

# THE PRICE OF FEMALE HEADSHIP: GENDER, INHERITANCE, AND WEALTH ACCUMULATION IN THE UNITED STATES\*

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Female-headed households in the United States suffer from lower levels of asset ownership than their male-headed counterparts. This gap remains after controlling for the lower incomes of female heads. What, then, produces the gender discrepancy in net worth? Using longitudinal, intergenerational data from the Panel Study of Income Dynamics, we ask whether differential patterns of inheritance, savings rates, or investment yield this female-male asset gap. Results demonstrate that differential savings rates between female- and male-headed households account for the gender gap in net worth. We speculate on the financial constraints within female-headed households that account for the savings rate differential.

*Keywords:* [AUTHOR, PLEASE PROVIDE KEYWORDS].

## Introduction

While female-headed households suffer from lower incomes than single-parent male-headed households (Sorensen, 1994), they also achieve lower levels of wealth at any given income level. It is this gender- (and family structure-) based asset gap that motivates the current investigation. What produces this discrepancy in net worth, given that it persists after holding income constant?<sup>1</sup> The current paper tries to decompose the asset gap between male- and female-headed households—ascertaining the role of inheritance, savings, and return on investments. We advance the literature by adding intergenerational and longitudinal aspects to our investigation.<sup>2</sup>

Previous studies have examined the relationship between gender and different forms of wealth, such as investments, savings, inheritance, and landed property. However, we have yet to understand the relative importance of these different forms of net worth in producing women's disadvantage in wealth accumulation. Furthermore, much of the previous

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scholarship in this area has focused on women's disadvantage in the context of marriage. Yet, as the proportion of female-headed households in the United States continues to rise (Sorensen, 1994), we need to understand the role of wealth accumulation in the growing inequality between different types of households.

Researchers have examined the gender gap in wealth from a few different perspectives. Some have focused on sex discrimination in property rights (e.g., Agarwal, 1995) and inheritance (e.g., Clignet, 1992) as a key source of women's economic disadvantage. Others have looked at sex differences in investment practices, arguing that women are more conservative in their pension investment choices, leading to their lower wealth levels in retirement (Bajtelsmit and Van Derhei, 1997; Hinz, McCarthy, and Turner, 1997; Sunden and Surette, 1998). Some researchers have investigated the relationship between gender and savings. For example, Seguino and Floro (2003) examine aggregate savings in semi-industrialized economies, finding that as women gain more access to income, gross domestic savings increases. They suggest, based on these results, that women have a higher propensity to save than men. However, it is difficult to draw conclusions about gender differences in household level saving behavior based on an aggregate level analysis. Other researchers have found that women save less than men in Western industrialized economies such as the United States and Britain (e.g., Brown, 1998; Warren, Rowlingson, and Whyley, 1999).

In addition to analyses of inequalities in the different types of net worth, some scholars have focused on how gender relations and roles in household decision-making affect women's wealth accumulation. Seguino and Floro (2003) argue that women's role in household consumption can affect their savings decision. The "consumption smoothing" perspective posits that women tend to spend more than men on child-related expenses such as food, health, and education in order to stabilize consumption (Thomas, 1997), while men spend more than women on luxury goods (Hoddinott and Haddad, 1995). However, the effect of women's responsibilities in caring for children on savings behavior is unclear. Some researchers have examined the role of savings as a precautionary measure in consumption smoothing (Kimball and Weil, 1992). Seguino and Floro (2003) speculate that, on the one hand, women could save more than men in order to create a safety net for their children's future needs. On the other hand, women may be less likely to save precisely due to the financial strains of caring for children. In addition to the consumption smoothing perspective, other researchers (Agarwal, 1995; Folbre, 1997) have looked at gender and control over household assets from a bargaining perspective, where men tend to have more control over family resources because they are perceived to have an a better fallback position than their wives in marriage markets outside the household.

