

Has the High Rate of Home Ownership in China Affected Residents' Subjective Evaluation of Social Status?

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Abstract. Objective measures of social status based solely on socioeconomic resources have inherent limitations, impeding an accurate assessment of residents' social status issues. As a result, subjective social status has gained considerable significance in the maintenance of social order and stability. Using 2018 China Family Panel Studies (CFPS) data, we employ the Probit model to empirically examine the effects of home ownership in China on their subjective social status and their influencing mechanism. Our findings indicate that individuals with housing have higher subjective evaluations of their social status compared to individuals without home ownership, and individuals with multiple suites have higher happiness and life satisfaction. Further mechanistic analysis revealed that individuals with home ownership were able to accumulate household wealth and alleviate the sense of relative deprivation compared to individuals without home ownership, thus enhancing their subjective evaluations of their social status.

Keywords: Home Ownership; Subjective Social Status; Wealth Effect.

1. Introduction

Social status pertains to the level of respect and admiration an individual receives from others, highlighting the degree to which individuals are accepted and acknowledged by their peers within society (Goldthorpe & Hope, 1974). Social status is bestowed upon individuals by members of their community, encompassing both subjective and objective dimensions. Objective social status pertains to the tangible, measurable indicators of an individual's social standing, primarily based on socioeconomic resources. However, focusing solely on objective measures neglects the broader aspects of human life beyond material deprivation. In contrast, subjective social status reveals a more comprehensive and truthful state of individuals' social standing in the social ladder.

Home is the largest asset for most households, and it signals not only the social status of the owners, but also their reputation and prestige (Copper, 1974; Gross et al., 1980). In China a house is a means of investment rather than a mere living space, and it plays a complicated role in social stratification and class conflicts (Liu & Hu, 2010). Zuyun L & Xiaoping Mao (2012) argued that financialization has exacerbated inequality in property ownership, and that inequality in home ownership has become a vital sign of wealth divide in China. Home ownership positively affects the subjective feelings of the owners, since it provides them with life chances that would not have been accessible without owning a house. For instance, access to education, medical treatment and household registration ("hukou") is conditioned on the ownership of a house. Home owners have priority over non-owners in their access to public facilities. In contrast, it is difficult for tenants' children to have access to high-quality educational resources.

In this paper we have explored the relationship between the extent of home ownership and the perception of subjective social status in China. For estimation of that relationship, we have applied the IV probit model to China Family Panel Studies (CFPS) data in 2018. The IV probit model is suitable for dealing with the endogeneity problem of variables that we have encountered in our analysis. From the estimation results we have inferred that the ownership of real estate property can significantly increase the perception of subjective social status through the wealth effect arising from the ever-increasing home prices. Our findings implicate that it is essential to make efforts to

reduce inequality in home ownership, and implement policies that would secure a balance between tenants and owners in their access to real estate.

This paper contributes to the literature in three important ways: First, this paper is the first attempt to show that home ownership plays an important role in increasing the subjective feeling of social status. In previous studies, few attempts have been made to relate home ownership to subjective social status. However, we have shown in this paper that the ownership of real estate has significantly improved the feelings of subjective social status. Second, this paper is the first attempt to explore the relationship between the ownership of real estate and the perception of subjective social status in developing countries. Accordingly, the findings in this paper could provide information that could be used in the formulation of real-estate policy in developing countries. Third, this paper has adopted an innovative empirical strategy, in which multiple checks have been made to enhance the effectiveness of the instrumental variables and to secure the robustness of the estimates.

The rest of the paper is organized as follows: in the next section, we review the literature review. In Section 3, we present the data, and specify the econometric model. Section 4 discusses the empirical results of our investigation, discusses the endogeneity issues, and makes the robustness checks. The final section provides conclusion and policy suggestions.

2. Literature Review

2.1 Related Studies on Subjective Social Status

Jackmans initially introduced the research on subjective social class identity, who believe that subjective social class identity is "*an individual's perception of one's position in the social class.*"(Jackman & Jackman,1973) Since then, research on subjective social class identity has indeed expanded significantly. Academic studies on subjective social status identification have been categorized into three main aspects. Firstly, the studies have examined individuals' subjective social status characteristics. While research has identified differences in subjective social status among individuals(Shaked et al., 2016), overall societal subjective social status tends to influence classification. For example, Liu Jingming(2005) argues that Chinese urban residents primarily experience residence, social interaction, and identity stratification, whereas lifestyle stratification is relatively ambiguous. Secondly, researchers have investigated the variations in subjective social status identity among different groups of individuals, considering individual heterogeneity. This type of research helps explore the factors influencing social status. For instance, Li Peilin(2003) used survey data from Jinan City to examine the subjective social status of migrant workers and found that their social status did not significantly change despite improvements in their economic situation. Lastly, an extended study of subjective social identity examines the impact of subjective social status on personal psychology and related social issues. This line of research delves into how subjective social status influences individual well-being and societal behavior(Haught et al., 2015).

