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## More or Less Unmarried. The Impact of Legal Settings of Cohabitation on Labour Market Outcomes

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# More or Less Unmarried. The Impact of Legal Settings of Cohabitation on Labour Market Outcomes

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*INED*

JUNE 2021

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## ABSTRACT

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# More or Less Unmarried. The Impact of Legal Settings of Cohabitation on Labour Market Outcomes\*

We study how different levels of protection upon separation affect the labour market behaviour of unmarried cohabiting partners. In Canada, unmarried cohabitation becomes a legal status after one year of relationship. Most provinces automatically expand couples' rights and responsibilities after several years of cohabitation: some provinces allow cohabiting partners to claim for alimony upon separation, while others consider cohabiting couples to be equal to married couples. Using cross-province variations in legal settings and minimum eligibility duration, we show that eligibility for a more protective regime increases men's labour supply and earnings and decreases those of women's. The impact of the marriage-like regime is stronger, especially for women. We find that the effect is significantly stronger for couples directly eligible at the time of the reform than for couples who are eligible after the reform and may have anticipated changes in the legal settings. Our results show that eligibility affects within-household allocation of earnings and hours of work, and reinforces existing inequality. We present some evidence that enhancing protection upon separation has an effect on the selection of couples into cohabitation. Our results contribute to the ongoing public debate regarding the legal recognition and level of protection that should be given to unmarried cohabiting partners. Our results show that behavioural response may offset additional protection upon separation by increasing women's dependence on their partner.

**JEL Classification:** J12, J22, J18, K36

**Keywords:** labour supply, unmarried cohabitation, alimony rights, common law marriage

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## 1. INTRODUCTION

Women experience greater financial loss than men upon divorce (Bonnet, Garbinti, and Solaz, 2021; Leopold, 2018). Courts aim at compensating the gender gap in living conditions between ex-spouses after divorce by sharing the household's assets and implementing alimony. Cohabiting couples are typically not eligible for alimony upon separation, although cohabitation is also associated with a large gender gap after separation (Avellar and Smock, 2005; Fisher and Low, 2015). Facing an increasing number of separations from cohabitation, some countries have changed their family law to allow some protection for cohabitants, or are planning to do so. National debates usually focus on the level of protection that should be given to ex-cohabiting partners but they largely ignore that unmarried couples may adjust their behaviour to the level of protection induced by the family law. Yet, for married couples, it is widely acknowledged in the literature that they are responsive to outside factors such as divorce laws. Changing outside factors induce a redistribution of bargaining power between the spouses which affects labour outcomes (Lundberg and Pollak, 1996; Chiappori, Fortin, and Lacroix, 2002). In particular, increasing support to women at separation may decrease the labour supply of women in couples either through an income effect (as women's bargaining power increases, their share of household resources increases) or through a specialization effect (insurance against a drop in financial resources in the event of divorce make women invest more in marriage-specific capital and devote more time to childcare and household tasks). This decrease in women labour supply can in turn influence the balance of power (Basu, 2006). As a result, adjustment in the labour market behaviour could offset the protection induced by a protective cohabitation regime.

Despite its relevance, the empirical literature on the effects of post-marital maintenance and marital property regime on household labour supply is scarce because those regimes

have changed little over the last fifty years.<sup>1</sup> In this paper, we study how unmarried cohabiting partners adjust their labour market outcomes when they become eligible for a more protective cohabitation regime. Do cohabiting couples react to a change in the legal settings of cohabitation? And do they react similarly when they are granted the exact same legal protection as married couples and when they are only granted the rights to claim for alimony? Canada provides a unique case for observing cohabiting partners' behaviour.<sup>2</sup> In Canada, cohabiting couples are easily identifiable in the data because unmarried cohabitation becomes a legal status after one year of cohabitation and cohabiting partners have to declare their cohabitation status on their tax return. In addition, between 1972 and 1999, all provinces except for Quebec have entitled cohabiting partners to the rights to make claims for alimony or compensatory grants at separation. In addition, three provinces have given cohabiting couples the exact same rights and responsibilities as married couples. Partners are automatically entitled to these rights after a certain duration of unmarried cohabitation.

We identify the effect of eligibility for a protective regime of cohabitation by exploiting variations across Canadian provinces in: (a) the different levels of protection; (b) the year in which these reforms took place; and (c) the minimum duration required to be eligible for cohabitation rights. We use longitudinal data from the Survey on Labour Income Dynamic (SLID), which is representative of the Canadian population over the years 1993–2011 and we implement a difference-in-differences estimation strategy combined with individual fixed effects and duration of the relationship fixed effects. Our rich setting allows us to differentiate the impact of eligibility on couples who cannot anticipate their eligibility (couples directly eligible at the time of the reform) from those who can anticipate it such as couples

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<sup>1</sup>Previous economic papers study the links between women's labour supply and laws regarding division of marital property by looking at the interactions between these laws and the introduction of the unilateral divorce in the United States. Voena (2015) shows that the introduction of unilateral divorce in states that imposed an equal division of property is associated with higher household savings and lower female employment. On the contrary, Stevenson (2007) shows that unilateral divorce is associated with higher labour supply of married women after the reform, regardless of the property-division laws.

<sup>2</sup>In the rest of the paper, we will refer to unmarried cohabitation as "cohabitation" or "unmarried cohabitation" interchangeably. We will refer to partners as "cohabiting partners", "common-law partners" or "partners".

formed after the reform, or couples formed before the reform but not yet eligible at the time of the reform. As we observe labour market outcomes of both partners, we are able to identify effects on the within-household allocation of time and earnings. We are able to directly test whether partners' adjustments on the labour market affect women's position within the household.

We show that eligibility for a more protective regime increases men's labour supply and earnings and decreases those of women's. The impact of the marriage-like regime is stronger, especially for women. We find that the effect is significantly stronger for couples who are directly eligible at the time of the reform than for couples who can adjust their behaviour before becoming eligible. Our results show that eligibility affects within-household allocation of earnings and worked hours by reinforcing existing inequalities. We find a stronger negative effect on labour supply and earnings of women in couples where the female partner earns a small share of the total household income. Finally, we present some evidence that enhancing the protection level at separation has an effect on the selection of couples into cohabitation. We find that couples who formed after the reform are more stable. They are less likely to marry or separate when they become eligible than if the reform had not been introduced.

This paper contributes to various strands of the literature. First, we contribute to the literature that assesses the effect of policies of supports to low-wage earners at separation through the regulation of alimony rights or equitable property division. As there have been few changes in marital property regimes, a very few papers have studied the effect of post-marital payments or equitable division of property on household labour market outcomes. An alternative is to resort to observing the introduction of property rights and post-marital transfers for cohabiting couples.<sup>3</sup> Rangel (2006) analyses the effect of the introduction of alimony laws in Brazil for unmarried cohabiting couples. He finds that it decreases the labour supply of women in cohabitation and increases the school enrolment rate of girls who live

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<sup>3</sup>Another way is to build and estimate of a dynamic structural model of married and divorced couples decision-making as in Foerster (2019). Using Danish register and survey data, he finds that child support and alimony payments after divorce come with strong labour supply disincentives.

with unmarried parents. In Canada, Chiappori, Iyigun, Lafortune, and Weiss (2017) find that the introduction of alimony laws for unmarried cohabiting couples increases men labour force participation and decreases women participation for existing couples at the time of the reform. In Australia, Chigavazira, Fisher, Robinson, and Zhu (2019) show that cohabiting couples are more likely to make relationship-specific investment after being exposed to laws that make them equal to married couples. To our knowledge, we are the first paper that estimates in a unified framework the separate effects of alimony and equal property division at separation for cohabiting couples.

Second, we contribute to the literature which highlights that reforms may have different effects on couples formed at the time of the reform and couples formed after. Standard estimates are based on the behaviour of existing couples at the time of the reform. However, in the long run, the reform may affect couples differently as couples can renegotiate (Chiappori, Iyigun, Lafortune, and Weiss, 2017; Goussé, 2021) and as couples' composition may change through couple dissolution, match formation and changes in partnership choices (Reynoso, 2018; Goussé, 2021). Chiappori, Iyigun, Lafortune, and Weiss (2017) propose a theoretical analysis indicating that being granted alimony rights increases women's bargaining power for couples formed before the reform but it reallocates women's bargaining power over time for couples formed after the reform: their bargaining power is lower before they are eligible for the protective regime but stronger after being eligible. Goussé (2021) revisits this result in an equilibrium matching model where couples cannot permanently commit to a within-household allocation chosen at match formation but instead renegotiate regularly. Both papers predict different effects of a family law reform for already formed couples and for couples to be formed. As in Chiappori, Iyigun, Lafortune, and Weiss (2017), we distinguish the impact of the reform on existing couples from the impact of eligibility status on couples eligible after the reform. We show that couples eligible after the reform react much less when they become eligible for the new protection than couples who were eligible directly at the time of the reform. This result indicates that standard estimates of the impact of a reform of family laws may not be indicative of what happens in the long-run.



Third, we also contribute to the literature that shows that welfare reforms and redistribution toward single low earners may have an effect on separation for existing couples (Bitler, Gelbach, Hoynes, and Zavodny, 2004; Francesconi, Rainer, and Van Der Klaauw, 2009). We show that cohabiting couples not yet eligible at the time of the reform, are less likely to get married or to break up when they become eligible for more protective rights.<sup>4</sup> More generally, our paper is related to the literature on measuring the impact of the marriage and divorce policies on divorce (Wolfers, 2006), and partnership choice (Rasul, 2006; Matouschek and Rasul, 2008; Leturcq, 2012; Reynoso, 2018; Blasutto and Kozlov, 2020). We show that couples are less likely to enter cohabitation after the reform.

