WHY ARE WIDOWS SO POOR?

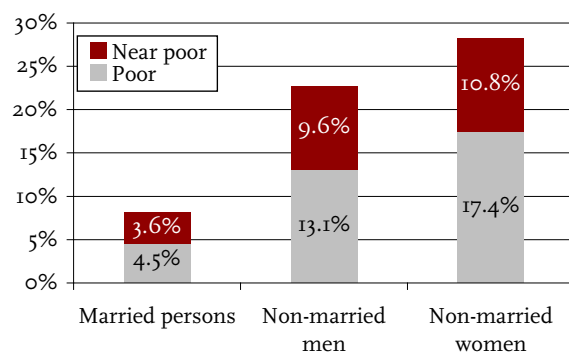By Nadia Karamcheva and Alicia H. Munnell*

Introduction

The economic status of older Americans has improved tremendously during the last 50 years. Today the old-age poverty rate is about one third of its mid-20th century level, and poverty among the elderly is roughly the same as that among the non-elderly. Poverty rates for older non-married women, however, remain very high. This *brief* investigates why this group of the population is particularly vulnerable. One reason is that widowhood creates economic hardship, as Social Security benefits and pensions from employer-sponsored plans drop. In addition, those most likely to be widowed have lower incomes than intact couples even before they lose their husbands. Their lower incomes reflect less education on the part of both the husband and wife and poorer health on the part of the husband than couples that remain intact.

Why Are Non-Married Women the Most Vulnerable Group?

Of all the factors associated with poverty in old age, the most critical is to be a woman without a husband. As shown in Figure 1, 17.4 percent of single women over 65 fell below the poverty line in 2004. Another 10.8 percent were classified as "near poor", which means that their income was less than 125 percent of the poverty threshold. As a whole, 28.2 percent of single older women are either poor or near poor — a clearly vulnerable group. Not only do single women have high poverty rates, they also constitute a significant portion of the elderly population, a share which steadily increases with age. Among those age 80 or older, non-married women account for 56 percent of the population.

FIGURE 1. PERCENT POOR AND NEAR POOR BY MARITAL STATUS, PERSONS AGED 65 AND OVER, 2004

Source: U.S. Social Security Administration (2006).

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Women who enter retirement non-married tend to end up poor, because the U.S. retirement income system bases benefits on earnings, and women have lower lifetime earnings than men. They earn lower wages, are more likely to work part time, and spend fewer years in the labor force, taking time off to have children or take care of family members. As a result, these lower lifetime earnings produce lower Social Security and pension benefits.

Married women, who share in their husband's benefits, fare much better than single women. Only 8 percent of married women aged 65-69 are poor or near poor, compared to 28 percent of the non-married. If women remained married throughout retirement, they might just do all right. This situation, however, is unlikely for the average woman, since life expectancy at 65 for women is 3 years longer than that for men. So, most women end up in widowhood.
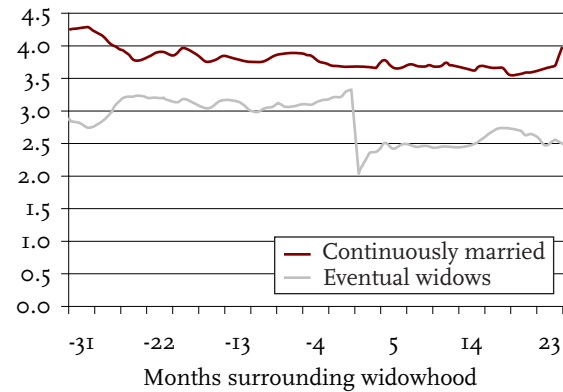
Changes in Income upon Widowhood

The most obvious reasons for a decrease in women's income upon widowhood pertain to Social Security and pension benefits. When the husband dies, the couple's Social Security benefit is cut by between one third and one half. The couple's private pension benefit either disappears completely or is reduced.[1]

A 1998 study compared the income situation in the early 1990s of two groups of couples where the woman was age 40 or older — one where the couple remains intact, the other where the husband dies (see Figure 2).[2] Income is measured in terms of the family's total income relative to the poverty line or "income-to-needs" ratio. A discrete drop in the ratio is observed at the time of the husband's death. Moreover, a persistent gap in the income-to-needs ratio between the two groups exists as far back as 31 months before widowhood.

In order to see whether widows face similar problems today and whether they recover given sufficient time, we undertook a similar analysis using data from the *Health and Retirement Study* (HRS). The HRS is a panel survey that follows several cohorts of elderly and near-elderly individuals over time, conducting interviews approximately biennially. The original HRS collected data in 1992 on individuals born between 1931 and 1941 and their spouses.   In 1998 it merged with the AHEAD study, which first collected data in

Note: The income-to-needs ratio is the ratio of total family income relative to the relevant poverty line.[3]
Source: Holden and Zick (1998).

