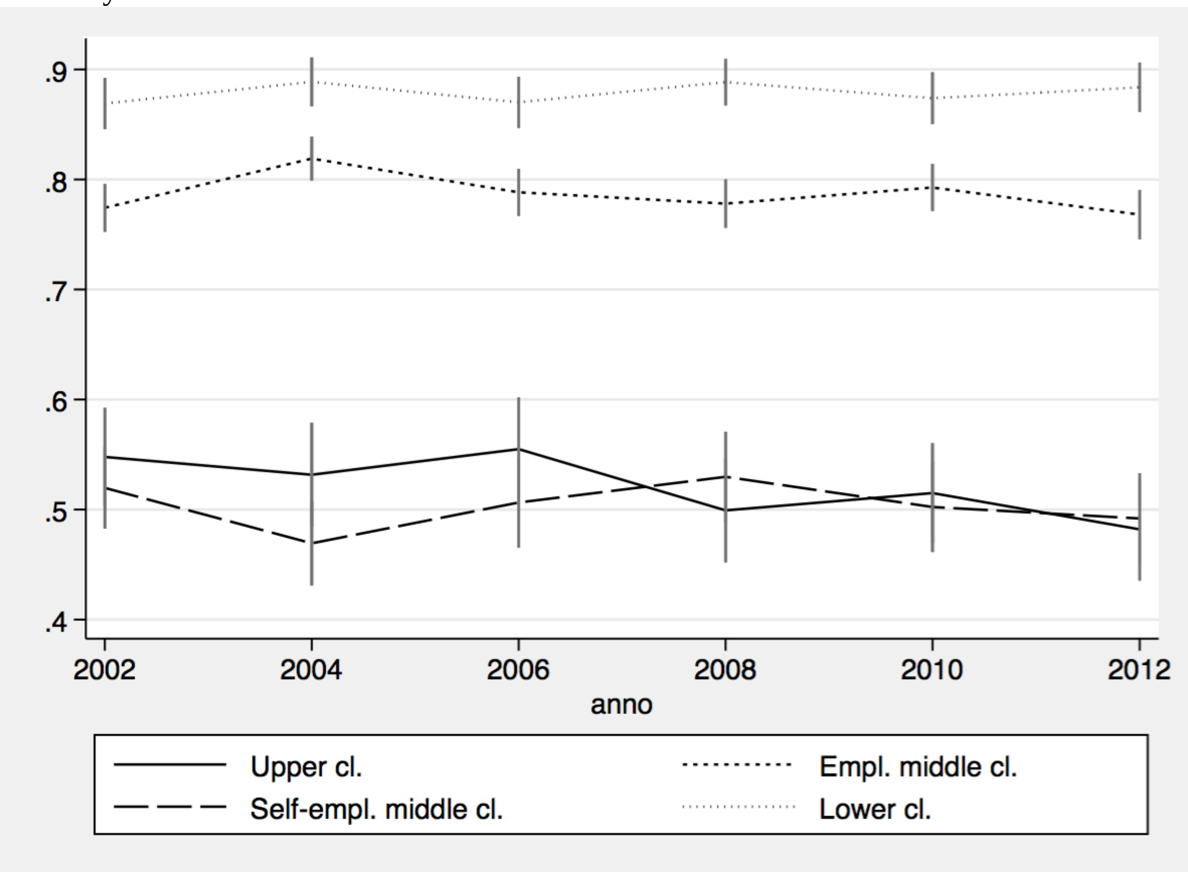
However, if we focus on the likelihood of having a wealth consisting mainly in the value of the

[9] This is true also because of increasing difficulties in having access to credit for the households. Besides this, even in the cases in which the home-ownership takes place through a mortgage lending, a starting capital is required, since the amount of the loan granted by banks constitutes only a percentage of the housing price.

[10] Of course, the barrier to home-ownership for the households with fewer economic resources also depends on the fact that even the floor area of a dwelling is not compressible below a certain threshold, namely a consistent starting capital is required if the lower class households are also oriented towards the purchase of small houses. That said, among the dimensions that highlight the unequal allocation of economic resources between social classes, the average size of the houses and the square meters available for each member of the household are particularly significant.

home dwelling, we see a complex scenario. The results emerging from logistic regression models highlight that upper class and the self-employed middle class households have more chances to get a relevant part of their wealth from other assets than just home-ownership (see figure 3 and Appendix). Conversely, the wealth of the lower and employed middle classes is more likely to be monopolized by the value of their home-property. Thus, what emerges is that the upper class and the self-employed class "keep their distance" from the employed middle class and the lower class with regard to having access to wealth not connected to the value of the home. In the next section, we will propose some considerations on the opportunities and risks associated with a high proportion of household wealth tied up in real estate.