Much of the previous research on gender and assets has focused on developing economies, particularly concerning women's rights to and control over property (e.g., Agarwal, 1995; Goetz and Gupta, 1996; Chamlee-Wright, 2002), as well as intrahousehold resource allocation and consumption smoothing (e.g., Hoddinott and Haddad, 1995; Thomas, 1997). Such concepts of bargaining and consumption smoothing could also apply to an analysis of the gender gap in wealth in the United States. However, we also need to examine the specific conditions of gender inequality, household structure, and wealth accumulation in the United States. While it is possible that single mothers save as a precautionary measure for consumption smoothing purposes, they are also especially vulnerable to unexpected costs resulting from their responsibilities for their children. As Edin and Lein document, single mothers are often "one sick child away from destitution" (Edin and Lein, 1997: 2). There-

fore, the practice of saving for single mothers may be unlikely to increase overall net worth over time. In addition, means-tested welfare programs can shape saving incentives for poor women. Hurst and Ziliak (2004) examine whether the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 improved savings incentives for female heads of households, although they find that the welfare reform has done little, thus far, to increase poor women's incentive to save.

Additionally, the elderly poor, who are disproportionately female (Barusch, 1994; O'Rand and Henretta, 1999), face particular constraints in wealth accumulation. Some elderly people spend down their assets or pass them on to their children in order to plan for the costs of medical care (Feinstein and Ho, 2000). Gruber and Yelowitz (1999) find that means- and asset-tested public insurance programs, such as Medicaid, have had a negative effect on wealth holdings. Widowed women, who comprise a large proportion of the elderly poor, tend to lose wealth when their husbands die (Hurd and Wise, 1987). There is also evidence to suggest that divorced women would be at a particular disadvantage in the area of net worth. Researchers have attempted to explain why women tend to fare worse economically than men after divorce. While some studies attribute this gender discrepancy to women's lower occupational status (e.g., Holden and Smock, 1991; Smock, Manning, and Gupta, 1999), it is possible that divorced women's outcomes are in part due to lower levels of net worth than divorced men.

Thus, female-headed households of various types are likely to suffer from lower levels of net worth than male-headed households. Others before us have documented these gender- and family-structure differences in wealth levels in a cross-sectional framework.<sup>3</sup> For example, Marks and McLanahan (1993) and Hao (1996) argue that family structure is an important determinant of wealth accumulation and receipt of private transfers. Hao (1996) has shown that, on average, married couples have greater asset levels than single-parent families, extended family households, or couples who are cohabiting. Of all family types, single mothers have the lowest net wealth holdings, and of this group, never-married women with children have the lowest levels of all. In fact, families with single mothers have a median asset level of zero, indicating that at least half of all single mothers with children have no net worth or are in debt. Even while controlling for the lower income levels of female-headed households, sizable differences in average net worth level by family type remain. For example, within the same monthly income bracket, male-headed households in 1984 had between one-and-a-half to two times the average wealth of female-headed households. On the whole, men who head households have about three times the average wealth at their disposal than do their female counterparts (Hao, 1996).

However, whereas Hao provides strong evidence for the impact of family structure on wealth levels, evidence for the converse exists as well. Research has shown that parental assets predict family structure, particularly the ordering of fertility and marriage. For example, teenage girls whose parents had higher levels of wealth were less likely to have a baby before marriage (Conley, 1999). This finding suggests that Hao's study may, in part, reflect unobserved heterogeneity between the groups under comparison. Of particular concern to the current study is the possibility that parental assets predict both family structure and adult wealth levels, causing a spurious association between the two. With that in mind, we do not attempt to sort out causal directionality in this paper (as we lack an instrument for such an estimation), but to provide a descriptive account of the intergenerational and longitudinal components of the gap in assets.

### Research Strategy

Until the last couple decades, national data on net worth and asset composition were not readily available. However, in 1984, the Panel Study of Income Dynamics (PSID)—a national survey of American families based out of the University of Michigan—included a supplemental file that documented respondents' assets and inheritances received.<sup>4</sup> In 1988, the PSID included a time and money transfer file that asked about exchange and gifts of monetary and non-monetary resources between kith and kin. Included in this file were questions about the net worth of parents and stepparents who were alive at the time of interview. In the following year, 1989, respondents were again asked about their own asset composition and inheritances received, in addition to investment behavior during the interim. While there are now 1994, 1999, and 2001 waves of wealth data available, the PSID did not repeat the parental module that they conducted in 1988, so these data are less useful to the current study; therefore, we bound our analysis to the five-year period of 1984–1989.

