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Financial Consequences of Widowhood

"Further reductions in the public survivors' pension could lead to a significant income drop for recipients"

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The need for providing public survivors' benefits is under discussion in light of the fact that more women are working and there are now more possibilities for securing insurance against income loss. This study focused on the drop in income for various groups in the event of widowhood. To what extent are people in a position to cover this themselves? We analyzed the reductions in the survivors' pension brought about by implementation of the Surviving Dependents Act (ANW) in 1996 and the consequences of that in light of the new pension agreement.

Principal Findings

- The reductions in the public survivors' pension in 1996 resulted in a sharp income drop upon widowhood. The living standard of women who had a high level of household disposable income prior to becoming widowed suffered the most after the reform: with a loss of about 40%. Even for women with the lowest incomes, though, the public survivors' pension is often insufficient for maintaining their standard of living, which declined by about 16%.
- Incomes for men dropped, as well, but their standard of living still increased by about 1% to 2%.

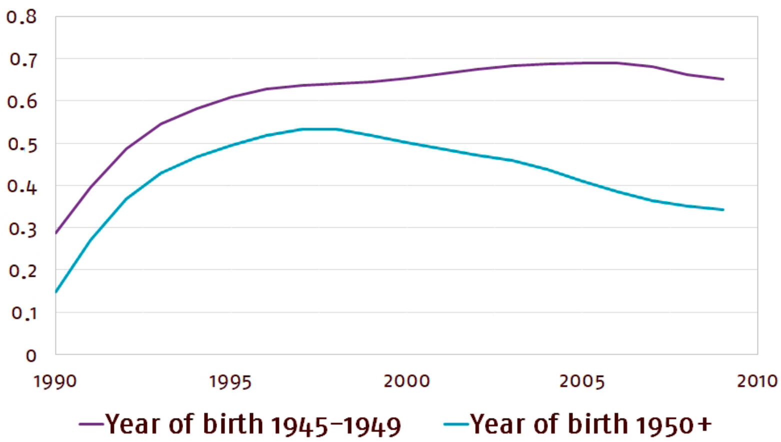

Figure: Fraction of widowed persons receiving public survivors' benefits. The public survivors' benefits scheme introduced in 1959 protects widows from poverty. Following a legal ruling in 1988, men also became eligible for the scheme and use increased. Reductions to the scheme were made in 1996 (for people born after 1949) by introducing a means test and excluding people age 40 and up who can still work. Use subsequently dropped as a result.

Key Takeaways for the Industry

- Policymakers could consider integrating the survivors' benefits of the first and second pillars, for example, by introducing benefits for three to five years of 70% of the income of the deceased partner and 100% if they have minor children.
- Basing benefits on the income at the time of death promotes workforce participation, and making the benefits temporary provides an incentive to work more.

Want to know more? Read the paper **'Financial consequences of widowhood: Evidence of reductions in public survivors' benefits in the Netherlands'** (Dutch only)