1993 on individuals born before 1924. In 1998 two more cohorts were added — CODA (Children of the Depression) born between 1923 and 1930 and WB (War Babies) born between 1942 and 1947.   The data used in this analysis are from the 1992 to 2004 waves of the study.

As in the earlier study, the analysis compares the income-to-needs ratio for two groups of women during the survey period. Because the focus is on elderly women, the sample is restricted to women who are 58 or older and married at the time they enter the survey (which for the different cohorts happens at different points in time). The sample is then divided into couples where the husband dies at some point during the survey and couples who remain continuously married throughout the survey. The results are shown in Figure 3. Before discussing the results, it is useful to understand how the figure was constructed.

First, because individuals die at various points during the 1992-2004 intervals, the data are organized around the time of death of the husband rather than the survey year. The interview immediately following death, i.e. the first survey wave when the woman reports having become widowed, is denoted as year "0" and the income-to-needs ratio is recorded. Since the interviews are conducted every two years, in the graph the interview preceding the death is

FIGURE 3. MEDIAN INCOME-TO-NEEDS RATIO FOR YEARS SURROUNDING WIDOWHOOD, WOMEN AGED 58 AND OLDER, 1992-2004
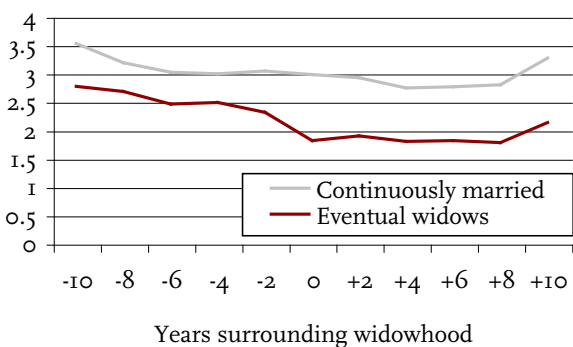
Source: Authors' calculations from the University of Michigan, *Health and Retirement Study* (HRS), 1992-2004.

referred to as year "-2" and the interview following the "death interview" ("0") is referred to as year "+2." Interviews taking place two waves before and two waves after the death interview are denoted as year "-4" and "+4" respectively. Thus for a woman whose husband dies between 1996 and 1998, the 1998 interview will provide the time "0" information, 1996 provides the time "-2" data and 2000 provides the time "+2" data. The number of observations that each woman contributes depends on the wave of the survey she reported becoming widowed. For example, a woman who reported being widowed in 1994 contributes only one observation of pre-widowhood, namely the one in 1992 and five observations post-widowhood (1996, 1998, 2000, 2002, and 2004). On the other hand, a woman who reported being a widow for the first time in 2004, contributes zero observations post-widowhood but six observations pre-widowhood — from 1992 to 2002 inclusive.[4]

Second, because women who are widowed are on average older than those who remain married, we weight the married sample so that their age distribution at the time of the first interview is identical to that of the eventual widows. This step is necessary to make sure that the results are not confounded by differences in the age structure. Women who lose a spouse belong to a couple that is in general older and much less likely to be working even before the loss, hence their household income will be lower before and after the loss even if the income patterns of widowed and married were identical. The weighting makes it possible to isolate the impact of widowhood from the effect of age.

Looking at the results in Figure 3, two patterns are evident. First, the median income-to-needs ratio of eventually widowed couples is consistently lower than the one corresponding to their continuously married counterparts. The eventual widows' median income-to-needs ratio is about 2.3 two years prior to widowhood, while that for intact couples is 3.1. Second, the widow household experiences a sharp decline in income when the husband dies. The ratio falls from 2.3 to 1.8 and remains at that level.[5] Thus, poverty among widows is due to both disparities before widowhood and to factors directly related to the death of the husband.[6]

Explaining the Persistent Gap

The persistent gap between the ratio of eventual widows and continuously married women suggests some longstanding pre-widowhood differences between the two groups. One obvious potential difference is education. Less education typically translates into lower earnings. Indeed, as shown in Figure 4, the eventual-widow couples have on average fewer years of education than the couples who remain married throughout the survey. While 21 percent of the husbands in the intact couples had a college education or more, this figure drops to 13.5 percent for husbands who die. Moreover, the women who are eventually widowed have less education than those who are continuously married.

FIGURE 4. PERCENT WITH COLLEGE EDUCATION AND MORE, WIDOWED AND INTACT COUPLES, 1992-2004
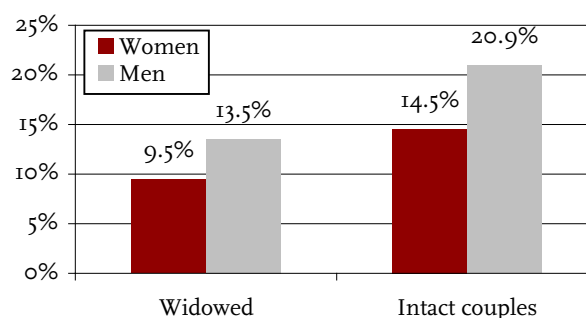
Source: Authors' calculations from the 1992-2004 HRS.