Thus, in order to investigate the intergenerational and over-time correlates of the female-male asset gap, we will analyze data from the PSID, interview years 1984–1989. Those families who responded in 1984, 1988, and 1989 were included in the analysis (results were not sensitive to reduced sample sizes due to missing data when variables were added to models—thus, we have tried to present consistent sample sizes). This multi-year sample allows us to analyze wealth dynamics in a longitudinal framework. Such an over-time methodology gives us a bit more certainty as to causal directionality than would a “snapshot” approach—that is, measuring wealth levels and their covariates at one point in time. Since the effect of female headship does not seem to go away, even controlling for family economic background, we investigate whether it persists even after controlling for net worth five years prior. Previous research by Conley (2001) showed that a black-white wealth gap persists (or alternatively, reemerges), even with controls for net worth five years earlier. Thus, we examine whether the same dynamic holds with respect to the gender of the head of household.

Variables included in the analysis are described in the next section. Means and standard deviations weighted by the 1989 family level weight can be found in Table 1. The multivariate analysis presented in the main text, however, is unweighted. Winship and Radbill (1994) persuasively argue the case that weighting may bias estimates in a multivariate framework. Thus we have run models without weights. It should be noted that when finally models were selected and run with weights, results did not vary in a systematic, substantial way.

*Net Worth.* This is both a dependent variable and an independent variable. Due to the skewed distribution of the wealth variable, it is logged to the base  $e$ . Analysis where 1989 net worth is the dependent measure includes only those households with a positive net worth (though logistic regression predicting the odds on having a positive net worth versus zero or a negative value demonstrates similar effects). For cases in which 1984 net worth is an independent variable, those households who have a net worth of zero or below were set to zero. We do this because 1989 is our dependent measure and there would be a huge spike at zero. However, when we break out the analysis using a dichotomous outcome for whether or not the family had any wealth in 1989 (or, for that matter, using a probit), the results are similar.

*Gender of Household Head.* This is our explanatory variable of primary interest. It is measured at the same time wealth is assessed, in 1984. Female-headed households were coded as one, male-headed households as zero on this indicator variable.

TABLE 1

Mean Values and [Standard Deviations] for Variables Used in Analysis (N = 4,239)	
Variable	Mean [S.D.]
Female Head, 1984	.290 [.454]
African American	.316 [.465]
Hispanic Origin	.029 [.167]
Other Race	.016 [.125]
Age of Household Head, 1989	46.560 [17.343]
Education of Household Head, 1989	12.115 [3.278]
Marital Status of Household Head, 1989	.562 [.496]
Number of Children in 1989	.810 [1.14]
Head of Household Employed, 1989	.712 [.453]
Occupational Prestige Score of Head's Job	28.822 [22.056]
Total Family Income, 1989	34770.5 [40814.0]
Family Net Worth, 1989	105507 [362505]
Family Net Worth, 1984	80926.2 [275338]
Percentage of Income Saved, 1984–1989	.9226 [20.378]
Both Parents of Head Deceased by 1989	.700 [.458]
Amount of Inheritance Received 1984–1989	3529.26 [44494.6]
Income of Parents in 1988 (for those alive)	14125.9 [16898.3]
Net Worth of Parents in 1988 (for those alive)	28980.7 [39534.5]

*Family Structure.* Since female headship is often a proxy for other family conditions (such as single parent status), we controlled for family dynamics to a certain extent. Included in models are indicators of marital status. Since the vast majority of female heads of household are single, by controlling for marital status, we are able to generate a comparison between male and female-headed households net of differences in marital status. Number of children is also held constant in our models since greater numbers of children create greater demands on family financial resources and since female-headed households tend to have more children than male-headed ones.

