Inequality and voting in Italy's regions



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The political consequences of inequality

- In advanced countries increasing inequalities, social polarisation, political upheavals post 2008
 - Growing literature on the determinants of 'populism' (often left-right together)
- Political, ideological and cultural factors are key;
 what about economic conditions, inequality?

Analysis of Italy's regions, 1994-2018

Francesco Bloise, Daniela Chironi, Mario Pianta, Inequality and voting in Italy's Regions, submitted to Territory, Politics, Governance, special issue with papers from conference at SNS Florence 2018

1. Italy's long crisis and its effects

- Slow growth since 1992, slower since 2000, crisis after 2008, 2011, stagnation and no recovery
- Loss of 25% of industrial production (but surplus in foreign trade balance)
- Effect of EU austerity policy

 New hierarchy in centre-periphery Europe
 (Celi et al. 2018, Crisis in the EU monetary union)

GDP per capita, real terms, PPS EU28





No income growth, more inequality

Employee gross income, 1994-today (INPS data)

- Falling real incomes
- Only the top 10% keeps real incomes
- Poorer income groups lose more
- From poor to rich, Greater inequalities
- More precarisation
- SHIW household survey
 - High and stable overall wealth inequality
 - Greater financial wealth inequality

Italy, Employee income in real terms, 1994=100



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Italy's elephant curve, 1994-2016

% variation of labour earnings by decile (1994-2016)



Share of temporary workers (%) 30 -25 -20 -15 -10 -5 -

Т

2003

2002

Т

2004

Т

2005

1

2006

2007

2008

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1998

1999

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2000

2001

0 -

2014

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Wealth inequality in Italy, Gini coeff.



Source: Elaborations on the Bank of Italy's Survey on Household Income and Wealth (SHIW)

2. Europe's political upheaval

- Crisis of mainstream parties and rise of challengers
- Interdisciplinary studies linking inequality and voting trends ≠ class voting approach
- Role of income and wealth
- Piketty (2018, 2019): from class-based party systems (50-60) to multiple elites ones (2000-2010); education

A populist wave?

- Crisis of two-party systems
- The concept was overstretched
- Reasons for populism = CRISIS
 - Political (lack of responsiveness)
 - Cultural (conservative backlash)
 - Economic (insecurity of the left-behind)
- Political + economic crises (es. Kriesi & Pappas 2015)

Inequality and Populism

- Acemoglu et al. 2013, formal models,
 Populism as pro-redistribution positions
- Guiso et al. 2017, populism arises from the demand for short-term protection policies.
 Post-2008 (economic distress + mistrust)
- Algan et al. 2017, post-2008 increases in unemployment
- Rise of radical right (related to income inequality, and 'positional deprivation')

3. The political consequences of Italy's long crisis

Impoverishment, inequality and the reactions Major political changes

- 1994: start of 'Second Republic', victory of Berlusconi
- 2018: political elections with boom of Five Star Movement and Govt with Lega
- 2019: European elections with boom of Lega, now in opposition

Political outcomes

Voting trends in Italian regions from 1994 to 2018; Specifically:

Non-Voting

- Vote for **Mainstream Parties** (Forza Italia + Democratic Party + Centrist Parties)
- Vote for Centre-right, Centre-Left
 - Vote for the Lega
- Vote for the **Five Star Movement** (M5S)

We define Lega and M5S as challenger parties, and we put in question the notion of **populist wave.**

Electoral Outcomes in 2018 by Region, Share of Electors Mainstream parties Non voters

Share of Non-Voters in 2018 elections



Share of electors who voted for Mainstream Parties in 2018 elections



Lega

Five Star Mov.

Share of electors who voted for Lega in 2018 elections



Share of electors who voted for M5S in 2018 elections



Key drivers

- **Inequality** (employee incomes, household net income)
- Changes in Incomes
- Wealth Levels
- Precarisation of Jobs
- Unemployment

Strong regional diversity

Database combines data from INPS Losai and Bank of Italy SHIW with SNS voting database

Data

SNS electoral database:

Information on 7 rounds of parliamentary elections (1994, 1996, 2001, 2006, 2008, 2013, 2018) Shares on total electors (not voters)

INPS LoSai database:

Information on employees' wages in the private sector from 1993 to 2016

Bank of Italy's Survey on Household Income and Wealth (SHIW)

Information on Italian households and individuals interviewed every 2 years; waves from 1993 to 2016

