The Economic Impact of Widowhood in the 1990s:
Evidence from the Survey of Income and Program Participation

This paper uses the 1990 and 1991 SIPP panels to examine the economic status of women prior to and after the death of their husbands. Continuously married women, weighted for age comparability to eventual widows, provide a comparison. Eventual widows already have lower incomes many months prior to their husbands' deaths,but widowhood itself is a major economic shock. Income from pensions and earnings play a pivotal role in decline in economic status at widowhood.

Karen C. Holden, University of Wisconsin[1]
Cathleen D. Zick, University of Utah[2]

Introduction

While the economic status of older Americans has improved over the past couple of decades, widowed women continue to be an economically vulnerable group. Research has documented the large, negative impact of widowhood on economic well being during the 1970s and early 1980s. Since then women's labor force participation rates have continued to rise, the life insurance and pension industries have continued to expand, and pension legislation has been passed that seeks to increase the share of a couple's resources paid to a widow after her husband's death (e.g., the 1984 Retirement Equity Act). These forces may have improved the economic position of more recently widowed women.

This paper presents a descriptive analysis of the changes in income that occur in the months immediately preceding and following the death of a husband, using data from the 1990 and 1991 panels of the Survey of Income and Program Participation (SIPP). The economic experiences of women who are widowed during the panel periods are compared to economic experiences of similarly aged women who remain married throughout SIPP.

The Literature

Longitudinal analyses using annual data from the Panel Study of Income Dynamics (PSID) (1968-1984) or biannual data from the Retirement History Study (RHS) (1969-1979) provide a background for the current investigation. The consensus of these studies is that at the time of the husband's death there is typically a substantial decline in economic resources and a commensurate rise in the risk of falling into poverty (Bound, et al., 1991; Holden, Burkhauser, and Feaster, 1988; Hurd and Wise, 1989). The immediate post-widowhood years are characterized by somewhat greater economic stability -- albeit typically at a lower level of well being. Fewer studies track changes in economic status during the period that precedes widowhood. Zick and Smith (1991a), use 1968 to 1984 data from the PSID to compare continuously married couples' and to-be-widowed couples' income. They find that the to-be-widowed group has significantly lower average income-to-needs ratios than the continuously married group even five years prior to the death. This finding is consistent with that of Hurd and Wise (1989) who observe long-standing wealth differences between widows and intact couples in the RHS. It is also consistent with research that links lower economic well being with a higher mortality (Duleep, 1986; Hadley, 1982; Zick and Smith, 1991b).

The current descriptive work builds on past studies in several ways. First, by using data from the 1990 and 1991 SIPP panels, we are able to examine patterns of income change among more recent cohorts of widows. Second, by using SIPP we are able to examine *monthly* changes in economic well being. As such, our work is the first to present evidence of the short-run changes in various income sources both immediately preceding and immediately after the death and the stability of income in the months preceding and following widowhood. Finally, we expand the standard set of risk factors to include measures of household composition, the husband's disability status, and whether or not the widow receives income from various

sources immediately after her husband's death.

Methods

The Analyses

Our goal is to provide a description of the changes in household income adjusted for needs that occur in the months preceding and immediately following the death of a spouse. Some of these changes may be due to widowhood, but others may be due to external events that would have changed the economic status of these women even if their husbands had not died. As a measure of what changes would have been expected, data are presented for a comparison group of married women whose husbands did not die during the panel. Two income regressions are estimated for the eventually widowed and continuously married couples.These regressions provide a more detailed picture of whether the pre-widowhood income/needs levels of eventually widowed couples are affected by sociodemographic and economic factors in a substantially different way than for couples who do not enter widowhood and of which sub-groups are particularly disadvantaged as they experience widowhood.

