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Widowhood in Poland: Reforming the Financial Support System

Drawing on a recent Policy Paper, we analyse the degree to which the current system of support in widowhood in Poland limits the extent of poverty among this large and growing group of the population. The analysis is set in the context of a proposed reform discussed lately in the Polish Parliament. We present the budgetary and distributional consequences of this proposal and offer an alternative scenario which limits the overall cost of the policy and directs additional resources to low-income households.



Introduction

Losing a partner usually comes with consequences, both for mental health and psychological well-being (Adena et al., 2023; Blanner Kristiansen et al., 2019; Lee et al., 2001; Steptoe et al., 2013), and for material welfare. Economic deprivation may be particularly pronounced in cases of high-income differentials between spouses and in situations when the primary earner – often the man – dies first. Many countries have instituted survivors’ pensions, whereby the surviving spouse continues to receive some of the income of her/his deceased partner alongside other incomes. The systems of support differ substantially between countries and they often combine social security benefits and welfare support for those with lowest incomes.

In this Policy Brief we summarize the results from a recent paper (Myck et al., 2024) and discuss the material situation of widows versus married couples in Poland. We show the degree to which the ‘survivors’ pension’, i.e. the current system of support in widowhood, limits the extent of poverty among widows and compare it to a proposed reform discussed lately in the Polish Parliament, the so called ‘widows’ pension’. In light of the examined consequences from this proposal we relate it to an alternative scenario, which – as we demonstrate – brings very similar benefits to low-income widows, but, at the same time, substantially reduces the cost of the policy.

Reforming the System of Support in Widowhood

Our analysis draws on a sample of married couples aged 65 and older from the Polish Household Budget Survey – a group representing a large part of the Polish population (almost 1,7 million couples). Each of these couples is assigned to an income decile, depending on the level of their disposable income. Incomes of 9.5 percent of the sample locate them in the bottom decile, i.e. the poorest 10 percent of the population, while 4.4

percent of these older couples have incomes high enough to place them in the top income group – the richest 10 percent of the population.

Next, in order to examine the effectiveness of the different systems of support, we conduct the following exercise: incomes of these households are re-calculated assuming the husbands have passed away. This simulates the incomes of the sampled women in hypothetical scenarios of widowhood. The incomes are calculated under four different systems of support as summarized in Table 1.

Table 1. Modelled support scenarios.

I. No support	A system without the current survivor’s pension, in which widows would need to fully rely on their own social security incomes (pensions).
II. Survivor’s pension	The current system of support, where a widow chooses between: (A) 100% of her own pension or (B) the survivor’s pension equal to 85% of her deceased husband’s gross pension.
III. Widow’s pension	A reformed system, currently debated in the Polish Parliament: a widow chooses between: (A) 100% of her own pension + 50% of the survivor’s pension or (B) 50% of her own pension + 100% of the survivor’s pension.
IV. Alternative system	An alternative reform where a widow chooses between: (A) 100% of her own pension + 50% of the minimum pension if her husband received at least the minimum pension or (B) 100% of the survivor’s pension increased to the minimum pension (if the husband received at least minimum pension).

Using these re-calculated household incomes, we can identify the relative position in the income distribution in the widowhood scenario as well as the poverty risk among widows under different support systems.

The change in the relative position in the income distribution following widowhood under the four support systems is presented in Figure 1. The starting point (the left-hand side of each chart) are the income groups of households with married couples aged 65+, i.e. before the simulated widowhood. The transition to the income deciles on the right-hand side of each chart is the result of

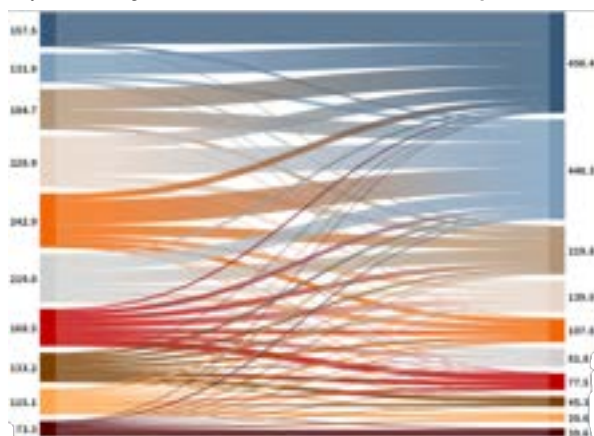


a change in equivalised (i.e. adjusted for household composition) disposable income in the