Level of Analysis

For descriptive purposes, Italian regions are grouped in:

- **Metropolitan regions** (Piedmont, Lombardy, Liguria, Latium)
 - (highest income levels and high inequality)
 - **Third Italy regions** (Trentino, Veneto, Friuli, Emilia Romagna, Tuscany, Umbria, Marche) (intermediate income levels and lower inequality)
- **Southern regions** (Abruzzo-Molise, Campania, Puglia, Basilicata-Calabria, Sardinia, Sicily) (lowest incomes and highest inequality)

Non-Voting and Voting for Mainstream Parties

Votes for Lega and M5S



Share of Electors, 1994-2018 by Area

Employee Income 1993-2016; High (P90), Median (P50), Low (P25) Incomes, by Area



Graphs by area

Gini Index of Inequality in Household Incomes, 1993-2016, by Area



Graphs by area

Shares of Non-Voters and Employees in Relative Poverty in Regions, 1993-2018



Shares of Non-Voters and Gini Index of Inequality in Household Incomes



Shares of Voters for Mainstream Parties and Mean Household Net Wealth, 1993-2018



Centre-left and avg. wealth



Centre-left and part time



Centre-right and part time



Centre-right and p50-p25



Shares of Voters for Lega and ratio of Median Employee Incomes to Incomes of Poor Employees



Shares of Voters for the M5S and Shares of Part-Time Employees in Regions, 1993-2018



2018 5Stars Vote Lowest wage workers

(% Camera)



[49,09% 73,61%] [44,13% 49,09%) [37,91% 44,13%) [32,42% 37,91%) [25,77% 32,42%) [21,57% 25,77%) [18,01% 21,57%) [0,00% 18,01%)

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Bloise, Pianta, Raitano, 2018

2018 5Stars Vote Temporary workers



Inequality and Voting in Italy's Regions, 1

	Non-Voters	Mainstream	Lega	M5S
Gini index on disposable income (t-1)	0.152	-0.607**	0.081	0.008
	[0.113]	[0.261]	[0.215]	[0.564]
Share of rich employees (t-1)	0.867**	0.778	-2.936***	6.399
	[0.405]	[0.938]	[0.771]	[6.445]
Shares of employees in relative poverty (t-1)	0.815***	-1.250**	-0.828	7.261*
	[0.266]	[0.614]	[0.519]	[3.590]
Median employee income log (t-1)	0.197	-1.062***	0.488*	1.081
	[0.140]	[0.323]	[0.260]	[1.980]
Mean of net wealth log (t-1)	-0.004	0.111***	-0.067**	-0.022
	[0.016]	[0.037]	[0.031]	[0.049]
Share of partime employees (t-1)	0.284***	-1.217***	0.508***	1.079**
	[0.097]	[0.224]	[0.181]	[0.332]
Unemployment rate (t-1)	0.201**	-0.428*	0.258	-0.194
	[0.096]	[0.222]	[0.201]	[0.247]
Regional fixed effects	YES	YES	YES	YES
Period dummy	YES	YES	YES	YES
Obs.	119	119	88	34
R-squared	0.907	0.761	0.786	0.920

Inequality and Voting in Italy's Regions, 2

	Non-Voters	Mainstream	Lega	M5S
Gini index on disposable income (t-1)	0.220*	-0.737***	-0.001	0.069
	[0.116]	[0.278]	[0.219]	[0.728]
P90/P50 for employee income (t-1)	0.061	-0.066	-0.190**	0.632
	[0.044]	[0.105]	[0.093]	[0.602]
P50/P25 for employee income (t-1)	0.055**	0.058	-0.202***	0.573
	[0.026]	[0.061]	[0.054]	[0.345]
Mean of net wealth log (t-1)	-0.021	0.180***	-0.086***	0.004
	[0.015]	[0.035]	[0.028]	[0.060]
Share of partime employees (t-1)	0.215**	-0.566***	0.305	1.655**
	[0.086]	[0.206]	[0.184]	[0.712]
Unemployment rate (t-1)	0.15	-0.333	0.277	-0.072
	[0.100]	[0.238]	[0.201]	[0.322]
Regional fixed effects	YES	YES	YES	YES
Period dummy	YES	YES	YES	YES
Obs.	119	119	88	34
R-squared	0.900	0.723	0.775	0.859