Figure 3. Average Probability of Having the Main Part of the Wealth Derived from the Value of the Home by Social Class.



4. Conclusion

In this paper, we assumed that wealth is an increasingly good proxy for observing several dynamics concerning social inequality between and within social classes. In this perspective, we investigated the medium-term trends in the association between wealth and social classes, particularly focusing on the middle classes.

With regard to our first research question – pertaining to the distribution of wealth between social classes – we found several reliable results. In comparing the years before and after the beginning of the crisis, the mean and the median value of wealth strongly increases for the upper class, while they decrease for the lower class. The middle classes remain firmly placed at the center of the social stratification range, showing a moderate growth in the total amount of their wealth. The relative distance between the two main segments of the middle classes – the employed and the self-employed ones – remains basically stable, but the overall distribution of wealth tends to stretch, due to the reciprocal spacing of the upper and the lower social groups. What is more, the lower class is losing ground even in relation to the middle classes.

With regard to our second research question – pertaining to wealth within social classes – we observed that the class in which there is a more unequal distribution of wealth is the lower one, with an increasing trend over time. In this respect, we can assume a crisis effect: in the Italian labor market, the loss of a job often results in long-term unemployment, especially for those with scarce resources of human capital and prior unskilled work experiences (Tronti and Gatto 2012). These households deal with the unemployment condition by using their (already small) wealth resources. Instead, the distribution of wealth among the upper class is stable. Finally, from our point of view, what happens within the middle classes is relevant. Characterized by a similar internal distribution of wealth at the beginning of our period of observation, now the middle classes diverge: the inequality level is relatively low and stable within the employed middle class, while it is higher and growing within the self-employed group. Thus, in this phase of economic turmoil we see the aggregate effect of several trends at work, which likely operate at the micro level. Specifically, the cleavage between the employed and the self-employed has had an effect on the processes of accumulation of wealth. In particular employees, who usually occupy more consolidated positions, seem to have been affected by the crisis in a uniform and non-dramatic way. Conversely, the self-employed middle class suffers more due to the market tensions: with regard to the distribution of wealth, this group has differentiated internally, but has not fallen (we have already said that its median wealth increases). As already mentioned, it is plausible that some typical figures of the self-employed middle class are suffering in this regard: young professionals, those who are highly skilled and involved in volatile markets such as the services sector and the knowledge economy; some workers in traditional sectors, such as urban retail; small entrepreneurs in some district areas. These types of self-employed workers have seen the profit margins of their activities diminish and have therefore experienced a decline in their saving capabilities; sometimes they have affected their accumulated wealth in the effort to give fresh impetus to their activities through new ad hoc investments.

With regard to our third research question – pertaining to the incidence of home-ownership on wealth composition of the social classes – the findings show that home-ownership is widespread among the upper and middle classes. Conversely, the lower class is characterized by a housing property threshold which is much more lower than that of the other classes. The crisis has further lowered this threshold. Regarding to home-ownership value on the total amount of wealth, our results show profound differences between the middle classes. The self-employed middle class has a relevant part of wealth which is not invested in home-ownership, and from this point of view, is quite similar to upper class. Instead, the employed middle-class has most of its wealth “frozen” in home-ownership. These findings suggest several broader considerations. In connection to home-ownership, the middle classes show different compositions of wealth, which could also entail different ways and opportunities in dealing with difficulties during economic crises. In further detail, we can argue that wealth composition of the employed middle class is scarcely suitable for counteracting the recession phases of an economic cycle. In fact, from a micro standpoint, this kind of wealth cannot be easily converted into cash, all the more so during economic crises. From a macro standpoint, moreover, a high rate in home-ownership wealth creates a sort of lack of “free” resources to be pumped into the markets in order to stimulate the economy. In a nutshell, the widespread of home ownership could have a dual effect. On the one hand, it makes the overall wealth of the Italian middle classes stable, since it is only slightly exposed to financial market turmoil. On the other hand, it produces a perverse effect, by thus weakening the territorial, social and economic dynamism.

