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**The Consequences of Extending  
Equitable Property Division Divorce  
Laws to Cohabitants**

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# **The Consequences of Extending Equitable Property Division Divorce Laws to Cohabitants \***

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## **Abstract**

This paper analyses the effect of extending equitable property division divorce laws to unmarried cohabiting couples in Australia. Using a triple-difference fixed effects approach we show that existing couples are more likely to make relationship-specific investments after being exposed to laws enabling the equitable redistribution of property in the event of relationship breakdown. In affected couples we find that men increase their employment and women increase time spent on housework. Couples have more children and are more likely to become home owners. These results demonstrate the causal effect of property division laws on relationship-specific investments and inform the ongoing international debate about the appropriate legal treatment of unmarried cohabiting couples.

**JEL classification:** J12, K36

**Keywords:** divorce law, cohabitation, relationship-specific investments, HILDA

# 1 Introduction

Divorce laws affect household behavior both within and outside marriage.<sup>1</sup> The legal regime governing the division of property after divorce affects bargaining power (Chiappori, Fortin, and Lacroix, 2002) and incentives to make marriage-specific investments (Stevenson, 2007; Fisher, 2012; Lundberg and Pollak, 2015; Lafortune and Low, 2017). Evidence of these effects has improved our understanding of intrahousehold behavior.<sup>2</sup>

Since the 1970s, marriage rates have declined throughout the developed world. Unmarried cohabitation has become increasingly important (Kennedy and Fitch, 2012; Klüsener, Perelli-Harris, and Gassen, 2013). In 2011, 12% of adults aged 20-34 in the United States were cohabiting. In Australia the prevalence was 18%, and as high as 22% in Canada and the United Kingdom (OECD, 2016). Despite this importance, in many jurisdictions family law has lagged behind. Unmarried couples face a wide range of legal frameworks. There is no recourse to family law in many US states and in England and Wales. In contrast, unmarried couples face the same property division regime as married couples in Australia and parts of Canada (Waggoner, 2016). The extension of the full range of family law to unmarried couples is a recent phenomenon, and so there is little evidence of how post-separation property division laws affect unmarried couples.

We examine the effects of extending equitable property division laws to unmarried couples in Australia. Before 2009, laws determining post-separation financial settlements for unmarried couples varied between states and territories. Some, including Queensland and Western Australia, modeled legislation on that for married couples, giving courts substantial discretion to reallocate property to achieve an equitable outcome. Others, including New South Wales and Victoria, took a more restrictive approach. In 2008, the provisions of the Family Law Act 1975 (Cth) were extended to unmarried couples, harmonizing the legal regime governing post-separation property division across the country with effect from 1 March 2009. This represented a large change in the law for states and territories previously taking a restrictive approach. The legislation was part of a suite

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<sup>1</sup>For example, the introduction of unilateral divorce has been linked to higher divorce rates in the United States and Europe (Kim and Oka, 2014; Wolfers, 2006; Friedberg, 1998; Kneip, Bauer, and Reinhold, 2014; González and Viitanen, 2009; González-Val and Marcén, 2012), reduced rates of domestic violence and suicide (Dee, 2003; Stevenson and Wolfers, 2006; Brassiolo, 2016), increased rates of violent crime (Cáceres-Delpiano and Giolito, 2012) and worse educational and labor market outcomes (Gruber, 2004), lower fertility (Drewianka, 2008; Bellido and Marcén, 2014), increased female labor supply (Genadek, Stock, and Stoddard, 2007; Stevenson, 2008), reduced housework by women (Genadek, 2014; Roff, 2017) and reduced marriage-specific investments (Stevenson, 2007).

<sup>2</sup>The recipient of unearned income (Lundberg, Pollak, and Wales, 1997; Duflo, 2003), sex ratios in the marriage market (Angrist, 2002; Porter, 2016) and abortion laws (Oreffice, 2007) have also been shown to be important determinants of bargaining power with resultant effects on intrahousehold resource allocation.

of reforms designed to provide rights to same-sex couples, and was not driven by the demands of opposite-sex unmarried couples.<sup>3</sup>

We exploit this legal reform to examine how the imposition of equitable property division laws affects the behavior of intact opposite-sex couples. We use longitudinal data from the Household, Income and Labor Dynamics in Australia Survey (HILDA), and implement a triple-difference fixed effects strategy. This compares the relative change in behavior between cohabiting and married couples in states experiencing large changes in the legal regime to states with comparatively little change.

