



Adverse effects of widowhood in Europe

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ABSTRACT

I investigate the relationship between widowhood and the financial situation among women aged 50 and above in Europe. The results of the paper are based on the Survey of Health, Ageing and Retirement in Europe, and its retrospective third wave (SHARELIFE). Using retrospective data makes it possible to analyze the dynamics of the adverse effects of widowhood. I estimate both the short run and long run effects of widowhood on financial circumstances, health, and labor force status. I argue that not only the lack of the deceased husband's income, but also the worse health condition and earlier retirement of widows contribute to the unfavorable financial conditions, although these indirect effects are small. I also analyze the role survivors' pensions have in mitigating the adverse effects of widowhood, and provide evidence for varying compensating effects of survivors' pensions in the European countries analyzed.

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1. Introduction

Old-age poverty is strongly associated with the poverty of widowed women. In this paper I analyze the financial situation of widows in Europe. Using a rich set of cross-national household level data, I can provide new evidence on the magnitude and timing of the adverse effects of widowhood. The results of this paper are based on the Survey of Health, Ageing and Retirement in Europe (SHARE).

Based on the second wave of SHARE, half of the widows who are aged 50 and above report financial difficulties, which is around ten percentage points higher than the similar ratio among married women within the same age category. Such difference cannot be seen among men. Apart from the lack of the deceased husband's income, other factors can also contribute to the poverty of widows. Therefore I investigate the short and long run effects of widowhood not only on financial circumstances, but also on health and employment status. Health problems and

early exit from the labor market can exacerbate the deprivation in widowhood.

I use the second and third waves of SHARE. The second wave is a cross sectional survey of individuals aged 50 and above, whereas the third wave, which is called SHARELIFE, is a retrospective survey of the same population. The second wave of the survey makes it possible to analyze the persistent effects of widowhood on the living conditions at older ages, whereas the retrospective third wave data provide evidence on the short run and dynamic effects of widowhood. In the empirical analysis I take into account that selection into widowhood is not random: even before widowhood, widows have on average poorer socio-economic status than the rest of the female population.

The estimation results indicate that the death of the husband has immediate adverse effects on the financial, health, and labor market status of the widow. These effects are on average long lasting, but are less severe for those widows who were less dependent on the husband's income. I also analyze the cross-country differences in the negative effects of widowhood on financial circumstances. This analysis can provide some insights into the efficiency of the various social security systems in preventing widows'

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poverty. There are cross-country differences in these effects, however the variation in the negative effect of widowhood on financial status cannot be explained by the differences in the overall generosity of survivors' pensions. Eligibility rules and differential survivors' pension benefits can help mitigate the adverse effects of widowhood.

The rest of the paper is structured as follows. In [Section 2](#) I provide a review of the related literature and discuss my contributions. In [Section 3](#) I describe the data, and in [Section 4](#) I present the estimation results. I relate the estimation results to the survivors' pension systems of the analyzed countries in [Section 5](#). [Section 6](#) concludes.

2. Related literature

The death of the spouse is a major life course event with long lasting adverse effects. The effects of widowhood are analyzed by researchers in various disciplines. For example, [Umberson, Wortman, and Kessler \(1992\)](#) and [Bennett, Smith, and Hughes \(2005\)](#) focus on depression related to widowhood, whereas [Ferraro, Mutran, and Barresi \(1984\)](#) analyze how the death of the spouse influences the health and friendship support of older people. In this paper my focus is on the short run and long run economic consequences of widowhood.

The main contributions of my paper are to provide an international comparison on the financial situation of widows in Europe, and to investigate the influencing role of employment, health, and social security systems on the living conditions of widows. As an additional novelty, I utilize the retrospective nature of the third wave of SHARE, based on which I analyze the dynamics of the adverse effects of widowhood.

The first line of the related literature provides evidence on the relative poverty of widows. My findings on the relative poverty of widows are in line with the facts documented in the related literature. Using the European Community Household Panel data, [Ahn \(2005\)](#) documents that widowers have on average higher income than widows, and the income differences across countries and between genders are larger for those living alone. Due to widowhood the income of women decreases more than of men. According to Ahn, the ratio of household income after and before widowhood ranges between 50 and 90%, with substantial variations across the countries in Europe. Using SHARE data, [Tinios, Lyberaki, and Georgiadis \(2011\)](#) (chap. 2) provide evidence that widowhood significantly increases the probability of persistent poverty, but they do not investigate how this influencing mechanism works. Thus I extend their analysis by looking at the immediate and also at the indirect effects of widowhood.

The second line of the related literature looks at the factors leading to the poverty of widows. [Smith and Zick \(1996\)](#) analyze the increased mortality risk and worse health status of the surviving spouse. Potential reasons can be the bereavement, stress, and role changes associated with widowhood. Smith and Zick base their empirical analysis on the US based Panel Study of Income Dynamics and death certificate information, and they find an elevated mortality risk among widowers, especially if

the death of the spouse was sudden. On the other hand, for widows they do not find a significant increase in mortality, which they explain by the lack of need for role changes and by emotional preparedness. In this paper I do not investigate the effect of widowhood on mortality, but present results on its effect on morbidity.

Based on the SHARE data I also provide some evidence on the selection into widowhood. This is important since the poverty of widows might be partly due to non-random selection, and to different economic decisions prior to the death of the husband. These considerations are related to [Hurd and Wise \(1989\)](#), who analyze the circumstances that lead to the disproportionate poverty of widows in the US. They find that one explanatory factor of poverty is the low accumulation of wealth prior to the death of the husband. Hurd and Wise also find that poor widows lose a higher percentage of the household wealth with the death of the husband than those who are better-off, partly because of the absence of life insurance. In a related study, [Sevak and Weir \(2003\)](#) claim that the poverty of widows in the US is not only due to the lost income of the husband but also to selection. Based on the Health and Retirement Study, they provide evidence that poor women are more likely to become widow, and a substantial number of widows in poverty were poor also during marriage. They also find positive relationship between poverty and the duration of widowhood, for which based on the SHARE data I find only mixed evidence.

The retrospective SHARELIFE data make it possible to analyze the dynamics of poverty and other adverse effects of widowhood in a cross-country perspective. The related papers in the literature focus either on a single country, or if they compare the dynamic effects of widowhood across countries then the comparison is restricted by the comparability of different data sources (see e.g. [Muffels, Fouarge, & Dekker, 2000](#), although their focus is not in particular on the effects of widowhood but more generally on income and poverty dynamics). [Smith and Zick \(1986\)](#) use the Panel Study of Income Dynamics to analyze both the short run and long run effects of widowhood in the US, and [Holden, Burkhauser, and Feaster \(1988\)](#) use the Retirement History Study data to analyze the dynamic effects of retirement and widowhood, finding that for widows in the US the high risk of becoming poor is in the first years of widowhood.

In this paper I also analyze to what extent the survivors' pension systems can moderate the adverse effects of widowhood. Survivors' pension benefits are needed to ensure sufficient income for the surviving spouse. However, survivors' pensions can also imply efficiency losses through disincentives to work, and can also lead to unintended redistributions. These issues are discussed in more details by [Estelle \(2009\)](#). My analysis is related to [Siegenthaler \(1996\)](#), who compares five European countries and the US in preventing poverty among widows. Based on this comparison he concludes that those old-age security systems are the most efficient in preventing poverty which provide a minimum income to all. [Monticone, Ruzik, and Skiba \(2008\)](#) give an overview of survivors' pensions in the EU. All countries provide some type of survivors' pension, although the conditions for

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