The next section presents the Canadian institutional context. We detail the empirical strategy in section 3. Data are presented in section 4. We describe the results in section 5 and section 6 concludes.

## 2. CANADIAN INSTITUTIONAL CONTEXT

In Canada, cohabiting union is increasingly seen as substitute to marriage for childbearing and raising a family (Kerr, Moyser, and Beaujot, 2006; Kiernan, 2004; Le Bourdais and Lapierre-Adamcyk, 2004). The share of common-law partners among couples has increased from 6.3% in 1981 to 19.9% in 2011<sup>5</sup> whereas the share of the population aged 15 and over in a relationship has slightly decreased from 61.1% to 57.7% (Milan, 2011). However, as cohabiting unions are being more unstable than marriage, a growing part of the population is experiencing a dissolution, including children (Musick and Michelmore, 2015; Bohnert, 2012). Ex-cohabiting partners experience a larger drop in income and a higher risk of poverty at separation than ex-married spouses (Avellar and Smock, 2005; Tach and Eads, 2015; Le Bourdais, Jeon, Clark, and Lapierre-Adamcyk, 2016). Everywhere in Canada, the courts were called upon to adjudicate the rights of individuals cohabiting outside of

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<sup>4</sup>Lafortune and Low (2017, 2020) suggest that as marriage and cohabitation become more alike, marriage gains are lower which could explain the declining trend in marriage rates.

<sup>5</sup>In July 2019, this rate is 20.8% (Statistics Canada, 2021)

marriage.<sup>6</sup> The provincial governments decided to make policy decisions about the appropriate legal framework for resolving property disputes between partners in non-traditional relationships. These policy decisions were mostly unexpected at the moment they were adopted. Reforms took place at different points in time and took different directions between provinces (Bala and Bromwich, 2002; Robitaille and Otis, 2003). In this paper, we sort the existing common-law couples laws into three different regimes and we label them as the *federal regime*, the *alimony regime* and the *marriage-like regime*.

Implemented in 1993, the *federal regime* is the regime of cohabiting partners ensured by the federal state—it applies everywhere in Canada. After one year of unmarried cohabitation, couples have to indicate that they are living in a common-law relationship on their tax return<sup>7</sup>. Cohabiting couples are then easily identified in data. They also become eligible for their partner’s car insurance and their partner’s pension plan. The federal regime is a minimum legal framework and is complemented by provincial legislation.

The *alimony regime* allows common-law partners to claim for alimony in the event of relationship breakdown. Although matrimonial property legislation applies only to legally married couples, the courts have applied the doctrines of resulting and constructive trust to award a share of one common-law spouse’s property to the other in cases in which it would be *unjust* not to take spousal contribution to acquisition of property into account (Bala and Bromwich, 2002). The general principles of trust law can prevent injustice in some cases, but it is limited in its scope. Partners can claim for alimony rights upon separation, but being granted these rights is quite uncertain. Reforms introducing the alimony regime were passed between 1972 and 1999. As of 2013, all Canadian provinces—except Quebec—applied the principles of trust laws for cohabiting partners.<sup>8</sup>

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<sup>6</sup>In the meanwhile, homosexuality became more accepted in Canada, with more gays and lesbians partners openly cohabiting and demanding legal recognition for their relationship. Same-sex marriage was nationwide recognized in 2005.

<sup>7</sup>Married and cohabiting partners pay their tax separately in Canada, but some means-tested transfers depend on the household income.

<sup>8</sup>In Quebec, unmarried cohabiting couples are not granted any additional rights further than the rights stated by the federal law. Quebec have denied the rights to ex-cohabitants to claim for spousal maintenance (Eric v. Lola, QC, 2013), rejecting any move toward the alimony regime.

The *marriage-like regime* considers all couples in a marriage-like relationship as equal to married couples. In 1997, the new Saskatchewan Family Property Act stated that couples who have lived together in a marriage-like relationship for two years were treated like married couples in all matters (health insurance, government benefits including retirement, inheritance, dividing property at separation, spouse alimony, etc.).<sup>9</sup> Same modifications to the legislation were adopted in Manitoba in 2004 and in British Columbia in 2013. In those provinces, the marriage-like regime replaced the alimony regime, which was already implemented. The marriage-like regime considers a separation of a common-law couple as a divorce, thus increasing the cost of separation. The marriage-like regime is also more protective than the alimony regime: it gives ex-partners more rights upon separation and it is less uncertain as the rights it gives are clearly defined.

Table 1 summarizes the regimes in the ten Canadian provinces<sup>10</sup>. The federal regime applies everywhere. The alimony regime and the marriage-like regime apply when cohabiting partners have been living together for a certain number of years which varies across provinces. This minimal amount of years can be reduced if the couple has a child.

During the period 1993–2011 that we observe in our data, four provinces reformed the regime of cohabiting partners. Prince Edward Island and Alberta respectively adopted the alimony regime in 1995 and 1999 while Saskatchewan and Manitoba have moved from an alimony regime to a marriage-like regime in 1997 and 2004 respectively. The federal regime was implemented just before our period of observation. Other provinces (except Quebec, which is not introduced in our analysis for several reasons we explain in section 4) had adopted the alimony regime before our period of observation. Only, British Columbia adopted the marriage-like regime after our period of observation.

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<sup>9</sup>We provide examples of definition of spouses in Family Law Acts for the province of Saskatchewan for 1997 and for 1990 in the online appendix.

<sup>10</sup>We exclude the three Canadian territories (Northwest Territories, Nunavut and Yukon) from our analysis as they have very few inhabitants and they have different law with respect to cohabitation.

### 3. EMPIRICAL STRATEGY

Estimating the effect of granting rights to cohabitants is not as straightforward as estimating the effect of a reform for married persons. As cohabitants benefit from these new rights after several years of cohabitation, we have to consider different cases depending on the date of the reform and the date when the couple was formed. Moreover, the Canadian legal setting includes two different types of reform, which complicates the design of the reforms we study. To clarify the different cases we are considering, we refer the reader to a diagram presented in figure 1. Figure 1, panel A, presents the case of provinces where we observe couples after the introduction of the alimony regime and where the marriage-like regime is not implemented. In this case, we observe variation in the cohabitation regime for couples formed after the reform and becoming eligible for the alimony regime after a few years of cohabitation. Figure 1, panel B, presents the case of provinces where we observe variation in the cohabitation regime for couples formed before and after the introduction of the alimony regime. In those provinces, we consider two types of couples: couples who formed long enough before the reform so that they are directly eligible at the time of the reform (the dashed blue arrow), and couples who are not yet eligible at the time of the reform, either because they formed just before the reform or because they formed after (the two solid red arrows). Figure 1, panel C, presents the case of provinces where all couples are formed after the introduction of the alimony regime, but some of them formed before the introduction of the marriage-like regime and others formed after. In those provinces, we consider two types of couples: couples who formed long enough before the marriage-like reform so that they are directly eligible at the time of the reform for the marriage-like regime (and were already eligible for the alimony regime) (the dashed green arrow), and couples who are not yet eligible, either because they formed just before the reform or because they formed after (the two solid brown arrows). Having these different cases in mind, we now present our different estimation models.

**3.1. The impact of reforming legal settings of unmarried cohabitation.** In a first analysis, we estimate the impact of introducing a protective regime on the labour market outcomes of unmarried cohabiting men and women using a standard difference-in-differences design. That is we are estimating the effect on all couples formed before the introduction of the reform (eligible or not).

Let  $R_{ipt}^a$  (resp.  $R_{ipt}^m$ ) be a variable that indicates if a reform introducing an alimony regime (resp. marriage-like regime) is implemented in the province  $p$  where a cohabiting couple  $i$  lives at time  $t$ . Provinces introducing the marriage-like regime were already implementing the alimony regime, so that  $R_{ipt}^a = 1$  when  $R_{ipt}^m = 1$ . We estimate the following model:

$$y_{iptdc} = \alpha + \gamma_a R_{ipt}^a + \gamma_m R_{ipt}^m + \eta_i + \delta_t + \delta_d + \delta_c + \delta_{cp} + \delta_{ct} + \delta_{cd} + \zeta X_{it} + \varepsilon_{iptdc}, \quad (3.1)$$

where  $y_{iptdc}$  is the labour market outcome of an individual  $i$ , from province  $p$ , during year  $t$ , who has been a cohabiting with a partner for  $d$  years and where  $c$  indicates the presence of a child. We observe the same individual over several years in our panel data, which allows us to control for individual fixed effects ( $\eta_i$ ). We control for the number of years of cohabitation introducing fixed effects for each duration of cohabitation ( $\delta_d$ ), as couples' decision concerning labour market supply may change over the couple's relationship. We take into account economic cycles introducing years fixed effects ( $\delta_t$ ). We introduce a fixed effect for having a child ( $\delta_c$ ), which means that our results are not driven by having a child on the year they become eligible. We also control for all shocks specific to couples with children by adding interaction terms between the dummy indicating the presence of a child with years-fixed effects, province fixed effects, and duration of the relationship fixed-effects ( $\delta_{cp}$ ,  $\delta_{ct}$ ,  $\delta_{cd}$ ).  $X_{it}$  are time-varying control variables, including age and age square. We estimate the model on men and women separately.

Our parameters of interest are  $\gamma_a$  and  $\gamma_m$ . Our estimation strategy identifies the effect of reforming the legal settings of unmarried cohabitation on couples' labour market outcomes for existing unions.  $\gamma_a$  is estimated on couples moving from a low-protective regime (federal

regime) to an alimony regime when a reform is passed in their province.  $\gamma_m$  is estimated on couples moving from an alimony regime to the marriage-like regime.