We find that the imposition of an equitable property division regime increases household specialization for unmarried couples: men are more likely to be employed, and women increase time spent on housework. Affected couples make more relationship-specific investments including having more children, increasing the number of children they intend to have, and are more likely to be home owners. We find no change in self-reported life satisfaction overall, but find an increase in financial satisfaction offset by a reduction in partner satisfaction for both men and women. Our results are not explained by changes in marriage decisions after the reform. These results demonstrate that an important mechanism through which being subjected to equitable property division laws influences economic behavior is by enabling relationship-specific investments. In contrast, prior literature has mostly focused on how changes in post-separation financial arrangements affected the balance of bargaining power within households, transferring utility from one partner to another.

Our results contribute to a nascent literature examining how the expansion of the reach of family law affects unmarried couples. Rangel (2006) examines the 1994 extension of alimony rights to cohabiting couples in Brazil, finding evidence of reduced hours of work in the labor market and home for women and increased school enrollment for first-born girls, particularly among lower-educated women. More recently, Chiappori et al. (2016) and Goussé and Leturcq (2018) have evaluated between-province differences in the family law framework in Canada. They find that the extension of alimony laws to unmarried couples reduces women’s labor supply in existing couples (Chiappori et al., 2016), and in some cases increases men’s labor supply (Goussé and Leturcq, 2018).

Whilst our results are broadly consistent with this literature, the Australian context differs from Brazil and Canada in important dimensions. First, unlike these two countries, alimony is uncommon in Australia (Fehlberg, 2004), and so our analysis focuses specifically on the impact of changes in post-separation property division.<sup>4</sup> Second, the Australian

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<sup>3</sup>Same-sex couples were unable to marry in Australia until 9 December 2017.

<sup>4</sup>Whilst Goussé and Leturcq (2018) examine both alimony and property division laws, the latter is limited to changes in provinces representing less than 7% of the Canadian population.

reform is comparatively recent, coming into force in 2009, and was not accompanied by changes in laws governing child custody or child support.

Our results advance the literature in two ways. First, the rich data we use allows us to examine effects on housework, fertility, home ownership and dimensions of life satisfaction, moving beyond a focus on labor supply. This means we can draw stronger conclusions about how property division laws affect the relative well-being of men and women. This approach reveals the importance of equitable property division laws in enabling couple-specific investments. Second, in contrast to Rangel (2006) our analytical approach exploits cross-jurisdiction variation in legal changes, and in contrast to the Canadian studies we take a triple-difference strategy, using married couples as an additional control group, meaning that our results are robust to state-specific shocks and trends affecting couple behavior in general.

Our rich data enables us to bring fresh evidence of the causal effects of laws governing property division on relationship breakdown. The empirical regularity of higher relationship-specific investments, particularly investments in children, in marriages compared to unmarried couples has been largely attributed to selection: couples who want to make these investments choose marriage and its associated protections (Lundberg and Pollak, 2015). In contrast, we demonstrate that being exposed to these laws leads couples who have not self-selected to make such investments. Moreover, these results provide evidence for the ongoing international legal debate about the appropriate treatment of unmarried couples (Douglas, Pearce, and Woodward, 2009; Miles, Wasoff, and Mordaunt, 2012; Waggoner, 2016).

We proceed by providing an overview of the Australian institutional context including details of the legal reform. Section 3 then outlines the ways in which family law may influence household behavior, and the existing empirical evidence. Sections 4 and 5 describe our empirical strategy and data respectively. Section 6 presents the results, and Section 7 concludes.

## **2 Property division for unmarried couples in Australia**

The Family Law Act 1975 (Cth) (hereafter FLA) determines the way that property is divided in the event of divorce for married couples in Australia. It provides broad discretion for the reallocation of property, including retirement savings, considering the parties' financial and non-financial contributions to the relationship and their present and future economic needs. The court must be satisfied that any order is 'just and equitable' given

the circumstances.<sup>5</sup> The reference to the future economic needs of parties typically results in a property adjustment in favor of wives, particularly where they are the primary carer of any children: recent empirical evidence suggests that mothers obtain around 60% of property on average (Kaspiew and Qu, 2016). Most cases are settled with a clean break, with ongoing maintenance payments (alimony) ‘rare, minimal and brief’ (Fehlberg, 2004). Whilst many divorcing couples make their post-separation financial arrangements without going to court, consultation with lawyers is common, meaning that the legal framework influences property settlements more generally (Kaspiew and Qu, 2016). We refer to the Australian regime under the FLA as equitable property division.

