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Evidence Brief

Benefits for widows and women alone – what is happening internationally?

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EVIDENCE BRIEF: Benefits for widows and women alone what is happening internationally?

Key points

- In OECD countries, including New Zealand, benefits or payments that support a spouse or a partner following bereavement are common. These payments may include additional support for dependent children.
- In Australia, the United Kingdom, Canada, the United States, and Ireland, benefits and payments for people whose spouse or partner has died can be classified into two main types:
 - One-off payments to meet immediate financial needs following a bereavement
 - Ongoing payments to provide financial support to a surviving spouse/partner and/or their dependent children. These are often a substitute for another out-of-work benefit or superannuation payment.
- Over the past two decades, in response to rising female employment, lower fertility rates, and changing social patterns, many countries have reformed these benefits to align with social norms. This has included widening eligibility to men after the death of their wife, and to civil or same-sex partnerships (eg in Australia, United Kingdom, Canada, and New Zealand).
- The United Kingdom is currently undertaking a programme of reform for its bereavement benefit system, replacing ongoing payments with time-limited payments to provide greater short-term financial relief, and remove work disincentives from the current system.
- There is scarce evidence about the impact of different types of bereavement benefits (eg lump-sum payments versus weekly benefits; time-limited benefits versus lifetime payments) on benefit duration, employment participation, and social outcomes of widowed people..

This evidence brief looks at what benefits are available in countries other than New Zealand, for people whose spouse or partner died.

In OECD countries, including New Zealand, benefits or payments that provide support for a spouse or partner following bereavement are common. These payments may include additional support for dependent children.

Historically, these benefits were designed to support a surviving female spouse and her dependent children following the death of her husband, at a time when men were the main-wage earner in the household and women's' labour force participation was low (James, 2009). Over the past two decades, in response to rising female employment, lower fertility

rates, and changing social patterns around marriage and co-habitation, many countries sought to reform these benefits to align with new social norms. This has included widening eligibility to men after the death of their wife, and to civil or same-sex partnerships (eg Australia, United Kingdom Canada, and New Zealand).

In addition, there has been some interest internationally in moving away from providing ongoing benefits to surviving spouses or partners that put little emphasis on moving those recipients into work. The United Kingdom is currently undergoing a programme of reform aimed at removing existing ongoing bereavement benefits in favour of short-term payments to meet immediate costs (discussed further under 'United Kingdom' below).

Types of benefits

Benefits and payments for people whose spouse or partner has died can be classified into two main types:

- One-off payments to meet immediate financial needs following a bereavement, including funeral costs, and to help adjust to losses in household earnings
- Ongoing payments to provide financial support to a surviving spouse/partner and/or their dependent children. These payments can be time-limited or lifetime. Where these are lifetime payments, they often act as a substitute for another out-of-work benefit or superannuation payment.

The specific benefits and payments available in major OECD countries are outlined below.

Australia

In Australia, a 'Widow's Allowance' is available to Australian residents who meet the following criteria:

- women born on or before 1 July 1955
- those who have become widowed, divorced or separated since turning 40 (including those in de facto relationships)
- not currently a member of a couple
- have no recent work experience (Department of Human Services, 2012).

Payment

Payment is on-going. There are two payment rates for the Widow's Allowance dependent on a women's situation, with a lower rate of payment for women with no children (AU\$492.60) and a higher rate for those with dependent children (AU\$533). The higher rate payment is also available to women aged 60 years or over after nine months continuous

receipt of the allowance, regardless of dependent child status (Department of Human Services, 2012).¹

Obligations

The Widows Allowance is not work tested, so recipients have no work obligations. Recipients must submit a review form to a Department of Human Services Service Centre to continue their eligibility for Widows Allowance

Review forms must be submitted:

- every two weeks for those earning income from work
- every 12 weeks for those not earning any income.

Women who began receiving Widow Allowance on or after 20 September 2003 are required to attend an annual interview to review their situation to ensure they are still eligible. In addition, women receiving a Widow Allowance must submit a review form every 12 weeks (or every two weeks if they are earning some income from work) to maintain eligibility.).

United Kingdom

In the United Kingdom, a number of reforms focussed on widows benefits have been undertaken, with reform planned for 2016.

Payment

Under the current 'Bereavement Benefit' available in the United Kingdom, there are three different payments available to widows:

1. 'Bereavement Payment': a one-off, tax free payment of £2,000 payable to a person after their wife, husband or civil partner has died.
2. 'Bereavement Allowance': a taxable weekly benefit paid for up to 52 weeks from the date of death to someone who is over 45 but under State Pension age. It averages £77.93 per week
3. 'Widowed Parent's Allowance': This is a taxable weekly benefit payable to a parent after the death of their partner if they have at least one child for whom they receive a 'Child Benefit'. It is paid on top of the Child Benefit and is payable until the parent reaches State pension age, re-partners, or they are no longer eligible to receive Child Benefit (whichever comes first).² The payment averages £100.72 per week (Department for Work and Pensions, 2011; Ross, 2011). Recipients of a Widowed Parent's Allowance cannot receive a Bereavement Allowance at the same time, and vice versa.