The control group is composed of provinces where a reform was not introduced over the period, because the alimony regime was introduced *before* our period of observation. The common trend assumption states that changes in the behaviour of a couple affected by the reform would have been similar to changes in the behaviour of a similar couple living in another province, for the same length of cohabitation. This assumption cannot be directly tested. The reform was mostly unanticipated at the moment it was passed, suggesting couples did not have time to adjust their behaviour in prevision of the reform.

This standard strategy allows us to estimate the effect of the reform on all existing cohabiting couples at the time of the reform. However, we are also interested in estimating the effect of eligibility for the new legal settings on couples that form after the reform.

**3.2. The impact of eligibility for a protective regime of cohabitation.** In a second analysis, we estimate the impact of becoming eligible for a protective regime of cohabitation on labour market outcomes of men and women.

Let  $D_{itpdc}^r$  be a variable that indicates whether the couple  $i$ , living in province  $p$  at time  $t$  with a length of relationship of  $d$  years and the presence of children denoted by  $c$ , is eligible for a protective regime of cohabitation of type  $r$ . It can be either the alimony regime ( $r = a$ ) or the marriage-like regime ( $r = m$ ). We denote  $\bar{t}_p^r$  the year of the implementation the reform introducing the regime  $r$  in province  $p$  and we denote  $\bar{d}_p^r$  (respectively  $\bar{d}_p^{rc}$ ) the minimal duration of the relationship required in province  $p$  to be eligible for the regime  $r$  for couples without children (resp. with children).

$D_{itpdc}^r$  is defined as:

$$D_{itpdc}^r = \mathbb{1}\{t > \bar{t}_p^r\} \times (\mathbb{1}\{d \geq \bar{d}_p^r\} + \mathbb{1}\{c = 1\} \times \mathbb{1}\{\bar{d}_p^{rc} \leq d < \bar{d}_p^r\}).$$

$D_{itpdc}^r$  is equal to one if province  $p$  has introduced a protective regime of cohabitation ( $\mathbb{1}\{t > \bar{t}_p^r\}$ ) and if either the length of the cohabitation is larger than the minimal provincial

duration ( $\mathbb{1}\{d \geq \bar{d}_p^r\}$ ), or if the couple has a child ( $\mathbb{1}\{c = 1\}$ ) and the length of the cohabitation is larger than a reduced threshold ( $\mathbb{1}\{\bar{d}_p^{rc} \leq d < \bar{d}_p^r\}$ ). We consider that couples eligible for the marriage-like regime ( $D_{iptdc}^m = 1$ ) are eligible for the alimony regime ( $D_{iptdc}^a = 1$ ).

3.2.1. *Baseline specification : impact of eligibility status.* In order to estimate the impact of eligibility status on labour market outcomes, we consider the following model:

$$y_{iptdc} = \alpha + \beta_a D_{iptdc}^a + \beta_m D_{iptdc}^m + \eta_i + \delta_t + \delta_d + \delta_c + \delta_{cp} + \delta_{ct} + \delta_{cd} + \zeta X_{it} + \varepsilon_{iptdc} \quad (3.2)$$

using the same notations as for model 3.1.

The parameter  $\beta_a$  gives the impact of the eligibility for the alimony regime on the labour market outcome  $y$ . The parameter  $\beta_m$  indicates if being eligible for the marriage-like regime is associated with additional effect as compared to eligibility for the alimony regime.  $\beta_a + \beta_m$  gives the impact being eligible for the marriage-like regime.

The identification strategy of  $\beta_a$  and  $\beta_m$  comes from two sources of variation. Some couples were formed before a reform is introduced and they are affected by the introduction of a reform, which constitutes our first source of variation. Other couples were formed after the reform, and they become eligible when the length of their relationship meets a certain threshold, which constitutes our second source of variation. We compare changes in the labour market outcomes for couples eligible for a protective regime of cohabitation to couples in a different province with the same duration of the relationship but who are not eligible for a protective regime of cohabitation as the minimal duration to be eligible varies across provinces or because the province has not (yet) passed the reform. In figure 1, the identification strategy consists in estimating how labour outcomes change when arrows meet the eligibility threshold (blue and red for the alimony regime, green and brown for the marriage-like regime).

The identifying assumption—equivalent of the common trend assumption to our setting—is that the changes in the labour market outcomes after a certain length of years of cohabitation would have been the same for couples eligible for a protective regime of cohabitation were they not living in a province which introduces a change in the cohabitation status at that moment in the couple’s life-cycle. As the eligibility status varies across provinces, it requires that changes in couples’ behaviour are comparable across provinces. The main threat to this assumption is that couples may separate or get married at the moment they become eligible, which would bias our estimates as couples staying cohabitants in the province that has implemented the reform would not be comparable to cohabitants with the same relationship duration in another province. We present our strategy to test this selection effect in section 3.3 below.

*3.2.2. Second specification: impact on couples eligible before vs. couples eligible after the reform.* In a third analysis, we estimate the impact of being eligible for a protective regime of cohabitation, differentiating the impact on couples formed before the reform and directly eligible at its introduction from couples eligible after the reform. The effect of eligibility for a more protective regime may differ between couples who have anticipated their eligibility and couples who have not. Couples that are caught by the reform have not anticipated the law changes whereas couples formed after the reform (as well as couples formed before the reform who have not reached the minimal number of years of cohabitation at the time the reform is passed) are able to anticipate their eligibility and may have adjusted their behaviour.

In our setting, there are two types of reform, which make us distinguish four types of couples: (i) couples formed long enough before a reform introducing an alimony regime so that they are directly eligible for the alimony regime at the moment of the reform (the dashed blue arrow in figure 1, panel B); (ii) couples eligible after a reform introducing an alimony regime in a province which does not introduce an marriage-like regime (the solid red arrows in panels A and B); (iii) couples eligible after the introduction of the



alimony regime but who formed long enough before a reform introducing an marriage-like regime, thus “caught” by the marriage-like regime (the dashed green arrow in panel C); (iv) couples eligible after a reform introducing the marriage-like regime, and thus after the reform introducing the alimony regime (the two solid brown arrows in panel C).

Let  $t_i^f$  be the year of formation of the couple of individual  $i$ . We denote  $B_{iptdc}^a$ , the dummy which indicates if the couple of individual  $i$  was directly eligible for the alimony regime at the time of the reform in province  $p$ . Similarly, we denote  $B_{iptdc}^m$  the dummy which indicates if the couple of individual  $i$  was directly eligible for the marriage-like regime at the time of the reform in province  $p$ . Formally, these dummies are build the following way:

$$B_{iptdc}^r = \mathbf{1}\{c = 0\} \times \mathbf{1}\{t_i^f + \bar{d}_p^r \leq \bar{t}_p^r\} + \mathbf{1}\{c = 1\} \times \mathbf{1}\{t_i^f + \bar{d}_p^c \leq \bar{t}_p^r\}$$

Notice that all couples formed before the introduction of the marriage-like regime ( $B_{iptdc}^m=1$ ) were formed after the introduction of the alimony regime in their province ( $B_{iptdc}^a=0$ ). This is because the marriage-like regime was passed in provinces implementing the alimony regime and we restrict our sample to couples formed in the last 10 years.

We can distinguish the impact on couples eligible at the moment of the reform from the impact on couples eligible after the reform estimating an extended version of model 3.2:

$$\begin{aligned} y_{iptdc} = & \alpha + \beta_a^{bef} D_{iptdc}^a \times B_{iptdc}^a + \beta_a^{aft} D_{iptdc}^a \times (1 - B_{iptdc}^a) \\ & + \beta_m^{bef} D_{iptdc}^m \times B_{iptdc}^m + \beta_m^{aft} D_{iptdc}^m \times (1 - B_{iptdc}^m) \\ & + \eta_i + \delta_t + \delta_d + \delta_c + \delta_{cp} + \delta_{ct} + \delta_{cd} + \zeta X_{it} + \varepsilon_{iptdc} \end{aligned} \quad (3.3)$$

$\beta_a^{bef}$  gives the impact of the reform on couples directly eligible when the alimony reform is introduced.  $\beta_a^{aft}$  gives the impact of becoming eligible for the alimony regime for couples eligible after the reform. In provinces where an marriage-like regime is introduced, some couples were “caught” by the reform at its introduction, but they were already eligible for the alimony regime. Therefore,  $\beta_m^{bef}$  measures if the reforms triggers an additional impact

due to the introduction of a more protective regime. For couples formed after the reform introducing the marriage-like regime, a change in the labour market outcomes when they become eligible for the marriage-like regime is measured by  $\beta_a^{aft} + \beta_m^{aft}$ . Therefore,  $\beta_m^{aft}$  measures if a more protective regime induces larger adjustment on the labour market than a less protective regime.