Prior to 2009, the FLA did not apply to unmarried couples. States and territories had individual approaches to dealing with property matters for separating unmarried couples, known as De Facto relationships in Australian law. New South Wales was the first state to legislate in 1984,<sup>6</sup> with all other states and territories following suit since. In all states, legislation set out gateway requirements for unmarried relationships to be subject to the relevant law, typically a two-year duration requirement or that the couple have a common child.<sup>7</sup> There was, however, substantial heterogeneity in between jurisdictions in what matters could be considered when making a property adjustment (Willmott, Mathews, and Shoebridge, 2003).

We follow Willmott, Mathews, and Shoebridge (2003) and identify three approaches. The first is substantially more restrictive than the FLA and was taken by New South Wales, Victoria and the Northern Territory. In these states, courts could consider financial and non-financial contributions to the relationship, but not the future needs of the partners. This limited approach prevented state and territory courts from using FLA case law to guide decision-making.<sup>8</sup> The second approach closely mirrors the FLA, considering the partners’ contributions to the relationship and their present *and future* financial needs, with particular reference to any effects “on the earning capacity of either party”. This approach was adopted in Queensland, Tasmania and Western Australia, giving courts a high level of discretion in reallocating a couple’s property to achieve an equitable outcome.

A third, intermediate approach was adopted by the Australian Capital Territory (ACT) and South Australia, directing the courts to consider “other relevant matters” without explicitly specifying earnings capacity or future needs, and so was also not able to rely on precedent cases under the FLA. In our analysis below we will collapse this third category into the limited category.

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<sup>5</sup>See Chapter 13 of Fehlberg et al. (2014) for further details on the Australian legal context.

<sup>6</sup>De Facto Relationships Act 1984 (NSW), now renamed Property (Relationships) Act 1984 (NSW).

<sup>7</sup>The duration requirement was three years in South Australia.

<sup>8</sup>It is important to note that even the restrictive approach taken by New South Wales and Victoria (pre-2008) provided substantially more scope for reallocating property for unmarried couples who separate compared to most US states and to England and Wales, where unmarried couples must rely on standard contract law.

**Table 1:** State and Territory laws governing property division for unmarried cohabiting couples

State/Territory	Year	Legislation	Category
New South Wales	1984	Property (Relationships) Act 1984	Limited
Victoria	1987	Property Law (Amendment) Act 1987	Limited
Northern Territory	1991	De Facto Relationships Act 1991	Limited
ACT	1994	Domestic Relationships Act 1994	Intermediate
South Australia	1996	Domestic Partners Property Act 1996	Intermediate
Queensland	1999	Property Law Amendment Act 1999	FLA-equivalent
Tasmania	1999	De Facto Relationship Act 1999	FLA-equivalent
Western Australia	2002	Family Court Amendment Act 2002	FLA-equivalent
Victoria	2008	Relationships Act 2008	FLA-equivalent

The state and territory legislation took effect at different times, as shown in Table 1. States legislating earlier took the more restrictive approach, with later-moving states more closely mirroring the FLA. Victoria legislated for a second time in 2008, making their laws comparable to the FLA.

The Family Law Amendment Act (2008) extended the FLA provisions to all unmarried cohabiting couples with a two-year relationship or a common child. This took effect on 1 March 2009, harmonising the treatment of married and unmarried couples across states and territories for property division in the event of relationship breakdown.<sup>9</sup> The amendment also enabled the splitting of retirement savings for unmarried couples across Australia, which had not previously been provided for in any state legislation.

The 2008 amendment was part of a package of legal reforms targeted at providing same-sex couples with the protections of married couples. The lack of federal legislation governing de facto relationships was identified as a source of inequality for same-sex couples in the Human Rights and Equal Opportunities Commission’s Same-Sex: Same Entitlements report (Human Rights and Equal Opportunity Commission, 2007). It was not the result of a campaign by unmarried cohabiting couples to extend the FLA rights, and therefore it is unlikely that changes in the property division regime affecting unmarried opposite-sex couples are endogenously determined.