*Permanent Income.* Obviously, higher income families will tend to have higher wealth levels; further, male-headed households will fall disproportionately into this category when compared to female-headed households. For this reason, it is important to control for income when making wealth comparisons. We not only include income of the prior year into our statistical models, in some analysis we hold constant the average income for the previous five. This will correct for short-term income fluctuations due to shocks such as unemployment or windfall. Economists often use such a five-year measure as a proxy indicator of “permanent income.” While permanent income is a theoretical concept that could never actually be measured (except perhaps with income data on an individual for every year from birth to death), researchers who attempt to predict socioeconomic outcomes have found that adding more years to the five-year average adds little explanatory power (Mayer, 1997). Thus, we adopt the standard five-year proxy measure, averaged after being adjusted for inflation to 1996 dollars.

Income measures are also skewed to the right and are thus logged to the base  $e$  in all analysis. Income appears in two forms in the analysis. The first is non-asset income in 1988. In this most recent complete year for which income is measured, we felt that to use the total family income would make the models endogenous since some of the income may come from assets in the form of capital gains, dividends or rent. However, when we include the average income over the five previous years (in constant 1983 dollars) to control for income fluctuation, we use the total family income (earnings and income from assets and other sources).

Estimates yielded a Pearson's-R between total family income and wealth of approximately .45 for the parental generation and .34 for the respondents' generation in this dataset. This generational difference may be partly a result of reporting error. When respondents give their parents' income and their parents' net worth, they may tend to report them to be more correlated than they actually are. Also, there may be a life-cycle dynamic at work here. Given that the parental cohort is older, their net worth may reflect the results of life-long accumulation and savings from earnings to a greater extent than does the net worth of their children. Finally, parental incomes may contain a larger component of income from investments, causing the correlation between net worth and income to be greater than it is for their younger offspring. Regardless of what dynamics are at work in determining cohort variation in the correlation between income and wealth, the fact remains that these two economic measures are quite distinct, both empirically and analytically.

*Parental Income and Net Worth.* As discussed earlier, female-headed households come disproportionately from economically disadvantaged backgrounds. This is the first study that we know of that takes this into account when analyzing the gender/family structure wealth gap using intergenerational, longitudinal data from a nationally representative sample. Families with wealthier parents should have higher net worths themselves since much economic literature shows that asset levels demonstrate a high degree of intergenerational correlation. For instance, Kotlikoff and Summers (1981) estimate that up to 80% of capital accumulation can be attributed to intergenerational transfers. Modigliani (1988) suggests a much lower figure of 20%; differences between these authors largely reflect the definition of a "transfer" across generations. In our analysis, much of the effect of parental wealth may already have been "expressed" through the variety of indicators that have already been mentioned, since education, income, family structure, and so on, are all predicted themselves by parental SES and wealth to a certain extent. Nonetheless, parental wealth may have a direct impact on filial wealth through payment of tuition, gift giving, informal loans, and so on.

To take account of this dynamic, we include a measure of parental wealth as recorded from the respondent in 1988 (for those respondents with at least one parent who was alive at the time of interview). This filial report is less preferable to a direct accounting of parental resources since it is more likely to be subject to misreport. To be more certain that it is the effect of parental wealth that we are measuring, we also include a measure of parental income from that same survey year. We have not logged parental wealth since we top-coded it at \$100,000. Some respondents give actual dollar amounts for their parents' net worths while others give a categorical answer. Several formulations were tested in making these responses comparable and results were not sensitive to them. As in the case of parental wealth, parental income is not logged since we top-coded it at \$50,000.

*Parental Death and Inheritance.* The figure we use for inheritance is the total amount (dollar value) of inheritance during the period between the 1984 and 1989 surveys (unlogged). Unfortunately, information on inheritance during years prior to 1984 is not avail-

able in this survey. In addition to the total amount of inheritance (which may come from any source) over the last five years, we also included a measure indicating whether both parents of the head-of-household were deceased by 1988 (the only year for which this information was available). It may be the case that elderly parents, while alive, represent a financial burden for healthcare or income maintenance reasons that depresses the net worth of their children. (Also, most inheritances are received by offspring after the second parent has died [Clignet, 1992].) Finally, we also run separate analysis among the group for whom the second parent died during the five-year period between 1984 and 1988 to determine if female-headed households were less likely to receive bequests or to receive lesser amounts than their male counterparts.