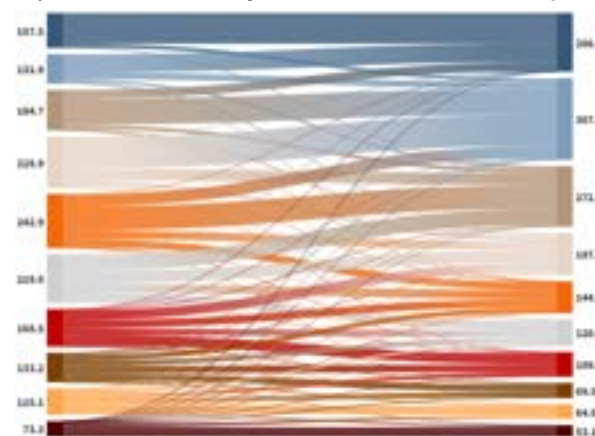
widowhood simulation, under different support scenarios (I – IV).

Figure 1. Change in income decile among women aged 65+, following a hypothetical death of their husbands.

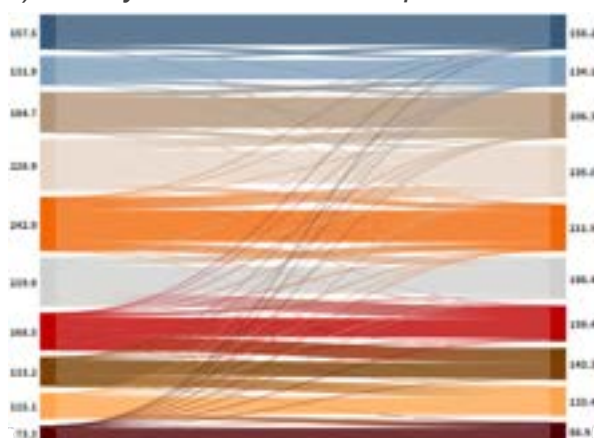
a) The system without survivor's pension.



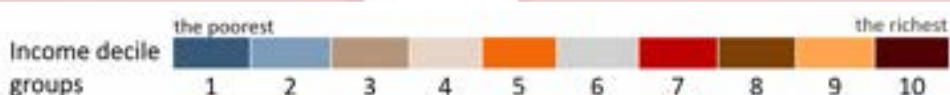
b) The current system with survivor's pension.



c) The system with widow's pension.



d) The alternative system.



Source: Own calculations based on HBS 2021 using SIMPL model; graphs were created using: <https://flourish.studio/>

Figure 1a shows that, without any additional support, the financial situation of older women would significantly deteriorate in the event of the death of their spouses (Figure 1a). The share of women with incomes in the lowest two deciles would be as high as 54.7 percent (compared to 17.5 percent of married couples). The current survivor's pension seems to protect a large proportion of women from experiencing large reductions in their income (Figure 1b), although the proportion of those who find themselves in the

lowest two income decile groups more than doubles relative to married couples (to 38.3 percent). The widow's pension (Figure 1c) offers much greater support and a very large share of new widows remain in the same decile or even move to a higher income group following the hypothetical death of their spouses. For example, with the widows' pension, 8.0 percent of the widows would be in the 9th income decile group and 5.3 percent in the 10th group, while in comparison 7.0 and 4.4 percent of married couples