2.2 Literature on Housing and Subjective Social Status

Housing, an essential indicator of individual or household economic ability and achievement (Zuyun Liu & Xiaoping Mao, 2012), has significantly influenced residents' subjective social status. Firstly, from a socioeconomic perspective, housing is a crucial means to access objective socioeconomic resources, such as economic income and household wealth (Henretta, 1984). Therefore, a logical relationship exists between housing and subjective social status. Grinstein-Weiss et al. (2013) argue that property owners can alter their social status by gaining economic benefits through renting, mortgages, and property appreciation, leading to wealth accumulation. Additionally, housing conditions, neighborhood environments, and housing loans also impact homeowners' subjective social status (Wang & Zhang, 2020). Homeownership tends to result in higher subjective evaluations of one's class identity, and the more homes owned, the stronger the subjective sense of social class identification (Chen et al., 2019). Secondly, from a

cultural perspective, housing is not only a physical dwelling but also a symbol of individual status (Couper & Brindley, 1975). The class that owns housing is often associated with symbols of success (Megbolugbe & Linneman, 1993) or a gateway to the upper class (Stern, 2011). The higher the degree of "Symbol Segmentation" of housing, the stronger the residents' identification with their class status. Compared to those residing in older urban areas or subsidized housing communities, residents living in villas or high-end residential areas tend to identify with higher-status classes (Zhang & Yang, 2017). Finally, from a psychological perspective, the rise in housing prices has a negative impact on residents' well-being (Wei Guoxu et al., 2021). This can lead to drastically increased stress among residents, resulting in negative self-evaluations of their status. Homeownership gives individuals a sense of security, self-esteem and enhances their subjective well-being and life satisfaction (Nettleton & Burrows, 1998; Colic-Peisker & Johnson, 2010; Dupuis & Thorns, 1998). Compared to renting, homeownership strengthens individuals' self-identity, leading to more positive subjective evaluations of their social status.

3. Empirical Analysis

3.1 Data

We have compiled empirical data from the CFPS year 2018. The target sample of CFPS consists of 16,000 households in 25 provinces, municipalities, and autonomous regions across China. The data provide detailed information about home ownership and subjective social status.

3.1.1 Dependent Variables

To measure the degree of subjective social status, the dependent variable in this paper, we have used the respondent's replies to the question, "*What is your social status in your local area?*" given in the CFPS questionnaire. There are five levels of responses from very low (1) to very high (5). When the respondent chooses the two lowest grades 1 and 2, the subjective social status measure is set to 0. Otherwise, it is set to 1.

3.1.2 Explanatory Variables

We have used two explanatory variables compiled from the CFPS questionnaires. The first explanatory variable is constructed from the responses to the question, "*Who owns the house where you and your family currently live?*". We consider the response "*Having property solely owned by the family member and property partly owned by the family member*" as owning property, which in turn is set to 1; the other response is set to 0. This explanatory variable is denoted by *house*. The second explanatory variable is from the responses to the question, "*Do you or your family members own any other house than the one where you currently live?*" We have set "yes" to this question as 1, and "no" as 0. This explanatory variable is denoted by *other_h*.

3.1.3 Control Variables

In estimation we have also controlled for the individual and household characteristics such as: Age (18–65); Ethnicity (han=1; otherwise=0); Gender (male=1; female=0); marriage status (married=1; unmarried=0); hukou (agriculture=1; nonagriculture=0); health (good=1; otherwise=0); education (1-7); family size (1-17); loan (outstanding loan=1; otherwise=0); ln_cash (family cash deposit); per_income (per capita household income); district (1-31). These control variables are almost invariably used in the literature (Kourvetaris, 1982; Huang et al., 2016; Wang, 2019; Wang & Zhang, 2020).

Table 1 shows the descriptive statistics of the variables employed in the empirical model. We can see in Table 1 that the rate of home ownership in China is exceedingly high as evidenced by the mean of the variable *house* (0.852). That the mean of the variable *other_h* is 0.235 in Table 1 implies that owning multiple houses is not common in China. Statistics of the control variables indicate that most of the people are in the upswing period of life (average age is 42), in good health (89%), and married (88%).