**3.3. Selection effect.** Our results would be based on a selected sample of eligible couples if couples are more likely to get married or to break up because they are about to become—or recently became—eligible for a protective regime of cohabitation. In order to test for regime-related selection into cohabitation, we pool observations of men and observations of women together, keeping one observation by couple when both members are observed. On this sample, we estimate two models to test if becoming eligibility for a protective regime changes behaviour toward marriage and separation. Are couples more likely to get married or to break up because they are about to become—or recently became—eligible for a protective regime of cohabitation? First, we estimate if couples are more (or less) likely to get married during the year they become eligible for a protective regime of cohabitation. We keep observations on cohabiting couples and on married couples during their first year of marriage. We regress an indicator for getting married during the current year ( $getmarried_{iptdc}$ ) on a variable indicating if the couple becomes eligible for the regime  $r$  during the current year ( $E_{iptdc}^{r,t}$ ). Second, we estimate if couples that become eligible for a protective regime the next year are more (or less) likely to break up. We keep observations on cohabiting couples and we regress a variable indicating if the couple breaks up during the current year or the year after ( $breakup_{iptdc}$ ) on a variable indicating that the couple will be eligible for a protective regime the year after ( $E_{iptdc}^{r,t+1}$ ). We distinguish the effects on couples who have not anticipated their eligibility (couples eligible at the time of the reform), and couples who have anticipated it (couples eligible after the reform). We estimate the two following models:

$$\begin{aligned}
getmarried_{iptdc} &= \alpha + m_a^{bef} E_{iptdc}^{a,t} \times B_{iptdc}^a + m_a^{aft} E_{iptdc}^{a,t} \times (1 - B_{iptdc}^a) & (3.4) \\
&+ m_m^{bef} E_{iptdc}^{m,t} \times B_{iptdc}^m + m_m^{aft} E_{iptdc}^{m,t} \times (1 - B_{iptdc}^m) \\
&+ \delta_t + \delta_d + \delta_c + \delta_{cp} + \delta_{ct} + \delta_{cd} + \zeta X_{it} + \varepsilon_{iptdc}
\end{aligned}$$

$$\begin{aligned}
breakup_{iptdc} &= \alpha + b_a^{bef} E_{iptdc}^{a,t+1} \times B_{iptdc}^a + b_a^{aft} E_{iptdc}^{a,t+1} \times (1 - B_{iptdc}^a) & (3.5) \\
&+ b_m^{bef} E_{iptdc}^{m,t+1} \times B_{iptdc}^m + b_m^{aft} E_{iptdc}^{m,t+1} \times (1 - B_{iptdc}^m) \\
&+ \delta_t + \delta_d + \delta_c + \delta_{cp} + \delta_{ct} + \delta_{cd} + \zeta X_{it} + \varepsilon_{iptdc}
\end{aligned}$$

$m_a^{bef}$  and  $b_a^{bef}$  give the impact of the reform on couples directly eligible when the alimony reform is introduced.  $m_a^{aft}$  and  $b_a^{aft}$  give the impact of becoming eligible for the alimony regime for couples eligible after the reform. In provinces where a marriage-like regime is introduced, some couples were “caught” by the reform at its introduction, but they were already eligible for the alimony regime. Therefore,  $m_m^{bef}$  and  $b_m^{bef}$  measure if the reform triggers an additional impact due to the introduction of a more protective regime. For couples formed after the reform introducing the marriage-like regime, a change in marriage entry and dissolution when they become eligible for the marriage-like regime is respectively measured by  $m_a^{aft} + m_m^{aft}$  and  $b_a^{aft} + b_m^{aft}$ . Therefore,  $m_m^{aft}$  and  $b_m^{aft}$  respectively measure if a more protective regime induces larger adjustment on marriage entry and separation than a less protective regime.

Finally, to better understand our results, we also test if reforms introducing the alimony regime or the marriage-like regime affect the type of union—marriage or cohabitation—couples choose when they start a new relationship. We consider all newly formed couples, both married and cohabiting. Following Blasutto and Kozlov (2020), we regress a binary variable indicating if the couple is cohabiting on two binary variables indicating if a reform introducing an alimony regime and a reform introducing the marriage-like regime are implemented in the province. Do family laws reforms that change the separation settings affect

the partnership choice of couples? We exploit the timing in the adoption of these laws as a source of exogenous variation and estimate equation 3.6:

$$\text{cohabitation}_{ipt} = \alpha + \alpha_a R_{ipt}^a + \alpha_m R_{ipt}^m + \delta_t + \delta_p + \zeta X_{it} + \varepsilon_{ipt} \quad (3.6)$$

The dependent variable is a dummy that takes value 1 if the couple  $i$ , established at time  $t$  in province  $p$  has chosen unmarried cohabitation, and 0 if it has chosen marriage. The vector  $X_{it}$  includes a set of socio-demographic controls, while  $\delta_p$  are province fixed effects and  $\delta_t$  are time fixed effects. The variable  $R_{ipt}^a$  and  $R_{ipt}^m$  are defined as above.  $\alpha_a$  and  $\alpha_m$  are the coefficient of interest on the effect of the reform on partnership choice.

#### 4. DATA AND DESCRIPTIVE STATISTICS

**4.1. Data.** We use longitudinal data from the Survey on Labour Income Dynamic (SLID) provided by Statistics Canada, which is a household survey, with a rotating panel design, representative of the Canadian population. The SLID covers each year a sample of 17000 households of the population of the ten Canadian provinces with the exception of Indian reserves, residents of institutions and military barracks (less than 3 % of the population). Data have been collected each year from 1993 to 2011 from January to March. Each household is followed over a 6-year period. Interviewers collect information on the labour market status and family status of all individuals. Respondents have the option of answering income questions during the interview, or of giving Statistics Canada permission to access their income tax records. Over 80% of respondents gave their permission to consult their income tax file. Only one respondent per household is included in the SLID. He or she provides information on the personal relationships between all members of the household, his or her own labour market status and income, and the labour market status and income of all other members of the household, if he or she is knowledgeable and he or she agrees to do so. For roughly two third of cohabiting couples, we have information on the respondent only. For one third of cohabiting couples, we have information on both partners.

**4.2. Sample restriction.** We restricted our sample to people aged 18 to 50 in an unmarried cohabiting couple. We excluded the province of Quebec as we believe it is not a relevant group of control for other Canadian provinces regarding cohabitation and family law setting. Quebec is the only province that does not apply any protective regime of cohabitation—only the federal regime. It is also the only province with a civil code, which is based on the French Code Napolon (Napoleonic Code) whereas the rest of Canada uses the common law, which may have important implications on the enforcement on contracts and family laws. Finally, the prevalence of unmarried cohabitation is twice as high in Quebec as in other Canadian provinces, and it is has been so for decades (Milan, 2011; Le Bourdais and Lapierre-Adamcyk, 2004; Le Bourdais, Lapierre-Adamcyk, and Roy, 2014).<sup>11</sup>

In order to observe similar couples in the control and treated groups, we restricted our sample to people in a relationship which is shorter than 10 years, because couples become eligible for a protective regime at the beginning of their relationship. We excluded couples that had moved across provinces, so that the impact of the eligibility status is not identified on couples becoming eligible or losing their eligibility status because they changed the province in which they live. Moving across provinces is rather rare and very few couples are excluded. It is very unlikely that couples decide to move out (or move in) from a province to avoid (to gain) eligibility for a more protective regime. To avoid potential large measurement errors, we dropped the 1% highest and lowest values of number of hours worked and income. We pool all years of the survey. We keep individuals with no missing information. Our main sample is then composed of 8020 men and 8770 women.

We built another sample composed of couples for whom we observe information on both partners to estimate the effect of eligibility on within-household allocation. We kept couples where both partners report the same information on the status on the relationship each year, the relationship duration and the presence of a child. This second sample contains 3229 couples. Finally, we decomposed this sample into two groups depending on the female

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<sup>11</sup>Other important cultural factors distinguish the province of Quebec from others, such as language (French) and Catholic heritage.

partner's share of total income. To do that, we first computed for each partner a measure of permanent labour income as his or her average of all labour earnings that she or he earned during the period of observation. Then we took the ratio of the permanent income of the female partner on the sum of the permanent income for both partner. We selected a sample where this ratio is lower than 40% and the complement sample where this ratio is strictly more than 40%. These two samples contain respectively 1849 and 1380 couples.

We consider two variables describing the labour force supply: the number of hours worked during the year and the probability to be non-employed during the entire year, defined as the probability to be either inactive or in unemployment. We also consider annual labour earnings. All monetary values have been deflated using the province Consumer Price Index, and are expressed in constant Canadian dollars (CAD) of 2002.

**4.3. Descriptive statistics.** We present descriptive statistics in table 2. All statistics are weighted using SLID longitudinal weights. In our main sample (table 2, panel A), women are on average 33.4 years old and men are 34.8 years old. Women work on average 1342 hours per year. 14% of women are either unemployed or inactive during the entire year. Women earn on average CAD 21k per year.<sup>12</sup> Men work on average 1881 hours per year. 6% of men are not employed. The annual labour earnings of men is roughly CAD 37k. Women have 14.9 years of education, and they are slightly more educated than men, who have an average of 14.7 years of education. 56% of women and 49% of men have a child.<sup>13</sup> The average duration of the cohabiting relationship is 3.3 years. Table 2, panel B presents statistics on men and women in couples where we observe both partners. It shows that they are very similar in age, earnings, and number of hours worked than men and women in the main sample. However, they are less likely to be inactive or unemployed during the whole year, are living in more stable relationships (the average duration is 4.5 years versus 3.3 in the main sample), and are more likely to have children (60%). In those couples,

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<sup>12</sup>Labour earnings are set to zero if the individual does not receive any labour earnings.

<sup>13</sup>Statistics Canada states that the information on the presence of children is inaccurate for men between 1993 and 1999. When we have information on both partners, we impute the child presence according the declaration of their female partner for those years.

women earns around 37% of the total labour income of the couple, and work 40% of the total number of hours worked by the couple. Table 2, panels C and D show that in couples where the women earns (in average over the relationship) less than 40% of the total labour income, partners are younger but are more likely to have children than in couples where the female partner earns more than 40% of the total labour income. In the former, women earn 21% of the total household income and work 30% of the total hours worked whereas in the latter, women earn 57% of the total household income and work 52% of the total hours worked by the couple.