It is also important to note that married and unmarried opposite-sex couples were otherwise similarly treated by the Australian legal system and government. Matters concerning child custody and child support have been determined at the federal level for all couples since the late 1980s (Nicholson, 2000), whilst the national child support scheme

<sup>9</sup>The Amendment did not take effect until 1 July 2010 in South Australia as the state did not refer its relevant legislative powers to the Commonwealth until later in 2009. Western Australia continues to retain its legislative powers over this and other Family Court matters, dealing with all family issues in the Family Court of Western Australia. WA legislation is comparable to Australian Commonwealth legislation in this area, and the Family Court of Western Australia operates similarly to the Family Court of Australia with comparable expertise and complementary service provision (Willmott, Mathews, and Shoebridge, 2003). Later we present robustness checks that exclude WA.

was established in 1988 and has always applied to separated parents regardless of prior marital status. This meant that separating unmarried couples with children needed to refer to both federal and state courts to fully resolve their separations. Binding pre-nuptial or cohabitation agreements are open to both married and unmarried couples, though their prevalence is low and their enforceability is unclear (Fehlberg and Smyth, 2002; Rowan, 2018). Finally, cohabiting couples have been treated in the same way as married couples for the purpose of family benefits and welfare payments throughout our study period.

### 3 The influence of family law on household behavior

The way that property is divided after relationship breakdown can affect the behavior of couples through three key mechanisms: the effect on the balance of bargaining power within the household; the effect on the cost of relationship breakdown; and the effect on incentives to make relationship-specific investments. There may also be different effects for existing couples compared to new couples. Here we outline the intuition behind these mechanisms and their empirical implications.

#### 3.1 Bargaining power

First, property division laws can change the balance of power within a household as they change a couple's outside options. The influence of outside options on intrahousehold behavior is central to non-unitary models of household behavior, including those based on cooperative bargaining (Manser and Brown, 1980; McElroy and Horney, 1981) and in collective model representations (Chiappori, 1992).<sup>10</sup> In general, when one partner experiences an improvement in their outside option, they improve their bargaining power and may use that to gain a higher share of resources within a relationship.

Property division laws directly affect a couple's outside options. In the absence of equitable property division laws, Australian unmarried couples were limited to property adjustments to reflect their financial and non-financial contributions to the relationship. This did not allow adjustments due to the ongoing consequences of these contributions, including the longer-term effects of reducing paid work to undertake childcare. Moreover, the assessment of the value of non-financial contributions to the relationship was typically lower than for married couples assessed under the FLA, and the legal ownership of property was an important factor in inferring financial contributions (Fehlberg and Behrens,

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<sup>10</sup>In contrast, unitary models of the household assume that household behavior can be represented as the maximization of a single utility function. This implies income pooling, which has been rejected empirically (Lundberg and Pollak, 1996).

2008).<sup>11</sup> As a result of the gender wage gap and the continuing prevalence of women as primary carers for children, this typically meant women receiving less than half of a couple’s combined property on separation. The addition of prospective factors, i.e. future economic needs, to those under consideration under the equitable property division regime changed this substantially, usually increasing women’s outside options at the expense of men’s. This implies a shift in bargaining power that, on average, is in women’s favor.

The increase in women’s bargaining power should be reflected empirically by an increase in women’s well-being and a reduction in women’s labor supply and housework, with opposite effects for men. To the extent that women have stronger preferences than men for having children or being home owners, we may also see an increase in fertility and home ownership.

Evidence of this effect has been demonstrated for married couples across a range of contexts, in many cases using changes in labor supply as a proxy for changes in leisure time (Gray, 1998; Chiappori, Fortin, and Lacroix, 2002; Voena, 2015). However, for unmarried couples this evidence primarily considers the impact of alimony and not on the division of property (Chiappori et al., 2016; Goussé and Leturcq, 2018).<sup>12</sup>

### 3.2 Separation costs

A second mechanism for property division laws affecting within-relationship behavior is through the costs they introduce in the event of relationship breakdown. As separation costs increase, the probability of relationship breakdown falls: a bigger negative shock to relationship quality is needed to offset the gains from the relationship. This increases the expected payoff to relationship-specific investments, serving as a commitment device (Becker, Landes, and Michael, 1977; Matouschek and Rasul, 2008; Fahn, Rees, and Wuppermann, 2016). The implication is that increasing the costs of relationship breakdown will increase relationship-specific investments such as having children or becoming a home owner.<sup>13</sup> The extension of equitable property division arguably increases the costs of relationship breakdown. We therefore expect to see an increase in relationship-specific investments for affected couples.

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<sup>11</sup>Millbank (2009) provides examples of NSW cases pre-FLA expansion, demonstrating the limits to property redistribution even in the presence of substantial non-financial contributions of the poorer partner during long relationships.