Table 1. Descriptive Statistics of Variables

Variables	Observation	Mean	Std. Dev.	Min	Max
status	15,991	0.747	0.435	0	1
house	15,991	0.852	0.356	0	1
other_h	15,991	0.235	0.424	0	1
age	15,991	41.622	12.179	18	65
age_2	15,991	18.807	10.310	3.24	42.25
ethnic	15,991	0.010	0.100	0	1
gender	15,991	0.561	0.496	0	1
marriage	15,991	0.884	0.320	0	1
hukou	15,991	0.721	0.449	0	1
health	15,991	0.895	0.307	0	1
edu	15,991	2.416	1.209	1	7
familysize	15,991	4.210	1.976	1	17
loan	15,991	0.113	0.317	0	1
ln_cash	15,991	3.313	1.993	0	6.845
per_fincome	15,991	4.262	0.410	2.176	6.753
district	15,991	14.829	8.329	1	31

3.2 Model

The probit model is employed to analyze the relationship between subjective social status and home ownership, the effect of owning a house on subjective feelings. In the model, the dummy dependent variable is set to 0 if the respondent has no property, but it is set to 1, if the respondent owns a property. The probit model is specified as follows:

$$Pr(Y = 1 | X) = \phi(X^T \beta) \quad (1)$$

where X is a vector of regressors that influence the subjective social status variable Y , Pr stands for probability, and ϕ is the cumulative distribution function of the standard normal distribution, and β is a vector of coefficients.

4. Estimation Results

4.1 The Baseline Regression

The estimation results reported in Table 2 indicate that the probability of feeling subjective social status for those with a house is 8% higher than that of those without a house, after controlling for other factors. Moreover, it is significant at a 1% level. In other words, home ownership significantly improves Individuals' subjective perception of social status, since owning a house will break down household registration exclusion, Individuals who obtain a household registration will narrow the difference in access to social benefits such as education and medical care from local citizens, and thus improve their self-perceived social status. On the other hand, those with multiple houses will have the probability of experiencing subjective social status which is 2% higher than that of those with only one house. Owners of multiple houses will have an additional 2% decrease in probability besides the initial 8% decrease associated with the first house. The significance level is 10%.

For sensitivity analysis, we have performed two additional estimations (model 2 and model 3). In model 2, we have removed the *other_h* variable and only kept the *house* variable. The result we obtain in model 2 is the same as that we obtain in model 1: the probability of subjective social status for those with a house is 7% higher than that for those without one. In model 3, the *house* variable is removed, while the *other_h* variable is retained. However, *other_h* variable still has a positive effect

but is not significant.

Table 2. Home Ownership and Subjective Social Status

Variables	Model 1	Model 2	Model 3
<i>house</i>	0.0751***	0.0741***	
	(0.0097)	(0.0097)	
<i>other_h</i>	0.0163*		0.0130
	(0.0084)		(0.0084)
Control Variables	Yes	Yes	Yes
<i>Pseudo R²</i>	0.0262	0.0260	0.0230
N	15,991	15,991	15,991

Note: The marginal utility is reported in the regression result table. Reported in parentheses is robust standard error. The significance levels of 1%, 5% and 10% are represented by ***, **, and *, respectively. The same as below.

4.2 Endogeneity Test

The instrumental variables methods are suitable for dealing with the problems rising from reverse causality, omitted variables, and endogeneity. For instruments we have chosen the “yearly-residential-land-supply-area at the province level” variable (*ln_landsupply*) and the “yearly-local-real-estate-industry-value-added” variable (*add_value*). Since government determines its amount, “residential-land-supply-area” is not related to subjective social status. On the other hand, the extent of market development influences the amount of “real-estate-industry value-added” created in the real estate industry (which stands for the final output of all production activities in the industry). Although value-added reflects the degree of development in the local real estate markets, however, it is not directly related to the individual's subjective social status. Therefore, we can use these two variables as instruments.

Table 3 reports the coefficient estimates of the variables in the IV-Probit models. We can infer three things from the estimates of the models. First, both of the two instruments have significant and positive influence as expected.

Second, a preliminary test about whether endogenous variables are truly endogenous bear out the validity of the instrumental variables. The Wald test statistic of exogeneity in Table 3 is 0.0001, meaning it is significant at the 1% level significance. Thus, we can reject the null hypothesis the dependent variable is endogenous. Moreover, the instrumental variables prove to have strong explanatory power. The test for overidentifying restrictions could not reject the null hypothesis since the p-value of the Amemiya-Lee-Newey minimum chi-sq statistic is 0.6554. Thus, we can see that all the instrumental variables are exogenous. Finally, the F-statistic of the first-stage regression result (144.90) proves that the instrumental variables have strong explanatory power (Stock & Yogo, 2005).