## 5. RESULTS

### 5.1. Main results.

5.1.1. *Impact of reforms introducing protective regimes of cohabitation.* Did the introduction of more protective regimes of cohabitation impact the labour market outcomes of men and women? Table 3 presents the estimation results of model 3.1. It shows that the introduction of the alimony regime had opposite effects on cohabiting men and women, and the introduction of the marriage-like regime impacted women outcomes only. When the alimony regime was introduced, men in affected provinces increased their annual number of hours worked by 271 hours, reduced their propensity of being unemployed or inactive by 2.7 pp., and increased their labour earnings by CAD 6391, compared to men in the unaffected provinces. Women in provinces introducing the alimony regime increased their propensity of being unemployed or inactive by 7.7 pp., compared to women in the unaffected provinces, but their annual number of hours worked and earnings remained unchanged. When the marriage-like regime was introduced, women in affected provinces increased their propensity of being unemployed or inactive by 4.4, compared to women in unaffected provinces.

These effects are estimated on all unmarried cohabiting couples whether they are eligible or not. They do not tell anything on what happen when couples become eligible.

5.1.2. *Impact of being eligible for a protective regime of cohabitation.* Do men and women adjust their labour market outcomes when they become eligible for a protective regime of cohabitation? Panel A of table 4, presents the estimation results of model 3.2. It shows that men do not adjust their labour market outcomes when they become eligible for a protective regime of cohabitation, regardless of the type of regime—but women do. When eligible for the alimony regime, women’s labour earnings are CAD 1836 smaller than labour earnings of non-eligible women but their labour force supply is unaffected; when eligible for the marriage-like regime, women’s labour earnings are CAD 2020 smaller than labour earnings of non-eligible women and they are 7.1 pp. more likely to be unemployed or inactive than non-eligible women.

5.1.3. *Impact of being eligible for a protective regime of cohabitation: couples formed before vs. couples formed after the reform.* Our first analysis shows that both men and women react to a reform introducing the alimony regime, while being eligible affects women but not men. These contradictory results are explained by couples formed before the reform and directly eligible at the time of the reform reacting differently from couples eligible after the reform.

Panel B of table 4 presents the estimation results of model 3.3. It shows that when the alimony regime was introduced, men in a couple formed before the reform and directly eligible for the alimony regime at its introduction adjusted significantly their labour supply—working 214 more hours and reducing their propensity to be unemployed or inactive by 5pp.—and increased their labour earnings by CAD 7166, compare to men in unaffected provinces as suggested by the results on the introduction of the protective regime. Surprisingly, men in a couple formed after the introduction of the alimony regime are 2.9 pp. more likely to be unemployed or inactive compared to non-eligible men when eligible, but their labour earnings and number of hours worked are unaffected. Men in a couple formed before the reform introducing the marriage-like regime and directly eligible at its introduction were already eligible for the alimony regime. The introduction of the marriage-like regime did not trigger an additional adjustment in their propensity of being unemployed or inactive, nor



in their number of hours worked or their labour earnings, compared to men in unaffected provinces. Men in a couple formed after its introduction move from an unprotective regime of cohabitation to an marriage-like regime when they become eligible for the marriage-like regime; they do not adjust their labour outcomes compared to non-eligible men.

The alimony regime tends to affect similarly all women, regardless of when the couple was formed. When the alimony regime was introduced, women in a couple formed before the reform and directly eligible became 8.7 pp. more likely to be unemployed or inactive and reduced their labour earnings by CAD 2586 compared to women in unaffected provinces. When they become eligible for the alimony regime, women in a couple formed after the reform reduced their labour earnings by CAD 1778 compared to non-eligible women, but their labour force supply is unaffected. When the reform introducing the marriage-like regime was passed, women in a couple formed before the reform and directly eligible at its introduction—who were thus already eligible for the alimony regime—worked 126 less hours, were 10.3 pp. more likely to be unemployed or inactive and had CAD 1472 lower earnings than women in unaffected provinces. Women in a couple formed after the reform introducing the marriage-like regime, however, do not significantly adjust their labour market outcomes when they become eligible for the marriage-like regime.

Our results show that most of the effect of the reforms are driven by couples who have not anticipated their eligibility although we observe small changes at eligibility for couples eligible after. Our results also show that eligibility for the marriage-like regime triggers an additional decrease in labour supply and earnings for women when they are directly eligible at the time of the reform.

5.1.4. *Impact of eligibility status on within household outcomes.* Does eligibility for a protective regime of cohabitation change intra-household outcomes? We now re-estimate our models 3.2 and 3.3 on our subsamples of couples where we observe both partners. Table 5 presents our estimates. A first remark is that, in average, men and women in this subsample react similarly than in the main sample: women tend to decrease their labour supply and income while men tend to increase theirs. With respect to within-household variable, Panel

A shows that the women's share in the total number of hours worked by the household increases by 3.6 pp. when the couple turns eligible for the alimony regime<sup>14</sup>. Women's share in couple's income remains unaffected, despite a significant negative impact on women's earnings. When they become eligible for the marriage-like regime, adjustments in the labour market outcomes of men and women leads to decrease women's share of couple's earnings by 7.5 pp. compared to non-eligible women.

Is the impact of eligibility on women's share of household's worked hours and women's share of household's income driven by couples eligible directly at the reforms or couples eligible after the reform? Panel B of table 5 shows that nor the women's share in the total number of hours worked by the household nor the women's share of household's earnings are affected by eligibility for the alimony regime, despite a significant increase in men's labour earnings in couples eligible directly at the reform and a significant decrease in women's labour earnings in couples formed after the reform. When couples formed before the reform become eligible for the marriage-like regime (they were already eligible for the alimony regime), the women's share in their household's number of hours worked and in their household's earnings remain stable, despite an increase in men's labour earnings. However, when they become eligible for the marriage-like regime, women in couples formed after the reform reduce their number of hours worked by 378 hours and labour earnings by CAD 6385, which reduce their share in the household's number of hours worked by 8.1 pp. and their share in their household's earnings by 15.1 pp.

Table 6 shows the results of the estimation of model 3.2 on our two groups of couples, based on female's share of couple's income. As the number of observations is too low to distinguish couples eligible at the reform from couples eligible after the reform, we focus on the impact of eligibility for both types of couples. Do adjustments made by couples reinforce inequality in already-unequal couples? And do adjustments make equal couples unequal?

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<sup>14</sup>This effect is driven by the effect in couples in which women earn a large share of the total income as shown in 6

Results show that the negative effect of protective regimes on women’s share of income are driven by couples in which the female’s share of household’s income is rather low. In couples where women earn less than 40% of household’s income, eligibility for the marriage-like regime decreases women’s share in total earnings by 17 percentage points because of a large drop in their earnings, compare to non-eligible women. On the contrary, in more balanced couples—couples in which women earn at least 40% of household’s income—women’s share of household’s income increases by 6.3 percentage points when they become eligible for the alimony regime. There is no additional effect when they become eligible for the marriage-like regime. In these balanced couples, women’s share in household’s hours worked increases when they become eligible for a protective regime, regardless of the type of regime. Protective regimes of cohabitation tend to weaken women’s position in unbalanced couples, but to strengthen women’s position in balanced couples.

**5.2. Selection into cohabitation.** Can we read our results as the causal impact of a legal protection induced by the regime of cohabitation on the labour market behaviour of couples? Couples formed before the reform and eligible for a protective regime at its introduction were “caught” by the reform. Yet, some of them could decide to get married or break up on the year the reform was passed, inducing some selection into cohabitation. For couples formed after the reform, selection into cohabitation could be a more serious problem, as the anticipation of eligibility for a cohabitation protection scheme may affect the decision to start a cohabiting relationship in the first place, but also the decision to marry or break up around the years when couples become eligible.

*5.2.1. Impact of eligibility on selection into marriage and separation.* Our results would be based on a selected sample of eligible couples if couples are more likely to get married or to break up because they are about to become—or recently became—eligible for a protective regime of cohabitation. This potential selection into cohabitation constitutes a threat to our identification strategy if selection appears on the year before or during the year couples become eligible for a protective regime of cohabitation.

We test if couples are more (or less) likely to get married during the year they become eligible for a protective regime of cohabitation and if couples becoming eligible for a protective regime during the year or in the next year are more (or less) likely to break up. We present our estimates for model 3.4 on table 7. Becoming eligible for the alimony regime at the time of the reform does not increase the probability of getting married nor the probability of separation for couples eligible at the time of the reform. Similarly, becoming eligible for the marriage-like regime does not increase the probability of getting married nor the probability of separation for couples eligible at the time of the reform. These results are reassuring as it means that our estimates on couples eligible at the reform do not suffer from a selection bias.

For couples eligible after the introduction of the alimony reform, we find that when they become eligible, they are slightly less likely to separate than non-eligible couples (-1.3 pp) but they do not have a different behaviour toward marriage than non-eligible couples. Regarding the marriage-like regime, when couples eligible after the reform become eligible, they are 4.4 pp. less likely to get married and 1.4 pp. less likely to break up than non-eligible couples. It suggests that the marriage-like regime made cohabitation more stable for couples formed after the regime.

The results show that both the alimony regime and the marriage-like regime imply some selection into cohabitation among couples who anticipate eligibility. This means that our estimates for couples eligible after the reform may be biased. Is this selection large enough to drive our results for those couples? A back of the envelop calculation indicates that among couples formed before the reform introducing the alimony regime, 1.3% of couple stay cohabiting instead of breaking up if the reform has not been introduced. This could partly explain the increase by 2.9 percentage points in the probability of being unemployed or inactive for men and the decrease of women labour earnings by CAD 1778. Among couples formed before the reform introducing the marriage-like regime, roughly 6% of couples were selected (4.4% decided to stay cohabiting instead of getting married and 1.4% stayed cohabiting instead of breaking up). However, we did not observe any adjustment in labour

force outcomes of men and women when they become eligible for the marriage-like regime and it is unclear to what extent this potential selection drives the results.

