



The Economic Consequences of Widowhood

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Executive Summary

High rates of poverty among widows remain a primary concern of policies for the elderly. It is important to establish how a relatively low rate of poverty among married couples just before or after retirement leads to such high rates for widows. In this *Issue in Brief*, we provide an overview of an investigation into the origins of widow poverty in the cohort of Americans represented in the Health and Retirement Survey (HRS). Using the cross-sectional and longitudinal data from the HRS, we examine patterns and potential causes of widow poverty. The data reveal two significant and related causes of poverty in widowhood: 1) women who are widowed at a relatively young age, in their 50s, are much more likely to fall into poverty than women widowed after retirement, and 2) it is poorer women who are more likely to be widowed at younger ages. We discuss the implications of these findings for policy and suggest that, in particular, women widowed at younger ages may not be well served by current Social Security program policy.

The Data

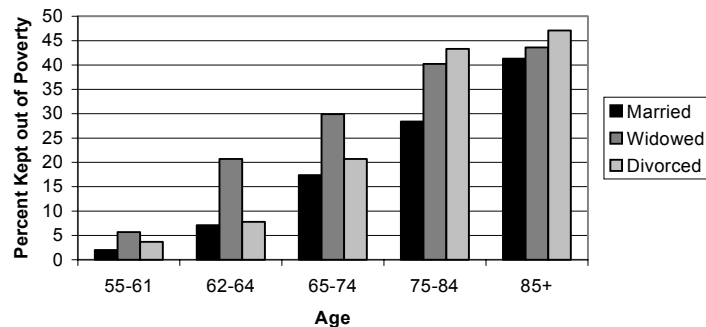
The Health and Retirement Study (HRS) is a longitudinal, nationally representative study of older Americans. The survey began in 1992 with an initial cohort of 12,652 persons aged 51-61 or married to someone who was. Of these, 5,181 were age-eligible women. Another part of the HRS began in 1993 with a sample of 8,222 persons age 70 or older or married to someone who was,

of whom 4,540 were eligible women. In 1998, two more cohorts were added to provide a sample of 21,351 Americans born since 1947. Out of this sample, 11,323 were age-eligible women and this comprises our analytic sample.

Summary of Major Findings

Poverty and Marital Status

- We find the familiar pattern of poverty rates increasing with age and large differentials in poverty rates between married women and those who are not.
- The figure below shows the impact of Social Security by marital status and age. Under age 75, it is primarily widows who are lifted out of poverty by Social Security. In the oldest old, there is little difference between widowed, divorced, and married women, where over 40% of all women are kept out of poverty by Social Security.



Duration of Widowhood

- There is a strong negative association of duration of widowhood and poverty. Women who have been widowed longest have the highest poverty rates.

Selection into Widowhood

- Our results mirror the common finding that poor people have higher mortality rates than those with more resources. We find this relationship to be stronger in younger workers. Thus one factor that may account for younger age at widowhood being associated with higher poverty rates is that poor married women are more likely to be widowed at a young age.

Changes in Income and Spending

- Although the selectivity of mortality contributes to a higher rate of poverty among women widowed at younger ages, there are also differences in the impact of resources lost at widowhood.
- Looking at wealth profiles over time, we find that women who were widowed during the period of observation (1992-1998) in the younger cohort lost substantially more wealth than older women widowed during that same period (who actually posted gains). One possible explanation for this is that in the absence of Social Security in-

come, younger widows were forced to spend out of assets. Another reason is that a higher proportion of net worth pre-retirement is held in business assets whose value depends on the survival of the husband.

- Among married men at baseline, those who would eventually leave a widow were more likely to have taken early retirement, perhaps because of poor health, and pension benefits to their widow were reduced after their deaths.

Conclusion

The Health and Retirement Study is a compelling source for studying the economic circumstances of widows. In this study, we found that women widowed in their 50s were more likely to have been poor before widowhood, and suffered greater loss of assets and pension income compared with women widowed after age 70. A lot of retirement savings and pension accrual occurs in the years just before retirement, so early widowhood prevents this growth in resources. Social Security is very important for alleviating poverty for women widowed after 65 and for protecting dependent children of widows, but our findings show that it is of relatively little help for women widowed in their 50s. Few receive benefits for dependent children, and they must wait several years for retirement benefits.

Social Security policy needs to remain attentive to the special situation of widows. With the current age rules, the main concern will be with the fairness of the distribution of widow (and spouse) benefits in which a low-earning widow may have lower benefits than a married woman who never worked. We would suggest additional attention be paid to the well-being of women widowed after their children have grown but before they have completed their retirement preparations. Not only are widows at that age more vulnerable, they are more likely to be in poverty many years later.

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