The Poverty of Widows: How do they become the poor?

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Population aging has increased rapidly and economic well-being of the elderly has improved considerable over the past several decades. In spite of improving economic well-being of the elderly, high rate of poverty among widows remains a primary concern of policies for the elderly. For example, poverty rates of widows in cross-sectional samples from the Health and Retirement Study (HRS) and the Current Population Survey (CPS) in 1998 was 17.3 percent and 18.6 percent, respectively (Sevak, Weir & Willis, 2003). Women are more likely to be widowed due to their longer life expectancies and the propensity of men to marry younger; about half of women over 65 were widows (U.S. Census Bureau, 1998). Older women without a spouse are more likely than men to face threats to their economic security. Those women who have not worked are dependent in their later years on their spouse's lifetime earning record. Upon the loss of their spouse, their income can be dramatically reduced due to lower Social Security benefits and loss of pension income. Three of every four older poor individuals are women, with women being twice as likely to be living in poverty as men (Choudhury & Leonesio, 1997). It is the loss of a spouse and his economic resources that is associated with declines in the economic well-being of widows (Burkhauser, Butler, & Holden, 1991; Zick & Smith, 1991). Although the rate of being poor widows has been fallen in the 1990s, widowhood remains a vulnerable risk factor for transition into poverty.

Earlier researches found that many wives were in the face of reduced living standards after their spouses' death. These findings allowed us to address questions about potential factors facilitated economic insecurity of widows and current patterns of the widow poverty.

Previous research on widowhood and economic well-being has generally used one of two approaches. The first approach is to examine the relationship between widowhood and poverty. Morgan (1981) used the National Longitudinal Survey (NLS) sample of mature women (ages 30-44 in 1967) to analyze how widowhood changes subsequent financial resources. When the cross-sectional incomes of widows were compared to those of married women, Morgan's results indicated that widows had a higher probability of being poor. Holden, Burkhauser, and Myers (1986) represented that while the poverty rate for Retirement History Survey (RHS) widows hovered around 30 percent in any given year, their risk of being poor at some point during their 10-year period of analysis was over 50 percent. They examined widowhood events and found that mean family income for women in the survey period before and in the second survey period after the death drops from $23,284 to $11,121, and the poverty rate jumps from 14 to 26 percent. Furthermore, Zick and Smith (1991) examine the incidence of poverty using Panel Study of Income Dynamics (PSID), and they conclude that widowed households have a higher risk of experiencing economic hardship than do households in the general population after following the survivors for five years. Furthermore, Hurd and Wise (1987) found that the death of the husband was a strong predictor of the poverty of the surviving household. These results indicate the transition to widowhood is, itself, associated with an increase in poverty rates. Poor women are more likely to become widowed at a young age, because of the relationship between mortality and socioeconomic status (Sevak, Weir & Willis, 2003). These studies provide useful insights about the question of whether widowhood leads to economic hardship and supplies some information about the causal relationship between widowhood and poverty.

The second approach used in the poverty of widows is to examine how financial positions and other prior attributions such as, living arrangement, physical health, change after widowhood. Hurd and Wise (1987) verified that substantial wealth loss accompanied the husband's death. They pointed out the reason for being poor widow after husband dies was the loss of wealth because the prior private pension wealth of poor widows was almost totally lost when the husband dies and their prior wealth accumulation was relative insufficient. Zick and Holden (2000) estimated the wealth holdings of recent widows and then concluded that they have fewer assets than intact couples. Bound et al (1991) estimate labor and asset income are less important sources both before and after the death of a spouse, and several transfer income sources are much more important than for the general group of widows.

In sum, these findings show that the spouse's death induces widows' economic hardship even becoming the poor. In order to gain insights about how widows come to be poor, we found causal effects of being poor widows using time components of widowhood.

We used a method of decomposition of time period for widowhood in order to understand how widows become the poor on the basis of data from Health and Retirement Study. The widowhood can be divided into three time components; pre-widowhood, short-term widowhood and long-term widowhood based on life-course perspective. In early widowhood period, wealth loss effect and labor effect are associated with declining economic status of widows. Therefore, some widow households may experience a change in living standard in the years immediately preceding the husbands' death. In long-term widowhood period, the factor of change to be poor widows is based on the effect of human capital investment and health status. We used a conceptual model of being poor widows in terms of financial situations, labor effect and health status.

$$P\,(Poor \mid t\,,\,x) = f\,(FS,\,LB,\,HS) \qquad (1)$$

Where,

$P(poor \mid t, x)$	=	the probability that a widowed individual will fall into poverty during a period beginning at year t and given the values of x
FS	=	financial situation of widows between pre-widowhood and post widowhood
LB	=	previous and current work experiences and working periods
HS	=	health status for widows

Our model captures the factors and patterns of widow poverty through decomposing time period of widowhood. Potential cause of leading to the poverty of widows can be examined by insufficient wealth accumulation during prior intact couples. In turn, the loss of wealth as the economic consequences of a husband's death brings forth the widow poverty. Many elderly women are dependent upon their husbands' employment or retirement income. Therefore, low rate of participation in the labor market and high unemployment rate are still barriers to obtaining stable retirement income of widows. Less working experience, discontinuity, and unemployment cause poor widows due to accumulation of lower levels of pre-widowhood income. Moreover, health status of widows is one of potential factors to fall risk of widow poverty due to negative relationship between holding wealth and health status.

These expected results suggest several policy implications for alleviating older widows' economic hardship and getting out of poverty.

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