Inequality and Voting in Italy's Regions, 3

	Non-Voters	Mainstream	Lega	M5S
Gini index on disposable income (t-1)	0.247**	-0.629**	-0.053	-0.59
	[0.115]	[0.278]	[0.225]	[0.382]
Change in P90 employee income, log(t)-log(t-2)	-0.472***	0.224	0.585	1.024
	[0.162]	[0.391]	[0.504]	[1.841]
Change in P25 employee income, log(t)-log(t-2)	0.008	-0.447*	0.698***	-0.688*
Change in median amplexes income log(t) log(t	[0.093]	[0.226]	[0.254]	[0.365]
<pre>change in median employee income, log(t)-log(t- ?)</pre>	0.015	0.368	-0.938**	1.872***
	[0.180]	[0.434]	[0.362]	[0.386]
Mean of net wealth log(t-1)	-0.022	0.152***	-0.096***	0.041
	[0.015]	[0.037]	[0.030]	[0.027]
Share of partime employees (t-1)	0.275***	-0.472**	-0.305	-0.357
	[0.078]	[0.189]	[0.200]	[0.904]
Unemployment rate (t-1)	0.162	-0.405*	0.346	-0.126
	[0.098]	[0.235]	[0.214]	[0.185]
Regional fixed effects	YES	YES	YES	YES
Period dummy	YES	YES	YES	YES
Obs.	119	119	88	34
R-squared	0.906	0.736	0.771	0.976

Summary of results

Share of non-voters is associated to overall inequality, polarisation of incomes (more rich/poor employees compared to country), high part-time jobs and unemployment.

Vote for mainstream parties is linked to average net wealth increases, negative effect of concentration of poor employees, lower median incomes, higher part-time, unemployment.

Results, 2

Voting for **Lega** is greater where incomes of middle classes get closer to the poor, lower presence of the richest employees, lower average wealth, larger part-time.

Voting for the **Five Star Movement** is characterized by income poverty and precarisation.

	CENTRE-LEFT		CENTRE-RIGHT			
	ALL	PERIOD 1	PERIOD 2	ALL	PERIOD 1	PERIOD 2
L.p50_p25	-0.06	-0.156***	-0.254***	-0.112*	-0.043	-0.260***
	[0.056]	[0.050]	[0.037]	[0.056]	[0.077]	[0.077]
L.gini_shiw	-0.224	-0.723***	0.17	-0.246*	0.302	-0.426**
	[0.310]	[0.141]	[0.110]	[0.118]	[0.191]	[0.172]
L.I_median_w	0.148***	0.018	0.017	-0.01	-0.042	-0.078
	[0.033]	[0.038]	[0.016]	[0.028]	[0.036]	[0.046]
I_median_lab	-0.23	-1.052***	-0.256***	0.212	0.796*	0.227
	[0.138]	[0.205]	[0.076]	[0.173]	[0.403]	[0.236]
L.partime_share_inp	-0.287**	0.962***	-0.961***	-0.789***	-0.403*	-1.067***
	[0.125]	[0.167]	[0.083]	[0.090]	[0.227]	[0.135]
L.emp_rate_shiw	0.511***	-0.535***	0.237*	0.118	0.152	-0.039
	[0.171]	[0.156]	[0.119]	[0.100]	[0.168]	[0.111]
L.rich_share_inps	1.181	5.549***	0.621	-2.227***	-3.846***	-1.055
	[0.825]	[0.798]	[0.949]	[0.731]	[1.009]	[1.396]
L.grad_share_shiw	0.29	-0.054	-0.131	-0.242	-0.057	-0.003
	[0.381]	[0.328]	[0.287]	[0.313]	[0.328]	[0.361]
Ν	119	68	51	119	68	51
r2	0.644	0.764	0.937	0.766	0.628	0.884

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Centre-right, Centre-left (%voters)

- **Centre-right** voting linked to impoverishment: negative with share of rich; positive when incomes of the middle classes get closer to the poor, and with lower Gini; negative with part time
- **Centre-left** voting is driven by avg. wealth, high employment rates, low precarisation. In the 2 periods: positive when low median wages, incomes of the middle classes get closer to the poor. Empl, part-time switch in 2008: before positive with low employ, high part-time. Before 2008: positive with rich share

Conclusions

- Inequality and economic conditions are important in shaping voting in Italy
- Large upheaval, shift of social bases, wealth matters, relative positions too (no education)
- No 'populism': different economic and social factors associated to the rise of 'challengers'
 - Important effect of **2008** crisis in shifting relationships
- Strong regional divides 26/10/2020