Lastly, could there be a decline of the Italian middle classes due to a polarization process in social stratification? Our findings do not corroborate this thesis. Rather, we have noticed several trends having social consequences in the medium to long term, which are still unforeseen. In a nutshell, analysing the wealth of social classes we highlight: i) a social splitting process; ii) a growing differentiation within the self-employed middle class (as well as within the lower class). On the contrary, we find out a greater and more persistent equality in wealth distribution within the employed middle class. With this in mind, we can assume that the specific job position in the labor market will further upset the social field of middle classes, differentiating those who climb the social ladder, showing capacity to consolidate their wealth, from those who slide down. Hence, this paper also suggests further empirical in-depth analysis, for example by distinguishing within the employed middle class between workers in private and public sectors; by taking more carefully into account wealth accumulation trends in young middle class households; by analyzing the “home-ownership career” of the social classes. In this connection, it could be interesting to investigate if, with the prosecution of the economic crisis, housing conditions of the middle classes are getting worst, for example, due to an increasing difficulty to cope with the housing costs, and to the not uncommon return of young adults to living in the parental home. Moreover, the empirical findings of the paper suggest a last broader consideration. The growing distancing between the extreme strata of society (i.e. lower class and upper class) and the growing inequality within the self-employed middle class could enhance a process of “balkanization” of the Italian society, thus by creating new forms of social inequalities. Moreover, given the low rate of relative social mobility in

Italy (Barone, Lucchini and Schizzerotto 2011), the new emerging forms of social inequality tend to become persistent due to an inter-generational transmission process. As result, this process could further jeopardize the social cohesion. Avoiding this outcome is mainly a political challenge.

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Appendix: Logistic Regression Models

Table A. Logistic Regression Models on the Likelihood of Having the Main Part of the Wealth Derived from the Value of the Home by Social Class. Odds Ratio, Standard Errors and Z Score. 2002 to 2012.

	2002			2004			2006			2008			2010			2012		
	OR	SE	Z	OR	SE	Z	OR	SE	Z	OR	SE	Z	OR	SE	Z	OR	SE	Z
Class of the household																		
Upper class	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-
Empl. middle class	2.93	0.34	9.30	4.16	0.51	11.65	3.09	0.38	9.31	3.67	0.44	10.81	3.77	0.45	11.22	3.75	0.45	11.10
Self-empl. middle class	0.89	0.11	-0.95	0.77	0.10	-2.00	0.82	0.11	-1.52	1.14	0.15	0.96	0.95	0.12	-0.41	1.04	0.14	0.31
Lower class	5.75	0.82	12.23	7.43	1.15	12.95	5.63	0.83	11.74	8.48	1.27	14.31	6.92	1.02	13.18	8.77	1.33	14.37
Age of the household																		
18-39 y.o.	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-
40-54 y.o.	0.85	0.10	-1.39	0.66	0.09	-3.17	0.65	0.09	-3.06	0.69	0.10	-2.57	0.54	0.08	-4.04	0.62	0.09	-3.15
55-64 y.o.	0.60	0.08	-3.76	0.52	0.08	-4.47	0.51	0.08	-4.37	0.48	0.08	-4.61	0.35	0.06	-6.33	0.44	0.07	-5.03
Area of residence																		
Northern Italy	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-
Center Italy	1.21	0.13	1.81	1.00	0.11	0.02	1.08	0.12	0.68	1.06	0.12	0.48	0.80	0.09	-2.07	1.11	0.12	0.96
Southern Italy	1.41	0.14	3.42	1.19	0.13	1.61	1.28	0.13	2.35	1.07	0.11	0.68	1.11	0.11	0.96	1.18	0.12	1.63
Childlessness																		
Yes	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-
No	0.99	0.12	-0.06	0.92	0.12	-0.67	1.28	0.16	1.93	1.33	0.17	2.23	0.98	0.13	-0.16	1.27	0.16	1.85
Size of the household																		
1 member	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-
2 members	0.61	0.15	-2.05	0.81	0.18	-0.94	0.88	0.19	-0.59	1.03	0.21	0.12	1.29	0.26	1.25	1.06	0.21	0.30
3 members	0.72	0.17	-1.35	0.76	0.17	-1.22	0.80	0.18	-1.00	0.99	0.21	-0.05	1.46	0.30	1.85	1.07	0.22	0.33
4 members	0.67	0.17	-1.61	0.90	0.21	-0.44	0.78	0.18	-1.11	1.01	0.23	0.04	1.38	0.30	1.48	1.00	0.21	-0.02
5 or more members	0.90	0.25	-0.38	0.86	0.24	-0.54	1.01	0.28	0.03	1.33	0.36	1.04	1.67	0.44	1.95	0.94	0.24	-0.25
Number of earners																		
One	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-	1	-
Two	0.77	0.09	-2.21	0.83	0.10	-1.53	0.95	0.12	-0.43	0.81	0.10	-1.66	0.70	0.09	-2.89	0.62	0.08	-3.79
Three or more	0.58	0.09	-3.65	0.54	0.08	-3.94	0.71	0.11	-2.18	0.71	0.12	-2.12	0.65	0.11	-2.67	0.58	0.09	-3.38
Constant	2.42	0.56	3.84	2.51	0.55	4.23	2.12	0.45	3.53	1.55	0.33	2.09	2.08	0.44	3.46	1.84	0.39	2.84