*Race.* Researchers such as Oliver and Shapiro (1995) have shown that net of other characteristics, African Americans suffer from lower wealth levels than their white counterparts even after controlling for a number of other socioeconomic factors. This dynamic is due both to the head start that whites have had in inheritance and accumulation (Conley, 1999) as well as current dynamics such as housing segregation (Massey and Denton, 1993). Since African Americans make up a disproportionate number of female-headed households, it is important to control for race in these models. Though we have included indicator variables for Latinos and members of other racial groups, due to the longitudinal sampling design of the PSID (and some initial miscalculations in 1968), these groups are greatly underrepresented by the standards of the 1989 population makeup. Thus, we will not interpret the coefficients for these groups.

*Age.* Researchers have shown that age has a variable effect on wealth accumulation over the life course. During the prime working years of adulthood, wealth levels steadily rise due to savings, inheritance, and investment performance (the first order effect). However, when individuals leave the labor market at the age of retirement, they generally start to dissave—that is, to spend down their capital (a quadratic effect). Some recent research suggests that this tendency tapers off (a cubic effect), such that individuals do not spend down all their savings until death as the economic, life-cycle model would predict. Obviously, even if they wanted to, individuals cannot readily predict their own mortality and they may keep some funds in reserve in case they outlive their own life expectancy. Then, of course, there is the issue of individuals' desires to pass on financial assets to the next generation. Since age is associated with wealth levels and female heads of households tend to be younger than their male counterparts on average, we hold the age of the head of the household constant in my examination of wealth attainment.

*Occupational Prestige and Employment Status.* In addition to parental "permanent income" we also include the occupational prestige score of the head of the parental household's most recent job. It may be the case that individuals who are employed in high status professions receive a number of perks—such as expense accounts or company cars—that allow them to avoid many household expenses, thereby freeing up more money for consumption or savings. Even more critical is the fact that high status professions may be more likely to have profit-sharing plans, matching contribution retirement funds or 401k plans. To control for this factor, we include the occupational prestige score of the head of household's job in 1984. Occupational prestige was calculated by converting the 1970 census codes used by the PSID into Hodge-Siegel-Rossi scores (Siegal, 1971). If the respondent was unemployed during that year, we include the score for the most recent job held. If the individual has never participated in the labor market, s/he receives a score of zero on the prestige indicator; however, this group will not bias the estimate since its members

will also score zero on the employment status variable and the effect will be picked up there. Those who were employed in 1984 receive a one on this indicator variable.

*Education.* Over and above the factors that have already been discussed, education levels may also affect the wealth accumulation of families. Further, education affects a number of indicators already mentioned such as income, occupational prestige, and even family structure and thus indirectly affects wealth levels through these factors. In order to control for the direct effects of education on wealth levels, we include an indicator of the highest grade completed of the head of household in 1984, with 1-11 representing the number of primary and secondary school years completed, a value of 12 indicating high school graduation and no post-secondary education. Values 13-15 represent years of post-secondary education short of a bachelor's degree from a four-year college. These values make no allowance for type of schooling (such as the receipt of an associate degree or distinctions between technical/professional school and university attendance). A value of 16 on the education variable indicates the completion of a bachelor's degree. All individuals who completed postgraduate work (regardless if a degree was received or what that degree may be) were coded 17 years of education, as the PSID does in its construction of its education variables. Analysis run with educational dummy variables for credentials (i.e., high school completion, some tertiary education, and college completion) is similar to that presented below.

*Savings.* This variable is constructed by the PSID and represents the change in net worth of the responding family between 1984 and 1989 that results from asset accumulation (or spending down), controlling for value changes in 1984 assets and household composition changes. The value may be negative, indicating dissavings. Dissavings may occur even if the overall level of net worth grows during the five-year period since it may be compensated by passive growth in the value of existing assets. Unfortunately, the savings figure may reflect windfalls—large sums of money received. The figure subtracts out inheritance (received from any source); however, it may be the case that a family comes into a sum of money for another reason (such as lottery winnings or transfers). In this case, it would appear to be savings when it really is not.