<sup>12</sup>For the Australian reforms we examine, Latti (2016) uses a subsample of around 300 unmarried couples from an earlier release of the HILDA Survey data, and finds some evidence of a temporary *increase* in women’s work hours for couples affected by the reforms. However, we find that this result is not robust to expanding sample selection and the inclusion of more flexible time trend controls.

<sup>13</sup>Whilst a home can be sold in the event of relationship breakdown, the transaction costs involved in both buying and selling a home give it some characteristics of a relationship-specific investment.

The shift from consent to unilateral divorce laws has been widely interpreted as a reduction in the costs of divorce. Analysis of these changes has provided evidence in favor of the importance of separation costs, namely showing that unilateral divorce decreased fertility levels (Rasul, 2006; Stevenson, 2007; Bellido and Marcén, 2014). However, this mechanism has not been studied for unmarried couples.

### 3.3 Relationship-specific investments

Property division laws can also affect the incentives to make relationship-specific investments by solving (or creating) an investment hold-up problem (Fisher, 2012; Fahn, Rees, and Wuppermann, 2016). Key to this mechanism is that some relationship-specific investments are asymmetric. The primary example is having children: it remains overwhelmingly common for a woman to reduce her labor supply and experience a long-term reduction in human capital when she has children.<sup>14</sup> Other examples include making location choices that are particularly beneficial to the career of one partner (Lundberg and Pollak, 2003). Where the legal regime provides no compensation for these asymmetric costs in the event of relationship breakdown this may prevent such investments from occurring. On the other hand, a division of property (or an ongoing alimony payment) that provides compensation can enable these Pareto-improving investments.<sup>15</sup>

The FLA expansion introduced prospective grounds for property reallocation. Within the Australian family law system, the ‘future needs’ factor typically results in a property adjustment in favor of a mother with ongoing primary care responsibilities (Fehlberg et al., 2014). Unmarried couples becoming subject to equitable property division laws experienced a change in potential post-separation financial arrangements that was particularly significant where children were present. We therefore expect fertility, specialization and other relationship-specific investments to increase among affected couples.

This mechanism has been empirically evaluated by considering the effects of a reduction in the generosity of German alimony laws for married mothers, finding a reduction in fertility (Fahn, Rees, and Wuppermann, 2016). The mechanism has not been examined for unmarried couples, with the existing research focused on labor market outcomes (Chiappori et al., 2016; Goussé and Leturcq, 2018). Our rich data allow us to consider labor market activity alongside housework hours, fertility, home ownership and self-reported satisfaction, meaning we are able to consider effects on this broader range of outcomes.

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<sup>14</sup>Recent evidence shows that this is persistent even in Scandinavian countries where policies to enable women to combine work and motherhood are most advanced (Kleven, Landais, and Sjøgaard, 2018).

<sup>15</sup>If couples are able to write binding contracts for property division in the event of relationship breakdown this could also solve the investment hold-up problem. Prenuptial contracts are, however, rare and hard to enforce in Australia (Rowan, 2018).

### 3.4 Existing versus new couples

The mechanisms above have been described for existing couples. Recent research has established that the impact of changes to property division laws will be different for newly-formed couples (Chiappori et al., 2016). Forward-looking couples will account for the future shift in their outside options when they initially form a relationship. As ongoing welfare for the partners is influenced by equilibrium in the relationship market, the increase in a woman’s welfare in the event of relationship breakdown will be offset by reduced welfare within the relationship. New couples forming after the legal reform will therefore be differently selected, and we would not expect to see any improvement (and perhaps a decline) in within-relationship well-being for women in new couples. On the other hand, the improved incentives for relationship-specific investments will apply to new couples and so we may see increased fertility and specialization for all couples under the new regime.

## 4 Empirical strategy

We use the changes to property division laws for unmarried couples across Australia described in Section 2 to examine how equitable property division laws affect the behavior of intact couples. We exploit the fact that different states and territories introduced these laws at different times, either through their own legislation or due to the 2009 legal expansion, and that married couples were not affected.<sup>16</sup> We implement a triple-difference estimation with individual fixed effects.

