

Joint pot or separate purse?

Unpacking the cohabitation-marriage gap in income pooling across Europe

Flavia Mazzeo^{1,2}, Nicole Hiekel¹ and Agnese Vitali²

¹*Max Planck Institute for Demographic Research*

²*University of Trento*

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Income pooling strategies refer to whether co-resident couples merge or keep their household income separate. It represents an important aspect of household decision-making from a couple dynamics perspective, including potential social and gender inequalities therein. Studying income pooling across couple types comparatively can help us understand differences in the meanings of cohabitation and marriage, which can reflect differences in how common, accepted and legally regulated cohabitation is in different European countries. It is also an important social policy issue since most governmental programs and economic models are usually based on the assumption that household income is shared equally among its members, thereby masking inequalities within couples.

Previous research has stressed that a growing number of co-resident couples do not opt for the one-pot strategy and that cohabiting couples are more likely to keep economic resources separate compared to their married counterparts (Hamplova & Bourdais, 2009; Hiekel et al., 2014a); albeit with different intensities across country contexts (Evans & Gray, 2021).

The two main theoretical explanations for this gap rely on the supposed spurious relationship between union type and income pooling strategy due to certain characteristics that sort people into a specific union type (i.e., selection mechanism), and on the intrinsic differences between cohabitation and marriage, that entail different levels of joint investments (i.e., commitment mechanism). However, the extent to which these two arguments have been confirmed empirically has so far been limited. Hence, the aim of this paper is to systematically decompose the relevance of selection and commitment. This study unpacks the cohabitation-marriage gap in income pooling, and moreover, grasps heterogeneity within the groups of cohabiters and the married.

In fact, we argue that the groups of the married and cohabiters tend to be conceptually and analytically treated as two homogeneous categories. This masks relevant within-group differences, potentially related to behaviors in terms of income pooling. On the one hand, among cohabiters, the meaning attached to cohabitation varies both across countries and between individuals (Hiekel et al., 2014b; Perelli-Harris et al., 2014). Studies that have explored the meaning of cohabitation have proposed several typologies: cohabitation can be conceived as an alternative to being single, a prelude to marriage, an alternative to marriage, or as a union type which is indistinguishable from marriage (Heuveline & Timberlake, 2004; Hiekel et al., 2014b;

Kiernan, 2004). On the other hand, spouses' premarital life courses vary. Those who cohabited before getting married, may have established income pooling strategies prior to marriage that they do not change after the wedding. For instance, a study on matrimonial property regimes chosen by Italian couples at the time of marriage showed that couples who experienced a period of cohabitation before marrying were more likely to choose independent marital property regimes compared to couples who married directly (Vitali & Fraboni, 2022). Previous studies on income pooling indeed found that in some countries cohabiters with marital intentions behave similar to married couples who previously cohabited (Hiekel et al., 2014a; Lyngstad et al., 2010). However, notwithstanding the growing prevalence of cohabitation and its social and legal recognition in some European countries, marriage remains a social institution with a large amount of legal regulation and a highly symbolic meaning (Billari & Liefbroer, 2016) and norms regarding income pooling may still be very present around this institution, with couples deciding to pool economic resources only after getting married.

The comparative setting here is crucial for the broader picture: not only do countries vary in terms of the prevalence of cohabitation and the degree of its institutionalization, but the cohabitation-marriage gap itself varies across countries (Evans and Gray, 2021; Hiekel et al., 2014a; Prag et al., 2019). In central and eastern Europe, the gap is quite small or non-significant (Hiekel et al., 2014a; Prag et al., 2019), suggesting a strong norm for income pooling in both types of unions. Interestingly, the size of the cohabitation-marriage gap doesn't seem to be related to the share of cohabiters of a countries' population, but rather on the national taxation system: in countries where married couples are taxed as individuals, married couples are more likely to behave like cohabiters and opt for income separation (Gray and Evans, 2021).

Hence, this project investigates income pooling strategies in 12 countries: seven Eastern European (Bulgaria, Russia, Georgia, Romania, Lithuania, Poland and Czech Republic), two Central European (Germany and Austria), two Western European (France and Belgium) and one Northern European (Sweden). In order to unravel within-group heterogeneity we inspect the association between couple type and income pooling strategy by distinguishing married couples in terms of their prior cohabitation experience, and cohabiters in terms of the presence of intentions to marry. Then, we disentangle the role of selection and commitment factors associated with union type, to assess to what extent these two mechanisms explain income pooling strategies.