¹ Women over pension age are also entitled to an additional 'Pension Supplement' on top of their Widow's Allowance of AU\$60.60 a fortnight.

² Child Benefit is paid for children to age 16, or to age 20 if they remain in education or training between the ages of 16 and 20.

Obligations

The Bereavement Payment, Bereavement Allowance, and Widowed Parent's Allowance are not work tested benefits, so recipients have no work obligations. Research indicates that most applicants for these benefits are not claiming another benefit, so they are likely to be in work at the point of application (Department for Work and Pensions, 2011).

Planned 2016 reform

A reform of the Bereavement benefit system is planned for 2016. The reform plans to replace the existing benefits with an increased lump-sum payment (similar to the Bereavement payment but of a greater value). This is to ensure that more financial assistance is delivered at the time of greatest need, during the period of readjustment following bereavement. On-going income support to non-working widows/widowers and their dependent children, previously provided through the Bereavement Allowance and Widowed Parent's Allowance, will be accessible through Universal Credit – the United Kingdom's standard out-of-work benefit (Department for Work and Pensions, 2011).

The rationale for reform is threefold:

1. the complexity of the current system makes it difficult for people to anticipate whether they qualify for a benefit, which benefit they would qualify for, and the payment they will receive (Gammell, K, 2012)
2. Benefits can act as work disincentive for some recipients and result in long periods spent out of the workforce, reducing future employment prospects. Replacing ongoing income support payments with the generic Universal Credit payment ensures recipients have appropriate work obligations and employment support to their situation (Department for Work and Pensions, 2011; Ross, 2011)
3. the current age limit on ongoing income support (Bereavement Allowance) for people without dependent children of 45+ discriminates against younger widows and widowers. Age is no longer considered a suitable test of re-employment prospects. Universal Credit has a wider age entitlement, making it available to all widows and widowers (Department for Work and Pensions, 2011).

Canada

In Canada, benefits for the spouse/partner or dependent children of the deceased are similar to those in the United Kingdom.

For a spouse/partner and/or children to qualify for a benefits the deceased person must have applied for a Canada Pension Plan and made contributions to this pension for at least three years (Service Canada, 2012).

Payment

Three types of benefits are available:

1. the 'Death benefit': This is a one-time payment to the estate of the deceased (or if there is no estate – whoever is responsible for the

funeral expenses). The amount of payment depends on the deceased's contributions to the pension plan, as it is calculated as the equivalent of six months of their retirement pension entitlement, up to a maximum of CAD\$2,500. It is usually paid within 6-12 weeks of application.

2. the 'Survivor's pension': This is a monthly pension paid to the spouse or partner of the deceased. It is available to spouses or partners aged 45 years and over, or those under 45 who are disabled, or who are raising dependent children. Older spouses receive higher rates of payment. Spouses or partners who are under 35 who are not disabled or who do not have dependent children are not eligible for the payment until they reach age 65, or become disabled before then.. In 2002-2003 the average Survivor's pension was CAD\$280.49 per month. The maximum pension entitlement in 2004 was CAD\$488.50 for those aged over 65.
3. the 'Children's benefit': This is a monthly benefit for dependent children of the deceased under age 18, (or between ages 18-25 and a full-time student). It is paid monthly at a flat rate, which is adjusted annually for inflation. In 2011, the Children's benefit was CAD\$218.50 per month (Service Canada, 2012).

Obligations

There are no work obligations associated with any of these payments in Canada.

For most recipients, the Survivor's pension is a lifetime payment. A recipient remains eligible for the pension even if they remarry. For recipients aged 35 years or over at the time of their spouse or partner's death, the pension ceases only once they pass away. For those aged under 35 at the time of their spouse or partner's death, and therefore only eligible for the pension if disabled or raising a dependent child, the pension will cease once both these conditions no longer apply (Service Canada, 2012).

However the pension is abated if the recipient also receives, or begins to receive, a Canada Pension Plan Pension. Those who receive, or begin to receive, a disability benefit will have their disability benefit abated (Service Canada, 2012).