We estimate the effect of property division on outcome  $Y_{ist}$  for individual  $i$  in state  $s$  at time  $t$  using the following regression:

$$Y_{ist} = \beta_1 \text{cohab}_{ist} + \beta_2 \text{equitable}_{st} + \beta_3 \text{equitable}_{st} * \text{cohab}_{ist} + X_{ist} + \mu_s + \gamma_t + \theta_i + \varepsilon_{ist}, \quad (1)$$

Here,  $\text{equitable}_{st}$  is an indicator for whether unmarried cohabiting couples were subject to an equitable property division regime in state  $s$  at time  $t$ ,  $\text{cohab}_{ist}$  is an indicator for individual  $i$  being part of an unmarried cohabiting couple and  $X_{ist}$  is a vector of education indicators. State, time and individual fixed effects are captured by  $\mu_s$ ,  $\gamma_t$  and  $\theta_i$ , respectively. We also include state-specific linear time trends in some specifications. This specification compares the change in outcome  $Y_{ist}$  for unmarried couples relative to married couples in states affected by a legal reform, and contrasts this with the difference in changes for married and unmarried couples in states that had equitable property

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<sup>16</sup>The “Limited” and “Intermediate” categories described in Section 2 and Table 1 have been combined as our analysis showed no detectable difference between these categories.

division laws for unmarried couples at that time. It accounts for time-invariant individual and state characteristics as well as national shocks over time and state-specific changes in couple behavior. Coefficient estimate  $\beta_3$  captures how the the extension of the equitable division laws changed the behavior of affected couples, and is identified by within-individual changes in behavior for affected cohabiting couples observed both before and after the legal change.

Our empirical strategy relies on variation in the legal regime between states and over time. A common approach to inference in such cases is to cluster standard errors at the state level to account for the correlation of the key regressor within clusters (Bertrand, Duflo, and Mullainathan, 2004). This approach relies on having a large number of clusters. However, in the Australian context there are just eight states and territories meaning that simply using clustered standard errors will over-reject the null hypothesis (Cameron and Miller, 2015). Instead, we follow Cameron, Gelbach, and Miller (2008) and implement a restricted wild cluster bootstrap approach, which generates bootstrap p-values.<sup>17</sup> In our results tables, we present both the clustered standard errors and these bootstrap p-values.

Our approach assumes that there are no other factors that differentially affect the behavior of married and unmarried couples in states where equitable property division was introduced. This assumption would be violated if there were time-varying differences in the behavior of married and cohabiting couples specific to the states experiencing the legal change. An advantage of using the third difference with married couples is that it ensures our results are robust to state-specific shocks affecting couple behavior generally. This may be important as our sample period covers both the Global Financial Crisis and the commodity price boom and bust, which affected Australian states in different ways due to variation in their resource intensity. Another cause for concern would be reforms to other aspects of family law and policy that affect married couples and cohabiting couples differently. However, as noted above, over this period married and unmarried couples were subject to the same rules governing child custody, child support, and family and welfare payments. So, whilst there have been changes to some of these policies over our sample period, they affected both married and unmarried couples and so are controlled for in our regressions.

A further threat to our identifying assumption would be if the states experiencing a move to equitable property division were in some way different to the other states, and that the FLA expansion or previous state level legislation was implemented in response to demands from unmarried couples. The primary motivation of the FLA expansion was to give rights to same-sex couples who were unable to marry and gain the associated

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<sup>17</sup>This is implemented using the `boottest` command in Stata, as described by Roodman et al. (2018). Due to the small number of clusters we use Webb weights. All results are based on 999,999 bootstrap samples.

legal protections. Indeed, the federal legislation was just one part of a package of changes specifically designed to extend rights and protections to same-sex couples. This gives some confidence that the legislative reform is not driven by changes in opposite-sex unmarried couple behavior.

The inclusion of individual fixed effects means that our primary results identify changes in the behavior of couples formed before the change to property division laws who remain cohabiting couples after the reform. By focusing on continually-cohabiting couples, we are not capturing the changing selection of couples into different marital statuses. For example, some couples may either select into the policy (by forming a relationship after) or actively avoid its implications (by separating before). Unmarried couples' decisions to marry may also be affected. In Section 6.1 we examine how the reform affected these transitions for existing couples, and discuss the implications for our main results.