The Sample

Each SIPP panel is a nationally representative sample of households whose members are interviewed at four-month intervals over a 32-month period. At each interview, data are collected on the incomes of each household member over the four preceding months. Our sample of 382 eventual widow households and 2184 continuously married households come from the 1990 and 1991 SIPP panels. We combine the two panels using the SIPP-recommended weights for aggregating these particular panels. The eventual widows are defined to be married women age 40 and over and with husband present at the first interview, whose husbands died at some point during the panel, and who are interviewed at least once as a widow. The continuously married are a one-quarter sample of similarly aged women in SIPP who are married throughout the 32-month panel. Individuals in the sample are weighted by the appropriate SIPP sample weights. In addition, because married couples are younger than those who become widowed, a weight developed for the purposes of this study is applied to the continuously married women to make their age distribution equal to that of the (older) eventual widows. Thus, differences in patterns of and

contributors to income change between the two sets of couples are net of differences in age structure.

Because calendar month of widowhood is different for each eventually widowed woman yet we want to compare households by months prior to and after widowhood, we choose an approach first used by Zick and Smith (1991a) in which we assign a month of "widowhood" to each continuously married couple in such a way that the distribution of "deaths" by calendar month for the continuously married couples is identical to that of the actual deaths for eventually widowed couples. We flag all pre- and post- widowhood months accordingly around the month of actual death for eventual widows and assigned death for the continuously married. While the continuously married couples are in fact never widowed, arraying their monthly incomes around an assigned widowhood month allows us to control for the effects of other shocks that may destabilize income for all couples--both married and those about to be widowed--during all months of "pre- and post-widowhood."

The Results

Descriptive statistics for the eventual widows and continuously married couples appear in Table 1. In the two months preceding the death the eventual widows average 0.6 lower income-to-needs (using the standard U.S. Census Bureau needs calculations) than their continuously married counterparts. Their income-to-needs ratio drops by 0.73 on average immediately after the death, while the continuously married couple's experience virtually no change in income over this period of "widowhood."

When comparing the two age-adjusted samples on other sociodemographic characteristics, we find that the eventual widow households are similar to their married counterparts in terms of education, ethnicity, and household composition prior to widowhood. What's more, the percentage of wives reporting receipt of income from earnings, pension, and social security is almost identical across the two groups. There are, however, marked differences between the two groups in the pre-widowhood months for the husbands' income sources. Husbands who are about to die are more likely to be drawing on social security and pension income and less likely to have labor income than are their married counterparts. This is not surprising given the greater frequency of disabled husbands in the to-be-widowed sample and husbands' pending deaths.[3] Immediately after the husbands' deaths, there is no change in household composition or

in the percentage of wives working. Not surprisingly, the percentages of women receiving a pension and social security rise above that of their married counterparts, although in contrast to the 61 percent of men who were receiving pensions prior to their deaths, only half that many widows receive a pension.

Table 1.
Descriptive Statistics[a]

Variable	Eventual Widows		Always Married Couples'	
	Pre-wid.	Post-wid.	Pre-wid.	Post-wid.
Income/needs	3.40	2.67	3.98	3.91
Wife	0.24	---	0.26	---
White	0.89	---	0.90	---
Other adults present	0.16	0.17	0.17	0.18
Minor children present	0.03	0.04	0.06	0.06
Wife's age <60	0.19	---	0.18	---
Wife's age 60 - 64	0.14	---	0.16	---
Husb.disabled & <70	0.29	---	0.12	---
Husband not disabled &<70	0.19	---	0.39	---
Wife has earnings	0.17	0.16	0.17	0.17
Husband has earnings	0.19	---	0.27	---
Wife has pension	0.17	0.31	0.17	0.17
Husband has pension	0.61	---	0.49	---
Wife has social security	0.75	0.81	0.75	0.75
Property and interest income	0.77	0.74	0.86	0.85
Other Income	0.30	0.15	0.14	0.12

Income-to -needs is averaged over months-2 and-1 for the pre-widowhood period and +1 and +2 for the post-widowhood period.

[a] For variables other than income-to -needs, the pre-widowhood measure takes on a value of 1 if the condition is met in at least one of the three months prior to the husband's death. The post-widowhood variables take on a value of 1 if the condition is met in one or more of the three months that immediately follow the husband's death.