The other factor that could produce the lower income-to-needs ratio for the eventually widowed couples is poor health. As shown in Figure 5, the husbands of the women who eventually become widowed report consistently lower levels of health status going as far back as 10 years pre-widowhood. The variable used to make the comparison is respondent's general self-reported health status. The response categories are: 1-excellent, 2-very good, 3-good, 4-fair, and 5-poor. The mean self-reported health status of husbands who will eventually leave a widow starts from 2.8, ten years before widowhood and rises to 3.8 two years before death.   In contrast, the mean health status of husbands who remain alive till the end of the survey starts at 2.6 and rises to 2.9, measured at the time of imputed death.[7]

FIGURE 5. MEAN SELF-REPORTED HEALTH OF HUSBAND BEFORE DEATH, 1992-2004
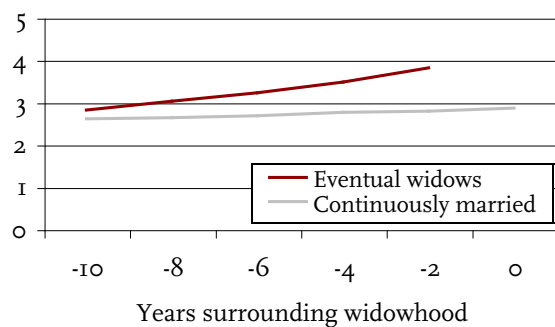
Source: Authors' calculations from the 1992-2004 HRS.

The findings above suggest that the women who are eventually widowed are more likely to have a sick husband long before widowhood and probably experience higher than average medical expenditures not only at the time close to death but throughout their lifetimes. Bad health is associated with reduced ability to work, hence lower household earnings. It is also associated with potentially higher medical bills, which can deplete savings and further contribute to poverty in the process of widowhood.[8]

In short, health and education help explain why the women who are most likely to be struggling after widowhood are also the ones who are most likely to have been in a relatively poor economic situation even before widowhood.

Conclusion

Despite the declines in old-age poverty rates in general, a substantial percent of non-married elderly women, especially widows, remain poor. Using a specific measure of well-being — the income-to-needs ratio —, the results show that a persistent gap exists between elderly women who eventually become widowed and women who remain continuously married. Moreover, there is a discrete easily identifiable drop in the income-to-needs ratio which coincides with the husband's death. These results are consistent with previous studies that suggest that the high incidence of poverty among older women reflects poor economic status that continued from marriage to widowhood, in addition to nontrivial incidences of new poverty due to the loss of the husband's income. In short, women who are most likely to be struggling after widowhood are also the ones who are most likely to have been in a relatively poor economic situation even before widowhood.

Endnotes

1 Holden and Zick (1998) reported that private pension payments ended when the husband died in 41 percent of the cases; these couples had not selected a joint-and-survivor annuity, which would provide continued benefit payments to a surviving spouse. In the other 59 percent of cases, the payment was reduced by an average of one third.

2 Holden and Zick (1998).

3 For married couples, the time period shown is the entire period of the study rather than the months surrounding widowhood. The data come from the 1990, 1991, and 1992 panels of the U.S. Census Bureau's *Survey of Income and Program Participation.*

4 This process produces aggregate data for twelve two-year periods, even though for any single couple we have a maximum of seven observations. A year of widowhood is randomly assigned to the intact couples, in such a way that the pattern of death across waves in the aggregate is identical for the two groups. Although the intact couples are in fact never widowed, the assigned widowhood wave allows a comparison of the experience of the two groups of households over the comparable period of time. Household level weights have been used throughout.

5 These results are consistent with Sevak, Weir and Willis (2005) who find that the poverty status of widows reflects both poor economic status before widowhood and a nontrivial incidence of new poverty as a result of widowhood.

6 McGarry and Schoeni (2005) estimate that 44 percent of the difference in economic status between widow(er)s and married elderly persons is due to disparities that existed prior to widowhood, while the remaining 56 percent is due to factors more directly related to the death of a spouse.

7 Part of the reason for the increase, observed in the second group of couples, could be due to the aging of the sample in general, which leads to worsening of the respondents' health.

8 These results are consistent with McGarry and Shoeni (2005) who conclude that large out-of-pocket medical expenditures, around the time of death, can be an alternative explanation for the high rates of poverty in widowhood.

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The Center for Retirement Research at Boston College was established in 1998 through a grant from the Social Security Administration. The Center's mission is to produce first-class research and forge a strong link between the academic community and decision makers in the public and private sectors around an issue of critical importance to the nation's future. To achieve this mission, the Center sponsors a wide variety of research projects, transmits new findings to a broad audience, trains new scholars, and broadens access to valuable data sources. Since its inception, the Center has established a reputation as an authoritative source of information on all major aspects of the retirement income debate.

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