## 5 Data

We use data from fifteen waves of the Household, Income and Labor Dynamics in Australia Survey (HILDA), a nationally representative annual panel survey. The HILDA Survey is based on an initial sample of 7,682 Australian households, followed annually from 2001 onwards. It captures rich information on labor market outcomes, retrospective reports of time use and a range of self-reported well-being measures for all household members aged 15 and over. It documents the relationships between all household members including marital status.<sup>18</sup>

Our analysis sample consists of married and unmarried opposite-sex cohabiting couples. We select working-age couples, excluding those where one partner is aged under 18, where the woman is over 60, or where the man is over 65. We also exclude couples with inconsistent reports of marital status. This gives a sample of 48,028 person-year observations for 7,714 couples. Of these couples, 4,152 are married (36,134 person-year observations) and 3,562 cohabiting (11,894 person-year observations).<sup>19</sup> For our main analysis we do not consider whether a cohabiting couple meets the gateway requirements for being subject to the equitable property division law (a two-year relationship or a common child); in Section 6.2 we provide additional results taking these requirements into account.

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<sup>18</sup>A detailed description of the HILDA data can be found in Summerfield et al. (2016).

<sup>19</sup>The number of couples exceeds the initial number of households in HILDA due to couple formation throughout the sample period.

**Table 2:** Descriptive Statistics

	Women		Men	
	Married	Cohabiting	Married	Cohabiting
Employed	0.720 (0.449) 36,119	0.726 (0.446) 11,884	0.897 (0.304) 36,119	0.861 (0.346) 11,884
Hours worked	31.005 (14.083) 25,952	34.595 (12.864) 8,617	45.438 (12.607) 32,361	43.452 (12.308) 10,224
Housework hours	18.587 (13.039) 30,545	13.246 (11.765) 9,910	6.221 (6.171) 29,985	6.377 (6.323) 9,604
Home ownership	0.812 (0.390) 33,405	0.471 (0.499) 11,304	0.812 (0.390) 33,405	0.471 (0.499) 11,304
Number own children	1.491 (1.231) 36,119	0.744 (1.076) 11,884	1.431 (1.222) 36,119	0.516 (0.885) 11,884
Hours with children	16.244 (22.158) 29,273	11.512 (20.998) 9,335	7.449 (10.108) 278,973	6.080 (12.021) 9,068
Fertility intention	1.778 (0.883) 5,047	2.082 (0.845) 4,598	1.807 (0.954) 5,582	2.072 (0.921) 4,523
Satisfaction: Finances	6.652 (2.043) 36,111	6.079 (2.212) 11,879	6.601 (2.009) 36,109	6.095 (2.169) 11,878
Satisfaction: Partner	8.219 (1.933) 33,520	8.234 (1.933) 10,590	8.432 (1.783) 32,957	8.393 (1.770) 10,279
Satisfaction: Overall	8.013 (1.324) 36,110	7.940 (1.361) 11,881	7.884 (1.315) 36,101	7.845 (1.377) 11,878

For each outcome we report the mean, standard deviation (in parentheses) and number of observations. Hours of work, housework and with children are per week. Number of hours worked is conditional on being employed. Home ownership is measured at the household level. Fertility intentions report how many more children are intended. All satisfaction outcomes are based on a 10-point Likert scale with 10 representing ‘totally satisfied’.

The main outcome variables are being employed, hours worked per week (conditional on being employed), and hours spent on housework per week (excluding hours of childcare). We also consider whether the couple are home owners, the number of own dependent children in the household, hours per week spent with children for each partner, and how many more children each partner intends to have. Finally, we look at self-reported

measures of financial, partner and overall life satisfaction, reported on a ten-point Likert scale with 10 reflecting being ‘totally satisfied’.<sup>20</sup>

Table 2 presents key summary statistics for our sample, broken down by sex and by marital status. Compared to married women, cohabiting women work more hours and spend fewer hours in housework. In contrast, cohabiting men are less likely to be employed and work fewer hours than their married counterparts. Both married and cohabiting men do substantially less housework than their female partners on average. Compared to married couples, cohabiting couples are less likely to own a home, have fewer children, spend less time with children, but intend to have more children in future. Whilst cohabiting couples are less satisfied with their financial situation than married couples, there is little difference in reported partner and overall satisfaction based on marital status.

## 6 Results

We begin by presenting our main results for employment, hours worked, and hours spent on housework. Table 3 presents coefficient estimates for three specifications for men and women separately. Columns (1) and (4) show results with state, time and individual fixed effects only; columns (2) and (5) additionally control for education; and columns (3) and (6) add state time trends. We report coefficients on the indicators for being in an equitable division regime, being a cohabiting couple, and our key result of being a cohabiting couple in an equitable division regime.

