

Chapter 4

LAD Regression Application: Factors Affecting Household Expenditures of Working Elderly in Turkey

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ABSTRACT

Household expenditures are important indicators in many aspects, especially in the economic growth of a country. One of the most important determinants of expenditures is the head of the household working within the framework of the household's income. From this point of view, the aim of the study is to determine the factors affecting the household expenditures of the heads of the household who are 60 years of age and older living in Turkey. In this framework, the data set of the Household Budget Survey of the Turkish Statistical Institute was used for the years 2015-2019. The least absolute deviation regression was used for the data set analysis. As a result of the study, it was determined that the gender of the head of the household, educational status, economic indicators, especially income, and social indicators were effective on the expenditures of the households. The results of the study provide valuable information to researchers, decision-makers, and policymakers who want to study this issue to understand the household spending patterns of working elderly household heads.

INTRODUCTION

Consumption is the sum of households' expenditures on goods and services to meet their needs. Consumption, that is, household expenditures, covers a significant part of the gross domestic product (Türkbül, 2005; Ünsal, 2013). In addition to showing the welfare level of the society where the households live, the expenditures of the households also affect many important economic issues such as economic development and policy planning. Any information on the expenditure values of households is undoubtedly of great importance for policymakers and decision-makers. Household expenditures are affected by many factors such as the age of the head of the household, in other words, the life cycle stage that is considered to be in the first place, the structure of the household, and the income level. Likewise, the

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relationship between the ages of individuals and their expenditures has been a remarkable phenomenon in terms of economics. The life cycle hypothesis of Franco Modigliani and his student, which has a very important place in the economic literature, was formed on the basis of the idea of how much people want to spend at what age (Deaton, 2005). Therefore, in the study, all the variables that are thought to affect the household expenditure values were determined with the help of the literature, and it was progressed on the focus of the variables of age and working status in terms of the dependent variable.

Studies in recent years have focused on online spending, and in this case, it means having information at the level of the young population where technological literacy is high. Although Turkey is in a country where the young population is higher compared to the elderly population, creating an econometric perspective that takes into account the expenditures of the elderly population has been the main motivation source of the study in order not to overlook a remarkable expenditure value. In the literature, individuals aged 60 and 65 are classified as elderly (Axelson and Penfield 1983; Host et al., 2016; Moehrl, 1990). Working elderly individuals are not passive consumers.

The aim of this study is to determine the factors that affect the household expenditures of the heads of the household aged 60 and over living in Turkey. In this framework, the Household Budget Survey data set of the Turkish Statistical Institute was used. When households are mentioned, it should be considered that each member of the household is considered. In order to make the data set suitable for econometric analysis, first, the total consumption values of the individual in each household were calculated, and then the consumption values of the individuals in the same household were summed to obtain the total consumption expenditures of the relevant household. Subsequently, from the data set obtained, considering the working status and age values of the household heads, the data belonging to the household heads who are working and at the same time aged 60 and over were filtered and the data set to be used for analysis was created. After the introduction part of the study, a literature summary is involved in section 2. In section 3, the methodology and data set used in the study are described. section 4 contains the findings, and, finally, in section 5, the conclusions are included.

LITERATURE REVIEW

There are many studies on household expenditure items from past to present (Bellante and Foster, 1984; Bryant, 1988; Cook et al, 1995; Jacobs et al, 1989; Koelln et al, 1995; Paulin, 2000; Rubin and Koelln, 1996; Strober and Weinberg, 1977; Yen, 1993; Weinberg and Winer, 1983). In this section, summaries of some of these studies will be presented.

Expenditure patterns of elderly individuals were examined by Chung and Magrabi (1990). The data set of the study was obtained through the 1986 Consumer Expenditure Survey. Multiple regression analysis was applied in the study. As a result of the study, it was determined that age is an important factor in expenditures, compared to younger households, older households spend more on public services, care, and domestic services, and less on clothing, housing, and entertainment. In addition, it has been identified that there is no statistically significant difference between old and young individuals in terms of eating at home and making food expenditures outside.

Factors affecting household expenditures were examined by Soberon-Ferrer and Dardis (1991). Data obtained from the United States Consumer Expenditure Surveys were used in the study. As a result of the study, it was determined that households with full-time and part-time working spouses have significant differences in their expenditures on childcare, dining out, and total services, and that the effects of

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