We estimate regressions using dependent measures that capture the two major differences between our couples: (1) the income/needs level in the months immediately preceding the death and (2) the change in income/needs between the two-month average that immediately precedes the death and the two-month average that immediately follows the death. We run regressions where the eventual widow and continuously married samples are combined and a dummy variable reflecting group membership is included (model A). We also run regressions where sample membership is interacted with all of the other independent variables (model B) and where estimation is done separately for each sample (model C). While models B and C are statistically equivalent, model C offers a more straightforward presentation of the results than model B. We need model B, however, to conduct an F-test to identify whether models A or C should be preferred statistically. F-tests indicate that model A is preferred in the case of estimating income-to-needs in the month preceding the widowhood, while model B/C is preferred when estimating the change in income-to-needs at the time of the death. We choose to focus on the results for the preferred models although the estimates for the alternative formulations are available from the authors upon request.

The parameter estimates for the descriptive regressions appear in Table 2. It is not surprising to see that the coefficient associated with being in the to-be-widowed group has a negative and statistically significant effect on the pre-widowhoodlevel of income/needs(col. 1). Being white, being a wife with more than a high school education, and being a wife who is age 60-64 are all socio-demographic factors that are associated with higher levels of income-to-needs for both groups. In contrast, having minor children present and having a husband who is disabled contribute to lower income-to-needs for households. Interestingly, while the presence of property and interest income, husband's labor income, wife's labor income, husband's pension income, and wife's pension income are all associated with higher levels of income-to-needs, receipt of social security and other income are not. This does not mean that the receipt of social security has no effect on couples' well-being, but rather that receipt of benefits from this universal program does not place couples in higher or lower income-to-needs categories. This preferred model suggests that there are long-standing differences in economic status levels between the two groups ; the lower income-to-needs of eventual widows is not due to differences in the effect of variables on the economic conditions of these couples in the months just prior to husbands' deaths.

Turning to the change regression, (col.2+3) we focus our discussion on the coefficients associated with the widowed sample. In this table, the coefficients obtained with the intact couple sample can be viewed as a benchmark for comparison: specifically, they allow

us to assess how sociodemographic characteristics and the receipt of income from various sources enhance or inhibit changes in economic well-being more

Table 2.
Predictors Pre-widowhood income and of change in Income/Needs

Variables	Pre-wid. Inc.[a]	Change in income/needs[b] Widows	Married
Intercept[b]	0.89**	-1.48**	0.16
Eventual widows	-0.33**	---	---
Income/needs month "-1"	---	-0.53	-0.24**
Wife's edu. (1=12+)	1.49**	1.27**	0.06
White	0.93**	0.73	0.24**
Other adults present	0.21**	0.39	0.25**
Minor children	-1.34**	0.12	-0.01
Husb. disabled &<70	-0.60**	0.06	0.29**
Husb. not disabled &<70	0.20**	0.25	0.56**
Wife has labor income [b]	-0.79**	1.27**	0.15
Husb. has labor income	2.11**	---	---
Wife's age <60	-0.08	-0.01	-0.03
Wife's age 60-64	0.48**	-.55	0.22*
Wife has pension	0.31*	1.36	0.14*
Husband has pension	0.79	---	---
Wife has social security	0.08**	0.35	0.11
Husband has social security	-0.27	---	---
Property and interest income	1.12**	0.62	0.51**
Has other income	0.19	0.88**	-0.06
Panel year(1=1991,0=1990)	-0.02	0.10	-0.08
Death in "Seam" Month	---	0.32	-0.17**
Adjusted R²	0.27	0.34	0.15
F-Statistic	53.18**	11.62**	27.19

a) Dependent Variable: Income to Needs in 2 months prior to widowhood.
b) Dependent Variable: Post-Widowhood Minus Prewidowhood Two-Month Averages
* <.10
** <.05

generally, when the death of the husband is not the catalyst for change in both regressions. We include a control for income-to-needs at month "-1." This takes account of the initial conditions from which both samples begin. We also include the dummy variable

that identifies which panel the household came from, and a dummy variable that identifies whether the change in income-to-needs is calculated using the "seam" months in SIPP (Dodge, 1995; McGarry, 1995). Defining the dependent variable as post-widowhood income minus pre-widowhood income means that a positive coefficient implies a *smaller* drop in income-to-needs upon widowhood. Conversely, a negative coefficient implies the variable increases the decline in income-to-needs.

