



Health, Wealth, and Gender: Do Health Shocks of Husbands and Wives Have Different Impacts on Household Wealth?

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Executive Summary

The extent to which men's versus women's health affects household wealth and the mechanisms through which these effects might occur have important implications for the welfare of older individuals living with a spouse, and in particular for women who are likely to outlive their husbands by several years. For various reasons, health shocks (unexpected health events or problems) experienced by husbands might result in different economic impacts than those experienced by wives. Shocks to wives may have greater economic impact because they are less likely than men to be insured by public or private disability insurance. In order to formulate policy that effectively addresses the needs of households, we must understand how health shocks impact households, not just individuals. Households may be better able to insure themselves against some health shocks than others, and whether the husband or wife experiences the health shock may be an important distinction in this regard. Households may be less able to insure against some shocks, and some households may be more at risk than others. By pinpointing the households at greatest risk and the types of health shocks that pose the greatest threat to the well-being of older Americans, policy can be designed to target funds where they are most crucially needed.

In this *Issue in Brief*, I provide a summary of work that begins to address the question of the economic impact of health on wealth at the household level. Using the longitudinal data from the Health and Retirement Study (HRS), I investigated whether

health shocks over an eight-year period of study (between the first and 4th waves of data collection) affected the growth of household wealth over that period. I look to see if health shocks of husbands and wives affect the growth of wealth differently. Accounting for baseline health, I find that the impact of a health shock to the wife at wave 2 has a larger negative impact than a health shock to the husband at this wave. This is consistent with other research findings. Effects found at subsequent follow-up waves are inconsistent, and future research is needed to sort out these results.

The Data

The Health and Retirement Study (HRS) is a longitudinal, nationally representative study of older Americans. This survey began in 1992 with an initial cohort of 12,652 individuals from 7,702 households, with at least one household member born from 1931 to 1941. Respondents are contacted every two years and asked about, among other things, information on a variety of health problems. The health shocks I examine include cancer, stroke, heart or lung disease (major illnesses) and diabetes, hypertension, arthritis, and psychological problems (mild illnesses), and injury in a separate category. Any prior onset or diagnosis is reported at the baseline interview in 1992 and new diagnoses are reported in subsequent interviews in 1994, 1996, and 1998. I calculate net worth using information on assets and debts. This calculation does not include the future value of Social Security, pen-

sion benefits, 401-K or similar type accounts. Future work will include these important assets.

How Do Health Shocks Affect Wealth?

There are several mechanisms through which health shocks to an individual may affect the wealth of the household. Although not specifically evaluated in this study, I list some of them here.

- A health shock might lead to quitting or reducing work, leading to decreased current earnings and benefits.
- A working spouse might also decrease work in order to care for the spouse experiencing the health problem.
- Out-of-pocket medical expenses associated with a health shock will clearly affect household wealth, depending on the level of insurance available.
- Market goods and services may be purchased to do the work that had been done by the person experiencing the shock (house cleaning, for example).
- The home may require work or goods to allow mobility of person with reduced physical functioning.

Summary of Major Findings

- Wife's health shocks that had a significant negative effect on wealth in 1998 include earlier diagnosis of diabetes, hypertension, stroke, psychological problems, and lung disease.
- Husband's health shocks that had a significant negative effect on wealth in 1998 include hypertension diabetes and psychological problems.
- When I group health shocks of husbands and health shocks of wives in order to compare their relative weight as predictors of net worth, I find that health shocks to wives sometimes have a larger negative impact on net worth than health shocks to husbands.

Conclusion

Efficient policy design depends on having a better understanding of the mechanisms by which health shocks to husbands and wives affect wealth. Some simple models show that onset of various conditions does appear to significantly affect household wealth, and that these direct effects are not generally symmetric for husbands and wives. Indeed to the extent that we find asymmetry it is in the expected direction: health shocks to wives have a greater negative impact on wealth than those to husbands. In order to design policy to mitigate the negative economic effects of health on wealth, it is important to understand not only the magnitude of the effect overall but also the relative importance of each of the mechanisms discussed above. This will be a priority for future work. High poverty rates of widows and of older couples where one or both spouses is in poor health may be driven in part by the impact on wealth of these shocks.

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