United States

In the United States, there is both a one-off and an on-going benefit available through the Social Security system following the death of a spouse:

- on-going 'Survivor' benefits to the surviving spouse and dependents (children and/or parents) are available through Social Security, provided the person who passed away had worked long enough to qualify for Social Security benefits. The length of time required in the workforce is worked out using a credit system, in which individuals can earn up to four credits for each year of work. In general, 40 credits (10 years work) is required to qualify for a Social Security Survivor benefit

for one's spouse and/or children, however less credits are required if the person passes away at a young age.³ These benefits are also available to divorced spouses over the age of 60 if the marriage lasted for 10 years or longer

- a 'one-time death payment' is also available to a person's surviving spouse or dependent children if they meet the above requirements (Social Security Administration, 2012a).

Payment

The one-off death payment is US\$255 (Social Security Administration, 2012a).

The level of payment provided by the Survivor benefits depends on the age and situation of the widow or widower, and is based on the Social Security benefit amount the deceased would have qualified for had they not passed away. For example:

- a widow or widower at retirement age (65 or 67, depending on their date of birth) or older would receive 100 percent of the deceased worker's benefit amount
- Disabled widow or widower aged 50-59 would receive 71.5 percent
- Widow or widower, any age, caring for a child under age 16 would receive 75 percent
- A child under age 18 (19 if still in elementary or secondary school) or disabled would also receive 75 percent (Social Security Administration, 2012a).

Obligations

For recipients under the retirement age (65 or 67 years of age, depending on date of birth) the Survivor benefit is abated once they earn over US\$14,460. Recipients who are of retirement age have no earnings limit (Social Security Administration, 2012b).

Recipients who remarry before age 60 (or before age 50 if disabled) are not eligible for a Survivors benefits (Social Security Administration, 2012a).

Ireland

In Ireland, benefits for widows or dependent children of the deceased are similar to that of Canada and the United Kingdom, with one-off payments available to meet immediate costs following the bereavement, and an ongoing weekly benefit available for certain individuals.

Payment

1. The Widow's, Widower's or Surviving Civil Partner's (Contributory) Pension is a weekly payment available to the spouse or partner of the deceased. To qualify, an individual or their spouse/partner must have

³ A special rule applies that makes survivor benefits available to dependent children and spouse for people who have only worked between 1 to 1.5 years in the three years preceding their death.

paid a certain number of national pension contributions prior to the bereavement. Maximum weekly rates as at 2012 were:

- Widow/Widower/Surviving Civil Partner (under 66) €193.50
 - Widow/Widower/Surviving Civil Partner (aged 66 and under 80) €230.30
 - Widow/Widower/Surviving Civil Partner (aged 80 and over) €240.30
 - Increase for qualified child €29.80
2. The Bereavement Grant is a one-off payment after a death to the deceased's family (payment is €850)
 3. The Widowed or Surviving Civil Partner Grant is a one-off payment of €6,000 for widows/widowers with one or more dependants living with them
 4. The Special Funeral Grant is a one-off payment available if the person dies at work. The payment is €850 and paid to the deceased's family (Citizens' Information Board, 2012).

Obligations

No payments are work-tested and they are available regardless of a person's income, including the weekly Widow's, Widower's or Surviving Civil Partner's Pension payment. However this pension payment is taxable, so individuals who receive it and also earn income may have to pay tax on it, depending on the amount of income they earn (Citizens' Information Board, 2012).

To continue receiving the Widow's, Widower's or Surviving Civil Partner's Pension cannot recouple (Citizens' Information Board, 2012).

What we don't know

There is scarce evidence on the impact of different types of bereavement benefits (eg lump-sum payments versus weekly benefits; time-limited benefits versus lifetime payments) on benefit duration, employment participation, and social outcomes of widowed individuals.

Qualitative research undertaken by the Department for Work and Pensions as part of the recent bereavement benefit reform work (Adams et al., 2012) indicated that:

- the need for financial support is the greatest in the first few months after a bereavement, as this has a large impact on the financial situation of the surviving partner in the short-term, through the loss of the deceased partner's income, time needed off work, and costs like funeral expenses. Lump-sum payments, such as the Bereavement Payment, help meet this need
- the longer-term regular financial support provided by a weekly payment such as the Bereavement Allowance or Widowed Parent's Allowance was less essential, but important to people who had been previously dependent on their deceased partner's income, had been out of work or taken time off work to care for their partner or children

leading up to that bereavement, or who were self-employed prior to the bereavement

- in many instances, the longer-term allowance payments were the only or main source of income for these people, and essentially replace another out-of-work benefit they would be eligible for in the absence of the payment. The research indicated that many of these widowers would benefit from the increased employment support available through other benefits, as many lack skills and confidence to re-enter the workforce
- the research also highlighted some concerns with removing the weekly payments in favour of a larger one-off payment, including the potential for this to encourage irresponsible spending, with later expenses not budgeted for. The researchers suggested that the lump-sum payment could be paid in instalments over several months to avoid this issue.

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