*5.2.2. Impact of reforms on the couple formation.* Our results show that unmarried cohabiting couples formed after the reform are more stable. A potential explanation is that they are better selected in this type of contract. We test whether the introduction of the reform has changed partnership choice at match formation. Table 8 presents the estimation results of model 3.6. Reforms introducing a protective regime of cohabitation affect the type of union couples opt for when they start a relationship. In our sample, over the 1993-2011 period, 40% of couples start their relationship with unmarried cohabitation. After the introduction of the alimony regime, the probability of being cohabiting among newly formed couples decreased by 7 pp. (13.9 pp. when province linear trends are introduced); after the introduction of the marriage-like regime, the probability of being cohabiting among newly formed couples decreased by roughly 12.5 pp. Our results indicate that the increase in the level of protection at separation for cohabitants has decreased the attractiveness of this contract. Couples who still decide to choose cohabitation have higher preferences for this contract and are better matched as they anticipate higher costs of separation. To completely understand the selection effect and its potential impact on the labour supply, we would need an equilibrium model of matching that includes marriage and cohabitation. This is out of the scope of this present paper.<sup>15</sup>

## 6. CONCLUSION

We investigate to what extent becoming eligible for a protective regime of cohabitation affects men and women's labour market outcomes. We show that eligibility for a more protective regime increases men's labour supply and earnings and decreases those of women's. The impact of the marriage-like regime is stronger, especially for women. We distinguish the impact on couples who cannot anticipate their eligibility (couples directly eligible at the time of the reform) from those who can anticipate it and we find that the effect is

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<sup>15</sup>The related work of Goussé (2021) is a promising attempt in this direction.

significantly stronger for the former than for the latter. Our results show that eligibility affects within-household allocation of earnings and work by reinforcing existing inequalities. Finally, we present some evidence that enhancing protection level at separation has an effect on the selection of couples into cohabitation.

Our paper contributes to the public debate related to granting rights to cohabiting couples. It shows that couples may adjust their behaviour on the labour market according to the level of protection induced by a cohabitation regime and the adjustment may vary across gender. A protective cohabitation regime may strengthen the position of the low-wage earner (usually women) within the household, which in turn may induce a behavioural response that weakens his or her labour market prospects in the event of separation, and his or her position within the household accordingly. In contrast, a protective regime could weaken the high-earner's (in general, men) position within the household but it may induce in turn a compensating behavioural response (Basu, 2006). We find evidence showing that behavioural response to the introduction of a protective regime offsets the protection induced by the regime of cohabitation. The more protective the regime is, the stronger the behavioural response tends to be. Yet, this impact tends to be driven by the behaviour of couples caught by the reform. Family law reforms introducing more protective regime of cohabitation have an impact on couple formation and dissolution and on the choice of cohabitation vs. marriage, which may counteract the intended policy effect. Our results show that policies granting cohabiting partners legal protection upon separation are closely related to policies targeting work-family balance and fostering female employment.

We believe our results are important in the current debate regarding the legal status that should be given to unmarried cohabiting partners. Facing increasing rates of unmarried cohabitation among couples, most countries have initiated a public debate on the protection that should be given to unmarried couples. Some European countries have implemented a legal status for unmarried couples, civil union or registered partnership (such as the PACS in France). But couples have to opt in this legal status and they are not automatically entitled to a protective regime. Besides, these new types of regime do not necessarily grant the right

to claim for alimony. Further research is needed to understand if opt-in cohabitation regimes such as registered partnerships are associated with changes in the labour market behaviour of partners.

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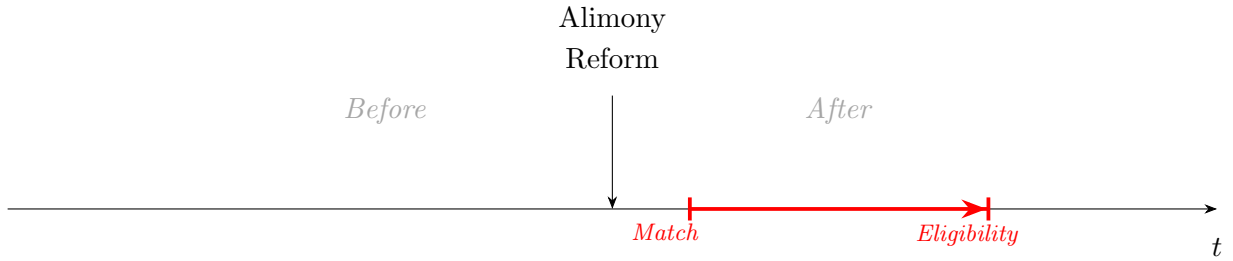
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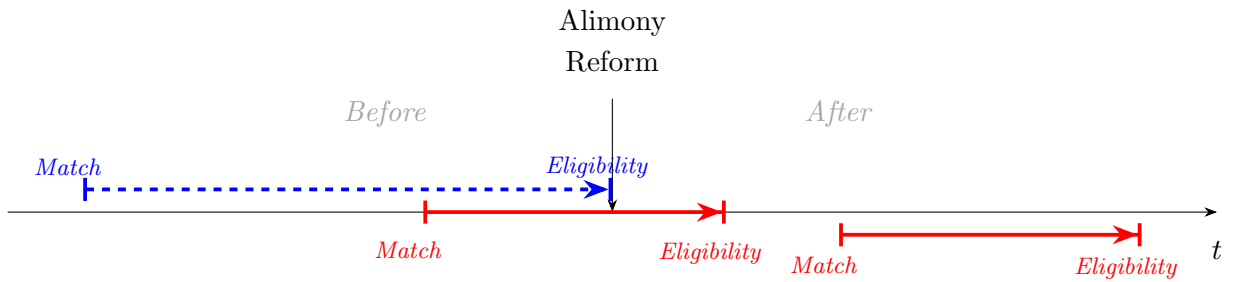
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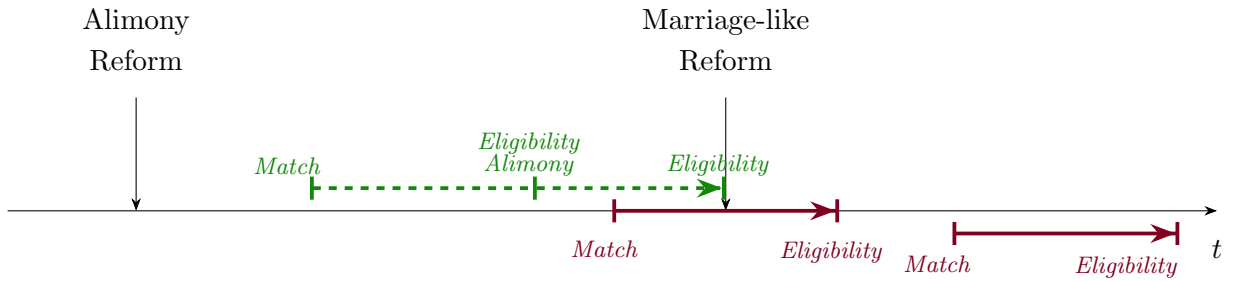
FIGURE 1. Diagram describing eligibility status of couples



(A) The reform introducing the alimony regime passed before the period of observation (NF, NB, NS, ONT, BC)



(B) The reform introducing the alimony regime is observed during the period (PEI, ALB)



(C) The reform introducing the marriage-like regime is observed during the period, the reform introducing the alimony regime passed before the period of observation (MAN, SK)

TABLE 1. Variations of common-law regimes between Canadian provinces

Province	Type of regime	Year of reform	Required relationship duration (in years)	
			without children	with children
Federal state	Federal	1993	1	1
Newfoundland and Labrador	Alimony	1990	2	1
<b>Prince Edward Island</b>	<b>Alimony</b>	<b>1995</b>	3	0
Nova-Scotia	Alimony	1989	2	2
New-Brunswick	Alimony	1980	3	1
Quebec	(Federal)			
Ontario	Alimony	1978	3	0
<b>Manitoba</b>	Alimony	1983	5	5
	Alimony	2001	3	1
	<b>Marriage-like</b>	<b>2004</b>	3	1
<b>Saskatchewan</b>	Alimony	1990	3	0
	<b>Marriage-like</b>	<b>1997</b>	2	2
<b>Alberta</b>	<b>Alimony</b>	<b>1999</b>	3	0
British Columbia	Alimony	1972	2	2
	Marriage-like	2013	2	2

Cells in bold text indicates reforms observed over the period of observation (1993-2011)

TABLE 2. Descriptive statistics.

