What Factors Explain the Decline in Widows’ Poverty?

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20th Annual Joint Meeting of the Retirement Research Consortium
August 2-3, 2018
Washington, DC

his research was supported by a grant from the U.S. Social Security Administration (SSA) as part of the Retirement Research Consortium (RRC). The findings and conclusions are solely those of the author[s] and do not represent the views of SSA, any agency of the Federal Government, the NBER Retirement Research Center, the Center for Retirement Research at Boston College (CRR), or the University of Michigan Retirement Research Center (MRRC).
Introduction

According to the Health and Retirement Study (HRS), widows are much more likely to live in poverty than married women. However, widows’ poverty has fallen over the past two decades, narrowing the poverty gap between widows and married women by 5 percentage points. In light of policymakers’ continued concern for widows, two important policy questions are: 1) why their poverty rate has declined; and 2) whether this trend is likely to continue. This paper focuses on three factors that could have contributed to the decline in widows’ poverty observed to date and that could have implications for the future. The first is the general trend among women obtaining more education. The second is a similar trend toward greater participation in the labor force. The final factor is shifting patterns of marriage and divorce that have changed marriage from something equally distributed across the socioeconomic spectrum to something more common among those with higher socioeconomic status.

Background

Widows have historically had poverty rates two to three times higher than those of married women. Researchers have documented that many married women fall into poverty after the death of a spouse (for recent examples, see Gillen and Kim 2009 or Diebold, Molton, and Scott 2017). However, times are changing and women have gradually become more independent. Over the past century, female educational attainment and labor force participation have increased tremendously (e.g., Goldin 2006; Blau and Kahn 2007; Ryan and Bauman 2016). Overall, these changes would suggest that more recent cohorts of women are probably less likely to fall into poverty in later life than previous cohorts were.

Furthermore, while all women have increased their educational attainment and their labor force participation, the composition of the population of married women has also shifted. Although divorce rates increased across the board (before a recent decline), the increase was larger for less-educated women than for the better-educated women (Stevenson and Wolfers 2007; Aughinbaugh, Robles, and Sun 2013). Furthermore, recent decades have seen a growth in the marriage gap between the lower and higher educated, with less-educated women marrying less (Reeves, Sawhill, and Krause 2016). Because divorced and never-married women cannot become widows, the pool of women who eventually become widows has become better-educated, which likely reduces their risk of falling into poverty. Understanding the extent to which population wide changes versus changes in marital composition explains the decline in
widows’ poverty is important for projecting widows’ poverty going forward. The next section lays out the data and methodology used in determining the relative contributions of these three factors to widows’ poverty, and what they predict for the future.

**Data and Methodology**

This paper uses the 1994-2014 waves of the HRS, a longitudinal dataset that surveys Americans ages 50 and older biennially about their labor market outcomes, family structure, public benefit receipt, and other characteristics. The public-use HRS is linked to SSA’s administrative earnings and benefit records to provide accurate information on women’s earnings histories and their late spouses’ age at death. The initial sample includes widows ages 65 through 85, though the analysis, when examining possible future outcomes, focuses on younger married women.\(^1\) The key outcome of interest is the poverty rate. A widow is determined to be in poverty if her income is below the official poverty thresholds that the Census Bureau publishes for people older than 65 (U.S. Census Bureau 2018). 

To determine the reasons for declining widows’ poverty, the paper first determines how much of the drop in the poverty rate between 1994 and 2014 was due to increases in education and labor force participation. To do this, the project uses a linear regression model to assess the relationship between widows’ poverty and two key independent variables: 1) years of education; and 2) years in the labor force. The regression controls for other factors that may be associated with poverty, such as the widow’s age, the age difference between her and her late spouse, the spouse’s Social Security claiming age, indicators for race/ethnicity, an indicator for whether the spouse was alive at age 65, and a linear control for time. The coefficients from this regression are then used to predict the decline in poverty between 1994 and 2014 if only those two factors had changed. This calculation is accomplished by replacing widows’ average years of education and average years in the labor force in 1994 with those of the widows in 2014.

The next step is to determine much of the change in poverty is due to marital selection. This exercise is accomplished by recalculating the education and labor force participation (LFP) of current widows had marriage rates remained unchanged over the last two decades, and then using the coefficients from the regression to predict what would have happened in this counterfactual world. The difference between the current poverty rate and the prediction using

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\(^1\) The ages 65-85 are chosen to facilitate the selection of cohorts of future widows in 2029.
these counterfactual estimates is due to general trends in education and LFP, the remaining difference would be due to selection.

Once this decomposition exercise is completed for the period 1994-2014, an analysis of the future period estimates how much poverty among widows should be expected to drop by 2029, and what role education, labor force participation, and marital selection each play. To perform this calculation, the study proceeds in three steps. First, a linear regression is estimated on women who entered the HRS at age 50-70 as married and who were observed 15 years later. In this regression, the dependent variable is an indicator for whether they were widowed at the end of the 15-year period. Second, the study uses the coefficients from the widowhood regression to predict who in this sample will likely be widowed in 2029. Finally, the regression coefficients from the poverty regression are used to predict how this group is likely to be faring in 2029.

Results

A selection of the regression results is presented in Figure 1, and shows that years in the labor force, years of education, the deceased spouse’s Social Security claiming age, and whether the spouse was alive at age 65 are all negatively associated with poverty and statistically significant at the 1-percent level. Being black or Hispanic are positively associated with being in poverty.

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2 To do this, the predicted values of the probability of widowhood are calculated using the coefficients from the widowhood regression and the younger married women’s characteristics. A random number between 0-1 is drawn; if it is larger than the predicted value, she is included in the sample of future widows.
When these coefficients are used to predict how much of the decline in widows’ poverty is due to LFP and education, most of the decline can be explained. Widows’ poverty declined from 19.9 percent in 1994 to 13.2 percent in 2014. According to these estimates, had 1994 widows had the same LFP and education as 2014 widows, poverty would have been at about 13.7 percent.

Finally, the coefficients in Figure 1 can be combined with the regression predicting widowhood (results available upon request) among currently married women to show how widows’ poverty is expected to evolve in the future. Figure 2 shows that it is expected to decline to a predicted 8.3 percent by 2029. This result is driven by the fact that tomorrow’s widows are projected to have 2 more years of education and about 7 more years of work experience relative to today’s widows. The decomposition exercise suggests that while much of the decline in poverty rates to date was driven by broad trends in LFP and education among women, the future declines are likely to be driven more by selection. Indeed, the results suggest that while none of the decline to date shown in Figure 2 was driven by selection into marriage, about half of the future decline will be driven by a change in who exactly gets married and remains married.
Conclusion

Widows’ poverty has declined over the last several decades and should continue to decline in the future. Although this trend is good news, it is worth noting that even today widows’ poverty is still about five times higher than married couples’ – at 13.2 versus 2.6 percent. As policymakers think through changes to Social Security to place it on firmer financial footing, widows will likely remain a vulnerable group worth of consideration.

Source: Authors’ calculations from the HRS, 1994-2014.
References