It may also happen that two families who each end up with a similar savings level at the end of the five years may have followed completely different paths to get there—i.e., one may have followed cycles of saving and spending down while the other may have remained relatively consistent over the time period. While it may have been ideal to model a savings rate as a continuous function in a time-series analysis, we do not have data for the fluctuation in the savings rate over time. Finally, it also may be the case that significant dissavings may occur for reasons unrelated to consumption such as a medical crisis that drains the resources of the family. Essentially, we accept using the inferior, passive savings measure of the PSID in order to gain the intergenerational and longitudinal aspects of this study. Other researchers will have to determine if what we find specifically with respect to savings rates, family structure and gender holds with better measures of household savings and consumption.

### Findings

In the base, unigenerational model of Table 2, we see that controlling for a number of other demographic and socioeconomic factors (not just income), female-headed households demonstrate lower wealth levels than their male-headed counterparts. Even after account-

TABLE 2

<b>Models Predicting Total Family Net Worth in 1989</b> <b>(Natural Logarithm b); <i>t</i>-Statistics in Brackets</b>			
	<b>Base Model</b>	<b>Parental Model</b>	<b>Asset Growth Model</b>
Female Head	-.223** [-2.959]	-.218** [-2.910]	-.086 [-1.260]
Age of Head	.111*** [13.415]	.113*** [13.060]	.092*** [11.663]
(Age of Head) <sup>2</sup> '00s	-.063*** [-7.729]	-.062*** [-7.473]	-.048*** [-6.385]
Education of Head	.095*** [11.127]	.090*** [10.597]	.057*** [7.200]
Income, 1989 (ln)	.578*** [19.940]	.564*** [19.627]	.344*** [11.087]
Occupational Prestige	.010*** [5.095]	.008*** [4.076]	.005** [2.860]
Hispanic Origin	-.117 [-.839]	.049 [.356]	.031 [.247]
Other Race	-.424* [-2.377]	-.356* [2.014]	-.144 [-.892]
African American	-.665*** [-12.244]	-.538*** [-9.568]	-.202*** [-3.856]
Married	.555*** [7.925]	.545*** [7.771]	.410*** [6.422]
Number of Children	-.048* [-2.169]	-.059** [-2.660]	.003 [.151]
Head Employed	-.306** [-3.061]	-.244* [-2.459]	-.228* [-2.524]
Parents Both Deceased	—	.082 [1.413]	.007 [.140]
Inheritance 1984–89 ( '0,000s)	—	.028*** [6.301]	.029*** [7.117]
Parents' Income, 1988 ( '0,000s)	—	.014 [.657]	.023 [1.231]
Parents' Wealth, 1988 ( '0,000s)	—	.046*** [5.525]	.031*** [5.525]
Net Worth, 1984 (ln)	—	—	.161*** [16.623]
Income, 1984–89 (ln)	—	—	.446*** [10.078]
Amount of Savings, 1984–89 (00,000s)	—	—	.064*** [7.636]
Constant	-.459 [-1.457]	-.643* [-1.989]	-3.378*** [-9.042]
<i>R</i> <sup>2</sup>	.435	.447	.544
<i>N</i>	4239	4239	4239

ing for marital status, race, family size, employment status, education level, and age—all of which are associated with female headship and demonstrate significant effects on net worth—we find that female-headed households still have lower net worths on average (.223 natural logarithms).

In the next model, we find that parental wealth and inheritance in the last five years are both positive and significant in explaining respondents' net worths. However, when we take into account the economic status of the parents of our respondents, and inheritance dynamics, we still find that female heads of households suffer from asset deficits as compared to male-headed households. Thus, it does not appear to be family background differences (at least as measured here) or inheritance flows that account for the gender gap.