	Men		Women		Couple	
	mean	s.d.	mean	s.d.	mean	s.d.
<b>Panel A: Main sample</b>						
Number of hours worked	1881	(810)	1342	(834)		
Not employed	0.06	(0.23)	0.14	(0.34)		
Annual labour earnings	36932	(26695)	20623	(18888)		
Age	34.8	(8.4)	33.4	(8.6)		
Years of education	14.7	(2.6)	14.9	(2.7)		
Has child(ren)	0.49	(0.50)	0.56	(0.50)		
Length of cohabitation	3.3	(2.9)	3.3	(2.9)		
Number of observations	8020		8770			
<b>Panel B: Couple sample [All]</b>						
Number of hours worked	1919	(736)	1361	(816)	3280	(1111)
Not employed	0.03	(0.17)	0.12	(0.32)		
Annual labour earnings (CAD)	37173	(24742)	21131	(18168)	58304	(33635)
Female's share of hours					0.40	(0.24)
Female's share of earnings					0.37	(0.26)
Age	34.9	(8.0)	33.4	(8.4)		
Has child(ren)					0.6	(0.49)
Length of cohabitation					4.5	(2.8)
Number of observations = 3229						
<b>Panel C: Couple sample [Women earn less than 40% of total income]</b>						
Number of hours worked	2037	(660)	1063	(851)	3100	(1112)
Not employed	0.01	(0.09)	0.20	(0.40)		
Annual labour earnings (CAD)	44008	(25226)	12729	(13613)	56737	(33053)
Female's share of hours					0.30	(0.23)
Female's share of earnings					0.21	(0.19)
Age	34.1	(8.0)	32.7	(8.8)		
Has child(ren)					0.67	(0.47)
Length of cohabitation					4.4	(2.7)
Number of observations = 1849						
<b>Panel D: Couple sample [Women earn more than 40% of total income]</b>						
Number of hours worked	1767	(800)	1748	(571)	3515	(1066)
Not employed	0.05	(0.23)	0.01	(0.11)		
Annual labour earnings (CAD)	28327	(21033)	32004	(17548)	60330	(34281)
Female's share of hours					0.52	(0.19)
Female's share of earnings					0.57	(0.21)
Age	35.9	(7.9)	34.3	(7.8)		
Has child(ren)					0.53	(0.50)
Length of cohabitation					4.6	(2.8)
Number of observations = 1380						

Note: Data are from the 1993-2011 SLID panel data. The sample consists in individuals living in cohabitation for less than 10 years, aged between 18 and 50 years old in Canada excluding the Quebec province. We keep individuals with no missing information. We use SLID longitudinal weights. *Number of hours worked* gives the number of hours worked during the year; *Not employed* is a binary variable indicating whether the individual had been either inactive or unemployed all year; *Labour earnings* gives annual fiscal labour earnings in constant Canadian dollars of 2002.

TABLE 3. Impact of the reform on labour supply and labour earnings

	Men			Women		
	Nb. of hours worked	Not employed	Labour earnings	Nb. of hours worked	Not employed	Labour earnings
Alimony reform ( $\hat{\gamma}_a$ )	271 (40) [0.000]	-0.027 (0.008) [0.012]	6391 (696) [0.000]	-8 (41) [0.852]	0.077 (0.016) [0.002]	86 (777) [0.915]
Marriage-like reform ( $\hat{\gamma}_m$ )	-35 (35) [0.358]	-0.003 (0.010) [0.790]	1595 (1792) [0.399]	-17 (56) [0.773]	0.044 (0.020) [0.059]	-268 (784) [0.741]
N	8020	8020	8020	8770	8770	8770
$R^2$	0.042	0.029	0.055	0.057	0.023	0.070

Note: Data are from the 1993-2011 SLID panel data. The sample consists in couples living in cohabitation for less than 10 years, aged between 18 and 50 years old in Canada excluding the Quebec province. All regressions include controls for individual fixed effect, relationship duration fixed effects, year fixed effects, a dummy indicating having a child, year dummy interacted with a dummy for having a child, relationship duration fixed effects with an interaction for having a child, province fixed effects interacted with a dummy for having a child, age and age square. We use SLID longitudinal weights. Standard errors are clustered at the province level and are reported in parenthesis. p-value are reported in brackets. *Number of hours worked* gives the number of hours worked during the year; *Not employed* is a binary variable indicating whether the individual had been either inactive or unemployed all year; *Labour earnings* gives fiscal labour earnings in constant Canadian dollars of 2002.

TABLE 4. Impact of the eligibility for a protective regime of cohabitation - labour supply and labour earnings

	Men			Women		
	Nb. of hours worked	Not employed	Labour earnings	Nb. of hours worked	Not employed	Labour earnings
<b>Panel A: eligibility status</b>						
Alimony eligibility ( $\hat{\beta}_a$ )	12 (62) [0.848]	0.015 (0.013) [0.286]	911 (811) [0.294]	32 (34) [0.369]	0.014 (0.016) [0.423]	-1836 (384) [0.001]
Marriage-like eligibility ( $\hat{\beta}_m$ )	-14 (28) [0.626]	-0.001 (0.009) [0.918]	1473 (2571) [0.582]	-112 (42) [0.027]	0.058 (0.009) [0.000]	-184 (631) [0.778]
$\hat{\beta}_a + \hat{\beta}_m$	-2 [0.978]	0.014 [0.428]	2384 [0.381]	-80 [0.201]	0.071 [0.000]	-2020 [0.015]
Test p.value						
N	8020	8020	8020	8770	8770	8770
R <sup>2</sup>	0.040	0.029	0.053	0.058	0.022	0.072
<b>Panel B: eligibility status - Couples eligible at reform vs. eligible after</b>						
Alimony*Elig. at reform ( $\hat{\beta}_a^{bef}$ )	214 (43) [0.001]	-0.050 (0.014) [0.006]	7167 (910) [0.000]	39 (41) [0.365]	0.087 (0.015) [0.000]	-2586 (502) [0.001]
Alimony*Elig. after ( $\hat{\beta}_a^{aft}$ )	-21 (48) [0.674]	0.029 (0.007) [0.004]	-76 (1434) [0.959]	27 (40) [0.522]	0.004 (0.012) [0.747]	-1778 (379) [0.002]
Marriage-like *Elig. at reform ( $\hat{\beta}_m^{bef}$ )	27 (111) [0.817]	0.034 (0.023) [0.171]	1309 (1749) [0.475]	-126 (40) [0.014]	0.103 (0.012) [0.000]	-1472 (789) [0.099]
Marriage-like *Elig. after ( $\hat{\beta}_m^{aft}$ )	9 (53) [0.864]	-0.045 (0.034) [0.231]	2142 (3503) [0.558]	-95 (58) [0.141]	0.013 (0.020) [0.536]	1164 (741) [0.155]
$\hat{\beta}_a^{aft} + \hat{\beta}_m^{aft}$	-11 [0.870]	-0.016 [0.675]	2067 [0.574]	-68 [0.312]	0.017 [0.532]	-614 [0.387]
Test p.value						
N	8020	8020	8020	8770	8770	8770
R <sup>2</sup>	0.041	0.031	0.055	0.058	0.024	0.072
(1) Test: $\hat{\beta}_a^{bef} = \hat{\beta}_a^{aft}$	[0.005]	[0.000]	[0.001]	[0.825]	[0.001]	[0.201]
(2) Test: $\hat{\beta}_m^{bef} = \hat{\beta}_m^{aft}$	[0.916]	[0.192]	[0.715]	[0.625]	[0.012]	[0.025]

Note: Data are from the 1993-2011 SLID panel data. The sample consists in couples living in cohabitation for less than 10 years, aged between 18 and 50 years old in Canada excluding the Quebec province. All regressions include controls for individual fixed effects, relationship duration fixed effects, year fixed effects, a dummy indicating having a child, year dummy interacted with a dummy for having a child, relationship duration fixed effects with an interaction for having a child, province fixed effects interacted with a dummy for having a child, age and age square. We use SLID longitudinal weights. Standard errors are clustered at the province level and are reported in parenthesis. p-value are reported in brackets. *Number of hours worked* gives the number of hours worked during the year; *Not employed* is a binary variable indicating whether the individual had been either inactive or unemployed all year; *Labour earnings* gives fiscal labour earnings in constant Canadian dollars of 2002.

TABLE 5. Within household effects. Impact of the eligibility for a protective regime of cohabitation.

	Men			Women			Couples	
	Nb. of hours worked	Not employed	Labour earnings	Nb. of hours worked	Not employed	Labour earnings	Wife's share of hours	Wife's share of labour earnings
<b>Panel A: All couples</b>								
Alimony eligibility ( $\hat{\beta}_a$ )	-53 (92) [0.578]	0.029 (0.017) [0.138]	-1110 (1366) [0.440]	73 (61) [0.263]	0.064 (0.027) [0.046]	-2499 (936) [0.028]	0.036 (0.019) [0.096]	0.001 (0.027) [0.980]
Marriage-like eligibility ( $\hat{\beta}_m$ )	93 (45) [0.073]	-0.033 (0.032) [0.337]	1107 (3477) [0.758]	-83 (55) [0.167]	0.012 (0.016) [0.470]	-1030 (589) [0.119]	-0.022 (0.024) [0.379]	-0.076 (0.026) [0.020]
$\hat{\beta}_a + \hat{\beta}_m$	39 [.762]	-.004 [.931]	-3 [.999]	-10 [.907]	.076 [.028]	-3530 [.039]	.013 [.705]	-.075 [.042]
Test p.value								
N	3229	3229	3229	3229	3229	3229	3229	3229
R <sup>2</sup>	0.110	0.079	0.087	0.113	0.053	0.119	0.084	0.067
<b>Panel B: eligibility status - Couples eligible at reform vs eligible after</b>								
Alim.*Elig. at ref. ( $\hat{\beta}_a^{bef}$ )	128 (96) [0.220]	-0.015 (0.019) [0.467]	4129 (1032) [0.004]	202 (63) [0.013]	0.058 (0.036) [0.146]	-671 (2132) [0.761]	0.031 (0.024) [0.230]	0.020 (0.018) [0.293]
Alim.*Elig. after ( $\hat{\beta}_a^{aft}$ )	-90 (94) [0.365]	0.048 (0.016) [0.019]	-2207 (2057) [0.315]	33 (78) [0.687]	0.071 (0.028) [0.034]	-3066 (827) [0.006]	0.033 (0.021) [0.158]	-0.004 (0.032) [0.906]
Marr-like.*Elig. at ref. ( $\hat{\beta}_m^{bef}$ )	27 (47) [0.588]	0.012 (0.016) [0.478]	2828 (1262) [0.055]	130 (205) [0.543]	0.035 (0.019) [0.099]	392 (768) [0.624]	0.037 (0.049) [0.475]	-0.030 (0.020) [0.185]
Marr-like.*Elig. after ( $\hat{\beta}_m^{aft}$ )	196 (186) [0.324]	-0.101 (0.110) [0.387]	-1551 (7574) [0.843]	-411 (83) [0.001]	-0.021 (0.033) [0.542]	-3319 (825) [0.004]	-0.114 (0.031) [0.006]	-0.147 (0.059) [0.037]
$\hat{\beta}_a^{aft} + \hat{\beta}_m^{aft}$	105 [0.680]	-0.053 [0.666]	-3759 [0.590]	-378 [0.013]	0.051 [0.173]	-6385 [0.000]	-0.081 [0.028]	-0.151 [.022]
Test p.value								
N	3229	3229	3229	3229	3229	3229	3229	3229
R <sup>2</sup>	0.111	0.083	0.089	0.116	0.053	0.120	0.086	0.068

Note: Data are from the 1993-2011 SLID panel data. The sample consists in couples living in cohabitation for less than 10 years, aged between 18 and 50 years old in Canada excluding the Quebec province. All regressions include controls for individual fixed effects, relationship duration fixed effects, year fixed effects, a dummy indicating having a child, year dummy interacted with a dummy for having a child, relationship duration fixed effects with an interaction for having a child, province fixed effects interacted with a dummy for having a child, age and age square. We use SLID longitudinal weights. Standard errors are clustered at the province level and are reported in parenthesis. P-value are reported in brackets. *Number of hours worked* gives the number of hours worked during the year; *Not employed* is a binary variable indicating whether the individual had been either inactive or unemployed all year; *Labour earnings* gives fiscal labour earnings in constant Canadian dollars of 2002.



