Household size, income and expenditure on food: The case of Cyprus

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\textbf{ABSTRACT}

This paper addresses some of the questions raised in a debate between Deaton and Paxson (1998, 2003) and Gan and Vernon (2003) in the Journal of Political Economy. At issue is what, on the basis of theory, the behaviour of households should be in relation to expenditure on food, as household size increases. One argument is that expenditure on food, per capita, should increase as household size increases, but analysis of the data gives very different results. Questions arise as to whether food is a public or private good within households, how food compares to clothing and whether there can be substitution away from food, for example towards clothing.

For the purposes of addressing these and related questions in the Cyprus context, a household budget survey was undertaken, in which 625 responses were obtained. The paper describes the survey and uses the results of the survey to run regressions to identify the variables that relate significantly to expenditure on food. What we add to the discussion is the analysis of the determinants of expenditure on food in Cyprus, and the categorisation of this expenditure into food at home, take-away food, food in pubs and cafes, and food in restaurants. Our results tend to support Gan and Vernon (2003); we find, for example, that clothing is more private than food.

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1. Introduction

Determinants of household expenditure, particularly on basic products like food and clothing, have been of continuing interest to economists for centuries. Modern work starts from Engel (1895) and his focus on relationships between expenditure on food and income. The nature and patterns of food purchase and consumption reflected and in different ways continue to reflect wealth, income and lifestyle. This is of particular interest in relation to the expenditure patterns of the relatively poor. Studies have thus focused on household expenditure of the poor, both in rich countries and in developing countries. Associated with expenditure is the size of household, because expenditure per person in the household is likely to vary as household size changes. Patterns of consumption, and therefore of expenditure, are also influenced by cultural and social factors. All these issues are to varying extents addressed in this paper. The research reported here was undertaken in Cyprus, based on an original household budget survey. It addresses questions about patterns of food consumption in relation to households of different sizes, at different levels of income. We are interested in whether and how income and household size relate to expenditure on food and clothing. The survey instrument is included as Appendix I.

The next section briefly introduces the survey. Following that, in Section 3, the relevant literature is examined as the background to a description, in Section 4, of the data and models used in this paper. Section 5 contains the analysis and this is followed by a brief conclusion.

2. Household budget survey of Cyprus

When this research began there was already a published household budget survey (HBS) of Cyprus. This official survey is undertaken periodically, usually every six years, by the Statistical Office of Cyprus. At the time, the most recent one was that of 1997. We decided to design and implement our own survey instrument both to obtain more up to date information and to address questions raised in the literature that could not be addressed because of absence of detail in the official HBS. For example, in relation to food expenditure by households no distinction was drawn between food prepared in the home and food bought from take-aways. Since then, the results of a more recent (2003) survey have been published (SSRC, 2006), but again the detail is insufficient for at least some of the questions addressed here.

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