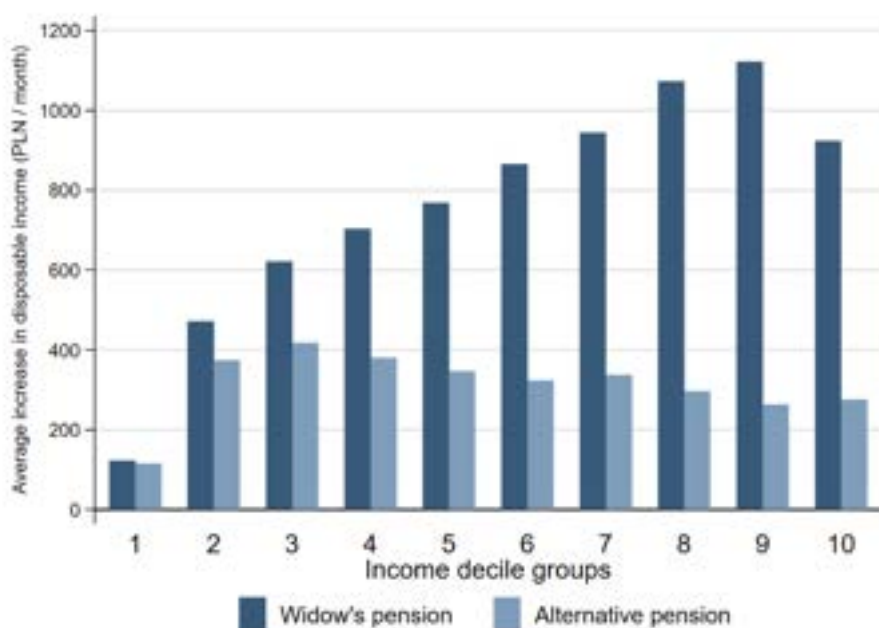
found themselves in these groups, respectively. The proposed alternative system (Figure 1d) raises widows' incomes compared to the current survivor's pension system, but it is less generous than the system with the widow's pension. At the same time 4.6 percent and 3.4 percent of widows would be found in the 9th and 10th deciles, respectively.

Importantly, the alternative support system is almost as effective in reducing the poverty risk among widows as the widow's pension. In the latter case the share of at-risk-of poverty drops from 35.3 percent (with no support) and 20.7 percent (under the current system) to 11.0 percent, while under the alternative system, it drops to 11.8 percent. Because the alternative system limits additional support to households with higher

incomes, this reduction in at-risk-of poverty would be achieved at a much lower cost to the public budget. We estimate that while the current reform proposal would result in annual cost of 24.1 bn PLN (5.6 bn EUR), the alternative design would cost only 10.5 bn PLN (2.5 bn EUR).

The distributional implications of the two reforms are presented in Figure 2 which shows the average gains in the incomes of 'widowed' households between the reformed versions of support and the current system with the survivor's pension. The gains are presented by income decile of the married households. We see that the alternative system significantly limits the gains among households in the upper half of the income distribution.

Figure 2. Average gains from an implementation of the widow's pension and the alternative system, by income decile groups.



Source: Own calculations based on HBS 2021 using the SIMPL model. Notes: Change in the disposable income with respect to the current system with survivor's pension. 1PLN~0.23EUR.

Conclusions

While subjective evaluations of the material conditions of older persons living alone in Poland have shown significant improvements, income poverty within this groups has increased since 2015. This suggests that the incomes of older

individuals have not sufficiently kept up with the dynamics of earnings of and social transfers to other social groups in Poland. As shown in our simulations, the current widowhood support system substantially limits the risk of poverty following the death of one's partner. However, while the current survivor's pension decreases the

poverty risk from 35.3 percent in a system without any support to 20.7 percent, the risk of poverty among widows is still significantly higher compared to the risk faced by married couples.

The simulations presented in this Policy Brief examine the implications of a support system reform; the widow's pension which is currently being discussed in the Polish Parliament, as well as an alternative proposal putting more emphasis on poorer households. The impact of these two reforms on the at-risk-of poverty levels among widowed individuals would be very similar, but the design of the alternative system would come at a significantly lower cost to the public budget. The total annual cost to the public sector of the widow's pensions would amount to 24.1 bn PLN (5.6 bn EUR) while our proposed alternative would cost only 10.5 bn PLN (2.5 bn EUR) per year.

An effective policy design allowing the government to achieve its objectives at the lowest possible costs should always be among the government main priorities. This is especially important in times of high budget pressure – due to demographic changes or other risks – as is currently the case in Poland.

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