We then modeled asset accumulation over a five-year period by including net worth in 1984, total income during the period between 1984 and 1989 and amount of active savings between 1984 and 1989, all of which were significant predictors. When we model asset growth in this way, we find that the female headship term becomes insignificant in predicting the natural logarithm of 1989 net worth. (However, when we restrict this analysis to those households whose head was employed in 1989 we find that females are again at a significant disadvantage [not shown].)

Moving to Table 3, we find that the more educated a household head is, the more likely s/he is to receive inheritance; the greater net worth the family had in 1984, the greater likelihood of receiving an inheritance. (In this instance, the respondent's 1984 net worth is probably acting as a proxy for the net worth of his/her relatives who may bequeath wealth in the subsequent five-year period.) In this model, female heads are not significantly less likely to receive inheritance than their male counterparts during the five-year period in question. This result is surprising since we have not measured family background in this model and should expect that female-headed households come from poorer backgrounds net of their own characteristics. Furthermore, other research has documented discrimination against unmarried daughters on the part of testators (Clignet, 1992).

Finally, in Table 4, we find that it is in the realm of savings rates that female heads demonstrate a distinct disadvantage *vis-à-vis* their male counterparts. In this model, we see that female heads are able to save almost half a percentage point less of their income than male heads, a difference that is significant. Meanwhile, higher initial wealth or income lowers savings rates for the period immediately following, as does the receipt of bequests. Both these dynamics would be expected from classical economic models: if one already has a sizable nest egg (or receives one in the form of inheritance) there is less need to save for oneself. However, this "passive" measure of savings used by the PSID is far from ideal, so these results should be interpreted with that caveat in mind.

### Discussion

The analysis reported above shows that net of a host of factors, including both respondent and parental characteristics, female heads suffer from lower net worths than their male counterparts. This effect remains after controlling for age, marital status, number of children, labor market characteristics, income, education, and race, as well as the income, wealth, and mortality statuses of the head's parents. Thus, even when accounting for potential life-cycle effects and the tendency for female household heads to be younger than their male counterparts, female headship has an independent effect. The effect of female headship becomes insignificant only when we hold constant the family unit's net worth five

TABLE 3

Model Predicting Inheritance Dynamics, 1984-89; <i>t</i> -Statistics in Brackets	
Received Inheritance 1984-1989	
Female Head, 1984	-.084 [.795]
Hispanic Origin	.194 [.805]
Other Race	-.019 [.006]
African American	.408*** [16.7953]
Age of Head	.005 [1.3046]
Education of Head	.170*** [48.0478]
Head Married in 1984	-.107 [2.111]
Income in 1984 (ln)	.125 [48.048]
Net Worth, 1984 (ln)	.095*** [11.366]
Constant	-8.0292*** [81.2842]
$L^2_{df}/R^2$	218.09 <sup>9</sup>
$N$	6761

years previously, income and inheritance during the interim, and the amount of savings during that period. Looking at these interim dynamics, we find that among the group whose second parent died during this five-year window, female heads are no less likely to receive inheritance than male heads. However, the receipt of inheritance is a rare event, and we should be cautious about drawing any conclusions based on a five-year time frame. We should also keep in mind that further research is necessary to better our understanding of this rather heterogeneous group called female heads, since it includes a wide range of household types including widows, divorcees, and never-married women with children. While we have controlled for these relevant factors in the current analysis, disaggregating the analysis (i.e., running separate subgroup regressions) is in order.

One of the key results of this study shows that female heads suffer from a particular disadvantage in regards to the savings rate (amount saved as a percentage of income—albeit using a passive measure of savings). This implies that women who head households may be experiencing greater expenses than men in proportion to their income, which is consistent with arguments about women's role in consumption smoothing (Thomas, 1997;

