

The Effect of Childlessness on the Economic Status of Elders

A substantial and increasing proportion of American adults has no children by choice or because of infertility problems. In 2002 17.9 percent of women age 40-44 were childless, compared to 10.2 percent in 1976 (U.S. Bureau of the Census, 2003). As these women age, the childless percentage will rise further because some will outlive all their children. For at least the next few decades, rising childlessness will be one factor that helps increase the ratio of elders to working age adults. As this ratio rises, either the working age population will need to pay a larger portion of their income to support Social Security and health care for the elderly, or funding for those purposes will need to be reduced. Thus, childlessness is one contributor to the long-term financial pressures on Social Security, public health care programs, and the health care system. These macro impacts of falling fertility have received and continue to receive broad attention from researchers and policy makers (National Research Council 2001).

In addition to its contribution to the macro impacts, childlessness – whether voluntary or not – may have important effects at the individual level. There are several mechanisms through which being childless may affect an elder's economic status, other things equal. Consider possible positive effects. Because not having children means not spending on their living expenses (including costs of higher education), childless adults may save more when working and reach old age with more assets. Because not having children means not having one or both parents taking time off from work, childless adults may earn more during their working years by working longer work hours, again, save more. Greater assets, in turn, would increase income when elderly and lower the likelihood of being poor or needing Supplemental Security Income (SSI) and Medicaid. Among elders who work, the childless may earn more than parents because of the returns to greater work experience when younger.

Now consider possible negative effects. Childless adults, faced with fewer financial demands, may decide to work less or choose jobs that trade lower compensation for higher non-financial rewards (e.g. being a lawyer for a non-profit organization instead of a law firm). Such choices could reduce their savings. Children may help their elderly parents manage their financial affairs better and thereby generate more investment income than childless elders with the same wealth. Children may also provide financial assistance. Childless adults may have less incentive to leave bequests and thereby save less.

Such effects may have important implications for public policy. Suppose childless elders, on average, are financially better off than older parents. Then childless elders likely will require less income support from public agencies compared to those with children. Therefore, if childlessness continues to increase, financial pressures on public income support programs will expand more slowly than the rising ratio of elders to working age adults alone would imply. Among the most important of such programs are SSI and Medicaid.

Alternatively, childless elders may place more demands on public programs. This might occur if childless elders have less income and assets, which would increase their need for the income tested programs SSI and Medicaid.

It is also possible that elders' economic status is independent of choices about parenthood. In this case, changes in the prevalence of childlessness would not affect programs' costs and caseloads.

Despite the potential importance for public policy of these individual effects of childlessness, the research community has paid virtually no attention to whether they exist

and, if so, their magnitudes. This study helps fill this gap in the literature by examining the relationship of childlessness to several major indicators of elders' economic status: income, poverty status, wealth, and use of SSI and Medicaid. The findings will provide useful information for policy makers and other stakeholders concerned about the well-being of elders and long-run financial demands on public programs. The study will also advance basic knowledge about the consequences of childlessness for the well-being of elders and help us understand the importance of childlessness relative to other characteristics that influence elders' economic status. The data will be from the Health and Retirement Survey (HRS).

Previous research: Despite the explosion of research on aging and the elderly in recent years, few studies directly address the consequences of childlessness for elders' health. Within this sparse literature, most work examines psychological well-being or the availability and provision of instrumental support and care (e.g. Koropeckyj-Cox 1998 and 2002, Hogan & Eggebeen 1995, Zhang & Hayward 2001, McGarry 1998). Despite reasons to think childless elders will fare worse in both domains, research generally shows that they fare about the same as elders with children (Allen et al. 2000, Zhang & Hayward 2001), other things equal.

A literature search uncovered no studies of childlessness' relationship to major, conventional indicators of economic well-being such as wealth, income, or poverty in the U.S. or in other countries. Indeed, there are virtually no studies of childlessness' relationship to financial outcomes or any other economic indicators of well-being. The one study of American retirement that examines childlessness (Szinovacz et al 2001) finds mixed relationships with the likelihood of retiring for persons aged 55-75. Hank (2004) reports that German childless ever-married women retire earlier. The one study of a financial outcome focuses on long-term care insurance and asks whether the availability of children and other potential caregivers explains why so few elders purchase this product (Mellor 2001).

In the literature that directly focuses on the consequences of childlessness for the elderly, childlessness is the key explanatory variable. In contrast to this limited body of research is an extensive literature on the socioeconomic factors associated with economic outcomes. In this literature the presence or number of children (or number of daughters and sons) may appear as an explanatory variable, typically as a control variable that is of minor interest in the context of the study. Such studies, with their foci on important non-demographic explanatory variables, do not explore in detail any relationship between childlessness and the outcome. Representative examples include Engen et al. (1999), Hurst (2003), Lusardi (2003), and Mitchell et al. (2000) on pre-retirement assets or savings.

Many other studies of economic and health outcomes do not even include presence or number of children among the explanatory variables. Representative examples are Scholz et al. (2004) on retirement savings, Hurd et al. (2001) and Portrait et al. (2000) on mortality, and Dick et al. (1994) on nursing home use. Given the main questions such studies address, this exclusion may well be of little moment. However, if childlessness is related to the outcome in question, its omission may produce biased estimates.

Plan of analysis: Using the HRS, the study will:

1. Develop descriptive data on observed economic differences between childless elders and those with children.
2. Determine whether there are statistically significant associations between childlessness and the outcomes, net of other factors, and estimate the magnitudes of the

associations. The study will estimate multivariate models for all sample members, for men and women separately, and, to the extent sample sizes allow, for other major sub-groups.

Childlessness is likely to be jointly determined with other outcomes of interest because unobservable characteristics of adults may well influence their decision to become a parent and their health outcomes. If childlessness is endogenous, one faces a selection issue when comparing parents and childless persons. Though a few studies recognize the importance of this issue, none attempt to correct for selection. Future work will address this shortcoming of all prior studies.

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