The estimated coefficients show that being white and having more than a high school education appear to protect widows from large economic declines when their husbands die. Consistent with previous studies is the finding that a higher pre-widowhood income leads to a larger decline in income upon widowhood. Higher income wives have more to lose upon widowhood and survivor benefits from social security and pension may replace a smaller share of pre-widowhood income. In addition, beyond their roles in enhancing pre-widowhood income-to-needs, income from paid work, pensions, and assets all provide protection against large income declines upon widowhood. The magnitude of the estimated coefficients suggests that the receipt of labor income and pension income is especially protective of wives as they are widowed. While asset income is also protective, it is no more so for widows than for married couples. Interestingly, the only income source that appears to not operate to lessen the severity of the economic decline that occurs at widowhood is social security income. Again, this is likely to be because of the broad based receipt of benefits from this program by widows; receipt (in contrast to PIA amount) does not differentiate women who have greater or smaller income changes. Finally, we note that husband's disabling condition does not affect the widow's economic status beyond its effect on pre-widowhood income.

Discussion and Conclusions

Even for women who became widows in the early 1990s widowhood remains an economically risky event. Widows are disadvantaged because before they entered widowhood, their incomes adjusted for household consumption needs were already significantly lower than for their continuously married peers. In addition widowhood was accompanied by a large decline in average income-to-needs. These results are unexpectedly similar to those of earlier

studies that looked at widowhood during the 1970s and 1980s. Despite gains in income among the elderly, pension legislation that aims to protect women against the loss of their husbands' earnings and pensions, and increases in labor earnings among women, on average women continue to experience a major drop in economic well-being when husbands die.

Our understanding of the relative importance of sociodemographic and economic factors in explaining the relatively disadvantaged economic situation of widows prior to their husbands' deaths remains poor. The similarity in demographic characteristics between the two groups of couples prior to widowhood and the striking absence of interaction effects between widowhood and the other independent variables in the pre-widowhood income-to-needs level equation shows that these two groups of couples are similarly affected by socio-economic conditions. What distinguishes them in the pre-widowhood period is the husbands' disabling conditions.

The current work does identify several income sources that appear to be critical in cushioning the economic shock of widowhood. We find that the receipt of earned income or pension income—even though receipt of the latter does not continue to all widows of pensioners--significantly lessens the economic decline at the time of the death. In this context, it is all the more sobering to recognize that a mere 16 percent of the newly widowed women in our sample had labor income and only 31 percent had pension income in the months immediately following the death. While receipt itself of social security does not distinguish among widows with larger or smaller income declines, it does appear to provide a floor of protection, thus reducing the chances of entering poverty for young widows and perhpas for those whose husbands were receiving disability-related benefits.

Another consistent finding in this study is that race and education matter. White widows fare better than nonwhite widows and widows who have more than a high school education fare better than those who do not. In large part, these variables may be capturing differences in the *amounts* of various types of income that are received by certain household types.

From a public policy perspective, it is clear that the risk faced by widows needs to remain on the national policy agenda. Despite the potential for women's work and pension coverage to protect against the economic consequences of widowhood, this protection is still far from universal. If pension legislation, the expansion in social security coverage, and wives' own greater work roles have soothed couples into thinking that the wives are protected against the economic consequences of widowhood, it appears that education to the contrary may be in order.

Acknowledgements

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Endnotes

1. Professor, Department of Consumer Science & the La Follette Institute of Public Affairs

2. Professor, Family & Consumer Studies

3. The disability variable comes from a core question on disability that is updated at each interview. It is asked of persons under 70 and thus reflects being disabled and below retirement age. Because the two samples are weighted to achieve age comparability, differences in disability rates between the two samples reflect disability among the working age population.