Third, in the presence of the instrumental variables, home ownership shows a significantly positive influence on subjective social status at the 1% level. The *other_h* variable has a significantly positive influence on subjective social status too at the 1% level. Compared with people without houses, people who own a house or second house have a higher probability of reduced subjective social status by 219.22% and 13.95%.

Table 3. IV Probit Model

Variables	Subjective Social Status
<i>house</i>	2.1922***
	(0.5570)
<i>add_value</i>	0.3540***
	(0.0457)
<i>ln_landsupply</i>	0.0792
	(0.0108)
<i>other_h</i>	0.1395***
	(0.0389)

Control Variables	Yes
1st stage F-statistic	144.90
t ratio of add value	7.74
t ratio of ln landsupply	7.34
Wald Chi2	0.0001
N	15,991

4.3 Robustness Check

The above analysis results support the conclusion that home ownership significantly increases subjective social status. To confirm the reliability of the estimation results, we present robust estimations by the replacing model. Table 4 reports the robustness test results of replacing the analysis model. In the model, the variable *house* still maintains a 1% significance negative impact on subjective social status. The result is consistent in the baseline model. Variable *other_h* has a positive impact on perceived social status too, but it is not significant. Other individual variables and family variables are consistent with the basic probit model's significance and correlation.

Table 4. Ordered Probit Regression Result

Variables	Status=1 (very low)	Status =2 (low)	Status =3 (fair)	Status =4 (high)	Status =5 (very high)
<i>house</i>	-0.0315*** (0.0041)	-0.0307*** (0.0039)	0.0004 (0.0007)	0.0315*** (0.0040)	0.0302*** (0.0039)
<i>other_h</i>	-0.0013 (0.0032)	-0.0013 (0.0031)	0.0000 (0.0001)	0.0013 (0.0032)	0.0013 (0.0030)
Control Variables	Yes	Yes	Yes	Yes	Yes
N	15,991	15,991	15,991	15,991	15,991

4.4 Mechanism Analysis

Next, we will show that home ownership affects individuals' subjective social status through the wealth effect channel. Hall (1978) constructed a life cycle and permanent income hypothesis model, which holds that household wealth is an essential factor in consumption. Mehra (2001) analyzes the short-term dynamic relationship and long-term equilibrium relationship between consumption, labour income, housing, and stock wealth in the United States. The results showed a significant wealth effect. It is not difficult to find that housing wealth's influence on consumption has been confirmed through the literature mentioned above. Moreover, we believed that the consumption of durable goods is directly related to people's living standards. Therefore, durable goods consumption is used as a mediator variable, called *ln_durable*, and its effectiveness is verified through mediating effects.

We tested the mediation effect using bootstrap recommended by Shrout & Bolger (2002). First, we use the repeated random sampling methods to extract 2000 Bootstrap samples from the original data. Then we fit the model based on these samples, and generate and save the estimated value of 2000 mediating effects. The results are shown in Table 5.

Table 5. The Mediating Effect of Housing Wealth Effect in Home Ownership on Subjective Social Status

	Observed Coef.	Bootstrap Std. Err.	Z	p> z	[95% Conf. Interval]	
Indirect effect	0.0059	0.0011	5.23	0.008	0.0037	0.0081
Direct effect	0.0687	0.0110	6.25	0.000	0.0471	0.0902
Total effect	0.0746					

It can be seen from the results that the 95% confidence interval does not include 0, which proves

that the mediation effect is efficient. The direct mediation effect is 0.0687, the indirect mediation effect is 0.0059, and the total effect is 0.0746. Therefore, part of the mediating effect of home ownership on subjective social status through durable goods consumption is established.

5. Conclusion

In this paper we have shown that Chinese people with a house or multiple houses have a significantly higher perception of social status compared with those without one. This result implicates that the high rate of home ownership in China has become an essential part of people's psychological safeguard against subjective social status, and with a continuous rise in home prices, the wealth effect has been kicking in to bolster individuals' subjective feelings of well-being. The findings of this paper have important implications for further research on subjective social status. In particular, since owning a house has become an important indicator of social status, increasing inequality in home ownership would cause the worsening of social divide which would in turn continue to widen with intergenerational transfers.

Subjective social status has become the core issue of future anti-poverty campaign. Accordingly, it is worth while to make some policy suggestions as follows. First, tenants should be given business rights and tax incentives, so that they could be able to settle in the local area through long-term contracts. Second, it is essential to expand the provision of affordable houses, and to implement actively policies that allow both tenants and owners to enjoy equal rights to public resources. In particular, the tenants' children should be given the same access to education as the owners'. Third, it is important to establish a comprehensive housing security system to support low-income groups. These policies will help promote urbanization and develop the rental market.

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