

Chapter 10

Aging and Consumption Patterns in Turkey: Analysis Based on Regional Data

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ABSTRACT

An aging population is one of the most important issues affecting many areas such as labor and capital markets, social protection, social security, housing, and especially the demand for goods and services. Specifically, analysis of consumption patterns has become essential to prepare long-term plans for production structure and investment because consumption preferences and needs may change as a result of the aging population. Therefore, the aim of this study is to analyze how aging affects consumption patterns in Turkey considering regional heterogeneity and the effects of macroeconomic factors over the years. For this, panel data analysis was performed using data on 26 regions of Turkey over 2008-2018. Results show that population aging affects most of the share of items in household consumption expenditures. Thus, Turkey should be prepared and make development and investment plans considering the aging population.

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INTRODUCTION

The aging of the population has recently become a remarkable issue in terms of political economy as well as socio-cultural structure. Aging of the population is one of the most important hot topics of today, which concerns all sectors, including labor and capital markets, social protection, social security, housing and especially the demand for goods and services. Especially as a result of the greater effects of the COVID-19 pandemic on the elderly, the connection of the aging of the population with the economy has become an important issue due to the changes in health expenditures and consumption patterns.

Aging of the population is defined as an increase in the average or median age of the population, in other words, a shift in the distribution of the population towards older age. It is known that the aging of the population is caused by an increase in life expectancy, a decrease in fertility rates and the aging of “baby boom” generations. It is thought that people live longer, especially in industrialized countries, and that life expectancy at birth has increased by 25 years in this century alone. It is also believed that in the United States, as well as in Japan and Europe, people live longer, as well as healthier. The reason for the decrease in fertility rates to increasing aging is that families with fewer children increase the share of the elderly population. While the total fertility rate in the world was 5 children per woman in the 1950s, today the fertility rate per woman is approximately 2.5, and by 2050 this rate is expected to decrease to 2.2. The aging of generations of the baby boom is shown today as another cause of aging in the world. The baby boom is known as the high increase in the birth rate in other countries, especially in the United States, after the Second World War. The reason for this is that large families and special consumption policies that are followed are supported in order to eliminate the economic recession (Butler, 1997; Bloom et al, 2011). The economic effects of population aging are mainly explained by the concept of age-based dependency ratio. The population is divided into three groups: adults of working age, dependents youth and dependents elderly. Accordingly, dependent people produce less than they consume, and are therefore dependent on the working adult population. This division of the population is related to many factors, such as taxes, the health sector, and public spending, labor market especially the consumption and savings preferences of individuals (Weil, 2006).

Moreover, population aging is an important issue for both developed and developing countries. It is known that almost every country in the world has an increase in the number and proportion of the elderly population and the world is getting older. While there were 703 million people aged 65 and over in 2019, it is estimated that this number will double to 1.5 billion in 2050. In proportion, it is predicted that the age of 65 and over was 6% in 1990 and increased to 9% in 2019 and to 16% in 2050. About two-thirds of older people are known to live in developing countries and the majority are women. East and Southeast Asia region has the highest number of elderly people with 261 million, while Europe and North America follow East and Southeast Asia with more than 200 million elderly people. Turkey is also among the increasingly aging countries. In Turkey, the number of people aged 65 and over in 2019 is 8.7% of the population, while in 2050, this figure is expected to be 20.9% (United Nations Population Fund, 2002; United Nations, 2020). As shown in Figure 1, throughout the years in Turkey, old dependency ratio has increased steadily from 7.5% in 1971 to 13.03% in 2019.

With this demographic transformation, countries with aging populations are facing some problems. These problems include the decrease in the workforce capacity, the decrease in the general savings in the economy and the increase in public spending to fund the social security. The aging of the population also affects the savings-consumption decisions of individuals. Savings affect the potential economic growth of the country by determining the amount of future spending of the individual and also determining

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