TABLE 4

<b>Models Predicting Passive Savings Rates (as a Percentage of Income), 1984–89</b>	
	<b>Savings Rate</b>
Hispanic Origin	.007 [.018]
Other Race	.197 [.402]
African American	–.247 [–1.610]
Age of Head	.095*** [4.086]
Age of Head <sup>2</sup> ('00s)	–077** [–3.402]
Education of Head	.016 [.689]
Head Married in 1984	–.326 [–1.447]
Divorce/Separation, 1984–89	–.350 [–1.950]
Income in 1984 (ln)	–.207** [–2.761]
Occupational Prestige	.014** [2.671]
Employment Status	.020 [.072]
Number of Children	.087 [1.447]
Both Parents Deceased	.118 .748
Amount of Inheritance ('000s)	–.013*** [–10.241]
Net Worth, 1984 (ln)	–.118*** [–5.318]
Female Head, 1984	–.482* [–2.023]
Constant	.472 [.545]
<i>R</i> <sup>2</sup>	.044
<i>N</i>	4239

Hoddinott and Haddad, 1995). Such a dynamic could result from the need to pay for child-care, for instance, or other expenses that are unique to women who head families alone. Further research on the expenditures side is necessary to investigate this possibility. Moreover, while research on wealth accumulation has often overlooked these gendered patterns in net worth dynamics, wealth scholars ought to pay particular attention to the gender gap in savings rates, especially as the rate of female headship continues to rise. Although some researchers have addressed the question of gender differences in financial risk-taking, this debate has not provided an analysis of how women's decision-making processes relate to family structure. Additionally, an analysis of women's preferences regarding risk-taking cannot account for the gendered patterns of savings rates.<sup>5</sup> Thus, the debate calls for further investigation. The current study only fuels the need for more experimental or quasi-experimental evidence about how male- and female-headed households spend, save and invest.

### Notes

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1. In a recent study on the changing distribution of wealth in the United States, Keister (2000–) addresses the variation in assets across different family structures and the economic disadvantages of female-headed households. However, her analysis relies primarily on simulated mobility models, and therefore, remains mostly speculative.
2. Other debates in the literature on wealth accumulation include the relative importance of inheritance, savings, and returns from business investments as distinct sources of household wealth (e.g., Brittain, 1978; Kotlikoff and Summers, 1981; Modigliani, 1988) and the distinction between disposable wealth (housing assets, business practices, savings, and stock investments) and augmented wealth (pensions and income from Social Security) (Wolff, 1990; Jianakoplos and Menchik, 1997). Researchers have also explored patterns of intergenerational transfers (e.g., Cox, 1987; Davies, 1996; Miller and McNamee, 1998), and some have debated whether patterns of wealth accumulation over time can best be explained by the life cycle or by the inter-generational transfer system (Brittain, 1978; Kurz, 1984). Others have focused on the relationship between home ownership and family wealth (e.g., Long and Caudill, 1992; Forrest and Murie, 1995; Stegman et al., 1995).
3. Some research has taken an intergenerational approach in examining gender and bequests. Data on 1920 testators showed that among those who treated their children differently, 53% discriminated against their sons and 21% against their daughters. By 1944, the figures had flipped such that among those who discriminated, 29% did so against sons and 50% against daughters (Clignet, 1992: 180). These results are based on small samples and by now are quite dated.
4. The PSID began in 1968 as a longitudinal survey of American families with a sample of 5,000 households. Since it follows every member of those initial families even if they leave the household and set up their own, this number has grown steadily over the three decades that have ensued (even despite attrition). For a detailed description of the PSID, see Hill (1992).
5. The concept of a gender gap in the ability to manipulate wealth has spurred debate among researchers interested in whether women are more risk-averse than men in financial decision-making. An experimental investigation conducted by Powell and Ansic (1997) confirms this notion of a gender gap in decision-making patterns. They speculate that these differences are a reflection of labor market and domestic conditions that differentially affect women and men. On the other hand, other researchers (e.g., Schubert et al., 1999) have found conflicting evidence, maintaining that there is no significant gender difference in risk attitudes. Schubert et al. (1999) claim

that the gender gap found in previous studies are most likely the results of differences in the opportunity sets of men and women. Although this debate provides some context for understanding the relationship between gender and wealth accumulation, it does not address the specific economic sources of the gender gap in wealth, given its emphasis on psychological processes in financial decision-making.

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