Data and methods

We used data on the aforementioned 12 countries from the Generations and Gender Survey (Vikat et al., 2007). The data were collected between 2005 and 2013 and they are representative for the population above age 18. We selected respondents in a relationship between 18 and 79 years old.

Our main independent variable – couple's income pooling strategy - was constructed differentiating between those who report to pool all the household income to couples who keep at least some income separate, following previous studies (Heimdal & Houseknecht, 2003; Hiekel et al., 2014a; Präg, 2019; Vogler et al., 2006). Our main dependent variable is couple type: 1) married directly, 2) married after a period of cohabitation, 3) cohabiters with marital intentions 4) cohabiters without marital intentions. We first include a set of explanatory variables that address why some individuals may be both more likely to choose one of these union types as well as a certain income pooling strategy (age, education, relative education, couples' employment patterns, religiosity of the respondent, information of previous divorces, presence of step children in the

household and a proxy for subjective deprivation). Next, we identify two explanatory variables that have been argued to explain differences in the level of commitment between relationships (union duration and presence of joint biological children in the household).

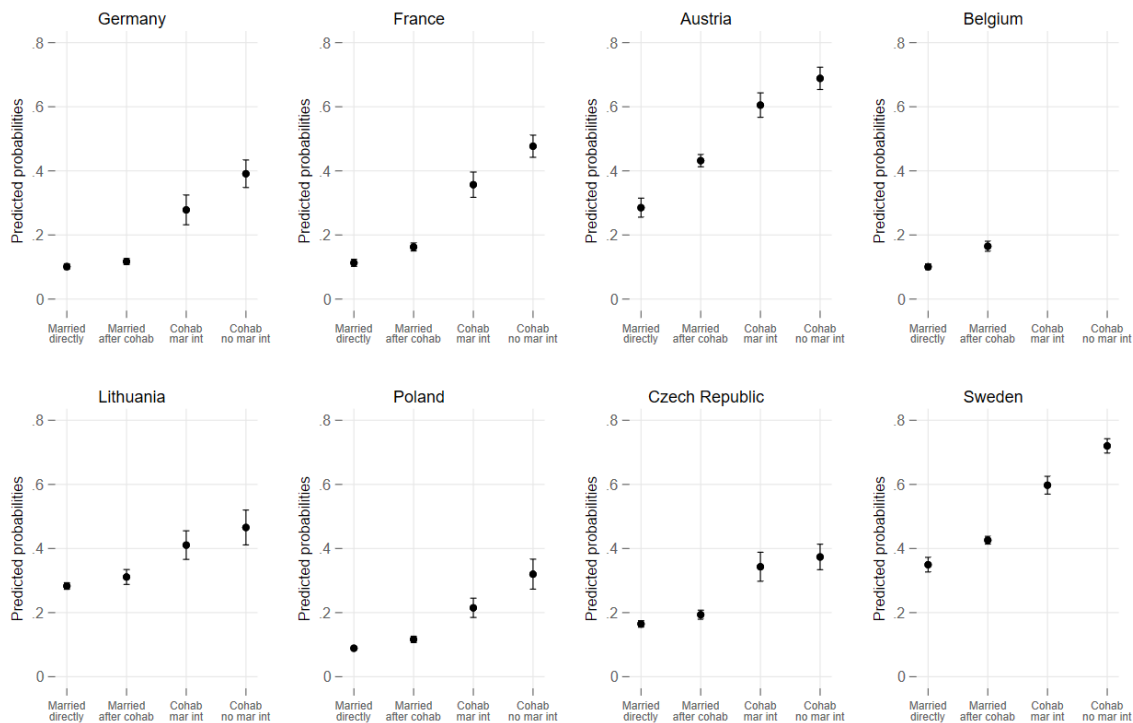
We conduct a set of logistic regression analyses for each country in which we predict the likelihood of a couple keeping at least some income separate, and test the extent to which a set of explanatory variables, addressing the selection and commitment mechanisms, explain the cohabitation-marriage gap. In a first set of models, we compare all married with all cohabiters, in a second set, we include the more detailed differentiation into four union types.