TABLE 6. Within household effects. Impact of the eligibility for a protective regime of cohabitation, heterogeneous effect across couples types.

	Men			Women			Couples	
	Nb. of hours worked	Not employed	Labour earnings	Nb. of hours worked	Not employed	Labour earnings	Wife's share of hours	Wife's share of labour earnings
<b>Panel A: couples in which women earn less than 40% of household's income</b>								
Alimony eligibility ( $\hat{\beta}_a$ )	13 (199) [0.949]	0.013 (0.016) [0.448]	850 (1837) [0.656]	-150 (71) [0.069]	0.122 (0.046) [0.030]	-5043 (993) [0.001]	-0.018 (0.032) [0.597]	-0.058 (0.056) [0.334]
Marriage-like eligibility ( $\hat{\beta}_m$ )	104 (72) [0.186]	0.000 (0.008) [0.964]	-76 (3035) [0.981]	-99 (110) [0.398]	0.058 (0.055) [0.319]	-1294 (934) [0.203]	-0.027 (0.040) [0.525]	-0.112 (0.023) [0.001]
$\hat{\beta}_a + \hat{\beta}_m$	117	.013	775	-248	.180	-6337	-.044	-.170
Test p.value	[.660]	[.547]	[.762]	[.113]	[.032]	[.007]	[.477]	[.030]
N	1849	1849	1849	1849	1849	1849	1849	1849
R <sup>2</sup>	0.155	0.068	0.113	0.160	0.102	0.169	0.146	0.126
<b>Panel B: couples in which women earn more than 40% of household's income</b>								
Alimony eligibility ( $\hat{\beta}_a$ )	-75 (51) [0.178]	0.038 (0.028) [0.217]	-3460 (1593) [0.062]	311 (97) [0.013]	-0.013 (0.016) [0.427]	-191 (1725) [0.914]	0.090 (0.020) [0.002]	0.063 (0.018) [0.008]
Marriage-like eligibility ( $\hat{\beta}_m$ )	104 (114) [0.385]	-0.095 (0.062) [0.167]	1661 (3367) [0.635]	-252 (55) [0.002]	0.000 (0.023) [0.991]	-2011 (1365) [0.179]	-0.058 (0.011) [0.001]	-0.032 (0.051) [0.546]
$\hat{\beta}_a + \hat{\beta}_m$	30	-.057	-1799	59	-.013	-2203	.032	.031
Test p.value	[.830]	[.493]	[.594]	[.465]	[.629]	[.105]	[.066]	[.58]
N	1380	1380	1380	1380	1380	1380	1380	1380
R <sup>2</sup>	0.163	0.210	0.197	0.227	0.169	0.243	0.161	0.144

Note: Data are from the 1993-2011 SLID panel data. The sample consists in couples living in cohabitation for less than 10 years, aged between 18 and 50 years old in Canada excluding the Quebec province. All regressions include controls for individual fixed effects, relationship duration fixed effects, year fixed effects, a dummy indicating having a child, year dummy interacted with a dummy for having a child, relationship duration fixed effects with an interaction for having a child, province fixed effects interacted with a dummy for having a child, age and age square. We use SLID longitudinal weights. Standard errors are clustered at the province level and are reported in parenthesis. P-value are reported in brackets. *Number of hours worked* gives the number of hours worked during the year; *Not employed* is a binary variable indicating whether the individual had been either inactive or unemployed all year; *Labour earnings* gives fiscal labour earnings in constant Canadian dollars of 2002.

TABLE 7. Effects of eligibility for a protective regime of cohabitation on entry into marriage and couple dissolution.

	Entry into Marriage	Couple dissolution
Alimony elig. this year*Elig. at ref. ( $\widehat{m}_a^{bef}$ )	-0.003 (0.009) [0.745]	
Alimony elig. this year*Elig. after ref. ( $\widehat{m}_a^{aft}$ )	0.008 (0.006) [0.202]	
Marriage-like elig. this year*Elig. at ref. ( $\widehat{m}_m^{bef}$ )	0.033 (0.022) [0.180]	
Marriage-like elig. this year*Elig. after ref. ( $\widehat{m}_m^{aft}$ )	-0.052 (0.009) [0.000]	
Alimony elig. next year*Elig. at ref. ( $\widehat{b}_a^{bef}$ )		0.025 (0.015) [0.123]
Alimony elig. next year*Elig. after ref. ( $\widehat{b}_a^{aft}$ )		-0.013 (0.006) [0.046]
Marriage-like elig. next year*Elig. at ref. ( $\widehat{b}_m^{bef}$ )		0.024 (0.026) [0.376]
Marriage-like elig. next year*Elig. after ref. ( $\widehat{b}_m^{aft}$ )		-0.000 (0.008) [0.970]
$\widehat{m}_a^{aft} + \widehat{m}_m^{aft}$ Test p.value	-0.044 [0.000]	
$\widehat{b}_a^{aft} + \widehat{b}_m^{aft}$ Test p.value		-0.014 [0.027]
N	8281	7441
$R^2$	0.087	0.045

Note: Data are from the 1993-2011 SLID panel data. The sample consists in couples living in cohabitation for less than 10 years, aged between 18 and 50 years old in Canada excluding the Quebec province. All regressions include controls for province fixed effects, relationship duration fixed effects, year fixed effects, a dummy indicating having a child, year dummy interacted with a dummy for having a child, relationship duration fixed effects with an interaction for having a child, province fixed effects interacted with a dummy for having a child, sex of the respondent, educational attainment, age category. We use SLID longitudinal weights. Standard errors are clustered at the province level and are reported in parenthesis. P-value are reported in brackets.

TABLE 8. Probability of being cohabiting rather than married among newly formed couples.

	Probability of cohabitating	
	(1)	(2)
Alimony reform ( $\hat{\alpha}_a$ )	-0.070 (0.028) [0.036]	-0.139 (0.046) [0.016]
Marriage-like reform ( $\hat{\alpha}_m$ )	-0.124 (0.050) [0.037]	-0.126 (0.045) [0.022]
N	3622	3622
$R^2$	0.103	0.106
Linear trend by province	No	Yes

Note: Data are from the 1993-2011 SLID panel data. The sample consists in newly formed couples, aged between 18 and 50 years old in Canada excluding the Quebec province. All regressions include year fixed-effects, province fixed-effects, and controls for the sex of the respondent, dummy variable for having a child, interaction between sex of the respondent and dummy for having a child, educational attainment, interaction between sex of the respondent and educational attainment, age groups. We use SLID longitudinal weights. Standard errors are clustered at the province level and are reported in parenthesis. P-value are reported in brackets.

## 7. ONLINE APPENDIX

## A. EXAMPLE OF CHANGE IN THE DEFINITION OF PARTNERS

FIGURE A1. Definition of Spouse in the Family Property Act. Chapter F-6-3. (Saskatchewan, 1997)

“**spouse**” means either of two persons who:

- (a) at the time an application is made pursuant to this Act, is legally married to the other or is married to the other by a marriage that is voidable and has not been voided by a judgment of nullity;
- (b) has, in good faith, gone through a form of statutory marriage with the other that is void, where they are cohabiting or have cohabited within the two years preceding the making of an application pursuant to this Act; or
- (c) is cohabiting or has cohabited with the other person as spouses continuously for a period of not less than two years;

and includes:

- (d) a surviving spouse who continues or commences an application pursuant to section 30 and who was the spouse, within the meaning of clause (a), (b) or (c), of the deceased spouse on the day of the spouse's death; and
- (e) where the applicant is a spouse within the meaning of clause (b), the other party to the void marriage; (« *conjoint* »)

FIGURE A2. Definition of Spouse in the Family Maintenance Act. Chapter F-6-3. (Saskatchewan, 1990)

(l) “**spouse**” means a wife or husband and includes:

- (i) a party to a marriage that is voidable and has not been voided by a judgment of nullity or dissolution of marriage;
- (ii) for the purpose of proceedings to enforce or vary an order, a party to a marriage with respect to which an order for divorce, dissolution of marriage or decree of nullity has been made; or
- (iii) either of a man and woman who are not married to each other and have cohabited as husband and wife:
  - (A) continuously for a period of not less than three years; or
  - (B) in a relationship of some permanence, if they are the birth or adoptive parents of a child.

1990-91, c.F-6.1, s.2; 1993, c.5, s.3; 1994, c.27, s.24; 1997, c.3, s.3.