The decomposition analyses is realized with a KHB mediation analysis (Karlson et al., 2012). This approach is particularly suited because we can circumvent the problem of unobserved heterogeneity in non-linear models by separating the impact of confounding on rescaling. KHB mediation analyses enables us to accurately compare nested models and to estimate mediation effects linked to the selection mechanism and the commitment mechanism, respectively.

Summary of the findings

The first part of the analyses confirms the established cohabitation-marriage gap that implies that- albeit with different effect size - in all the countries considered, cohabiters are significantly more likely to keep income separate. Differentiating cohabiters and married couples in terms of marital intention and previous exposure to cohabitation and comparing a broad set of countries, two distinct patterns emerge.

Figure 1: Average adjusted prediction of choosing a two-pot strategy (vs. pooling) by couple type, with 95% confidence interval. Germany, France, Austria, Belgium, Lithuania, Poland, Czech Republic and Sweden.



Note: Predicted probabilities are computed on the basis of the full model estimates. ‘Married after cohab’ = Married after cohabitation, ‘Cohab mar int’ = Cohabitors with marital intentions’, and ‘Cohab no mar int’ = Cohabitors without marital intentions. Austrian Sample is younger (18-45), and we miss information regarding marital intentions among Belgian cohabiters.

First, in eight countries (Germany, France, Austria, Belgium, Lithuania, Poland, Czech Republic and Sweden) clear differences between couple types take shape: ‘married directly’ is the couple type that is least associated with choosing a two-pot strategy, followed by those married after a period of cohabitation, cohabiters with marital intentions and cohabiters without marital intentions (Figure 1).

In the remaining four countries (Bulgaria, Russia, Georgia and Romania) union type appears not to be linked to income pooling strategies. We argue that this result, other than underlying a strong preference for pooling notwithstanding union type in these contexts, could also be the outcome of a necessity rather than a predilection, given that these four countries are the ones with the highest proportion of individuals reporting trouble making ends meet. Hence pooling might be a coping strategy addressing economic deprivation.

Piecewise comparison tests show that, despite a few exceptions in the aforementioned countries where there is little variation in income pooling, all union types differ among each other, confirming not just differences between cohabitation and marriage but also systemic differences within these two categories (results not shown here). Previous research found that cohabiters who intend to marry behave more similarly to married couples in terms of money management (Hiekel et al., 2014a; Lyngstad et al., 2011). However, our results pointed out that these two groups differ significantly, with cohabiters with marital intentions being more likely to choose a two-pot strategy. While this result could be expected in countries such as Germany and France where married couples are taxed jointly, it is surprising for the other countries where married couples are taxed as individuals. It is also partially against the findings of Evans and Gray (2021) on the relationship between taxation systems and the variation in the cohabitation-marriage gap. We conclude that this may point towards a strong norm for income pooling in marriage.

The results of the decomposition analyses reveal that in Germany, France, Austria, Belgium, Lithuania, Poland, Czech Republic and Sweden both the selection mechanism and (especially) factors linked to the level of commitment within the relationship, explain a significant part of the variation regarding money management between types of unions. Albeit substantially reduced, the cohabitation-marriage gap and heterogeneity therein remain statistically significant. We thus conclude that mechanisms related to selection and commitment cannot fully explain different income pooling strategies linked to the union type, or, cannot be sufficiently grasped with an already rich set of measurements we could include in our models. In the remaining four countries, as the small variation in income pooling strategies already suggested, neither selection nor commitment explain the small differences in income pooling for the different types of unions.

Results were robust also controlling for the gender of the respondent, as well as when differentiating ‘partially pooled’ and ‘completely separate’ as two distinct categories.

To our knowledge, this is the first study that systematically disentangles the role of selection and commitment into the relationship between union type and income pooling. It uses appropriate methods to identify their complementary nature in understanding variation in income pooling behavior across types of unions and countries. Overall, this study 1) underlines important differences among European countries in the relationship between union type and income pooling

strategies; 2) it shows how considering the heterogeneity within marriage and cohabitation do matter when studying money management across couples' type; and 3) brings new empirical evidence regarding the predictive power of the selection and commitment mechanisms.

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