The results show that the expansion of the equitable property division regime had significant effects on household behavior. Affected men were 3 percentage points more likely to be employed, and affected women spent two more hours per week on housework. There is no evidence that men reduced their weekly hours of housework. Other effects are not precisely estimated, but suggest that women changed their time-use by reducing market work. The estimates are consistent across the three specifications. Together these results suggest a specialization response among unmarried couples newly exposed to the equitable property division regime. They are not consistent with a pure bargaining power mechanism.

Table 3 also shows that women are more likely to be employed, work more hours per week, and spend less time per week on housework when they are cohabiting than when they are married. Cohabiting men are less likely to work and work fewer hours. These

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<sup>20</sup>As these outcome variables are not all included and comparable in all waves of the survey, and are drawn from different components including the in-person household-level questionnaire and the self-completion questionnaire, there are different numbers of observations for the different outcomes. Appendix Table A1 sets out the questions used and their sources in detail.

**Table 3:** Effect of equitable property division laws on employment, hours worked, and housework

	Women			Men		
	(1)	(2)	(3)	(4)	(5)	(6)
<b>Employed</b>						
Equitable	-0.007 (0.012) [0.931]	-0.008 (0.012) [0.922]	-0.006 (0.019) [0.906]	-0.006 (0.005) [0.273]	-0.006 (0.005) [0.312]	0.004 (0.007) [0.810]
Cohabitation	0.104** (0.011) [0.023]	0.107** (0.010) [0.019]	0.107** (0.010) [0.020]	-0.048** (0.006) [0.014]	-0.046** (0.006) [0.013]	-0.046** (0.006) [0.013]
Equitable*Cohab.	-0.021 (0.011) [0.237]	-0.023 (0.011) [0.232]	-0.023 (0.011) [0.232]	0.030*** (0.005) [0.003]	0.029*** (0.005) [0.006]	0.029*** (0.005) [0.006]
<i>Observations</i>	48,003	48,003	48,003	48,003	48,003	48,003
<i>Couples</i>	8,170	8,170	8,170	8,170	8,170	8,170
<b>Hours worked</b>						
Equitable	0.262 (0.342) [0.534]	0.235 (0.324) [0.569]	0.365 (0.386) [0.479]	-0.489 (0.373) [0.299]	-0.432 (0.368) [0.357]	0.165 (0.260) [0.571]
Cohabitation	4.320* (1.316) [0.064]	4.360* (1.271) [0.063]	4.371* (1.273) [0.063]	-2.677** (0.470) [0.022]	-2.540** (0.486) [0.023]	-2.528** (0.482) [0.022]
Equitable*Cohab.	-0.761 (1.235) [0.587]	-0.712 (1.159) [0.587]	-0.738 (1.164) [0.580]	1.507 (0.559) [0.207]	1.427 (0.576) [0.242]	1.425 (0.569) [0.240]
<i>Observations</i>	34,569	34,569	34,569	42,585	42,585	42,585
<i>Couples</i>	6,676	6,676	6,676	7,426	7,426	7,426
<b>Housework hours</b>						
Equitable	-0.099 (0.291) [0.750]	-0.049 (0.294) [0.871]	0.003 (0.296) [0.992]	-0.114 (0.106) [0.344]	-0.116 (0.103) [0.323]	-0.338*** (0.115) [0.003]
Cohabitation	-5.251* (0.803) [0.050]	-5.160** (0.768) [0.048]	-5.153** (0.766) [0.048]	-0.167 (0.203) [0.514]	-0.176 (0.196) [0.432]	-0.181 (0.197) [0.404]
Equitable*Cohab.	2.029* (0.938) [0.088]	1.983* (0.887) [0.090]	1.974* (0.884) [0.091]	0.113 (0.187) [0.604]	0.117 (0.180) [0.573]	0.121 (0.184) [0.555]
<i>Observations</i>	40,455	40,455	40,455	39,589	39,589	39,589
<i>Couples</i>	7,336	7,336	7,336	7,226	7,226	7,226
<b>Controls</b>						
Education	×	✓	✓	×	✓	✓
State time trends	×	×	✓	×	×	✓

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Standard errors clustered by state in parentheses; wild bootstrapped p-values in square brackets. All results include time, state and individual fixed effects. Education is a set of six indicator variables.

individual fixed effects estimates illustrate the average change in behavior within couples when they change relationship status: when couples marry, they specialize. In general we do not see significant changes in the behavior of married couples when equitable property division is expanded to unmarried couples.

We also assess how the specialization effects vary across groups with different levels of education. Appendix Table A2 breaks down the results in Table 3 by the *woman's* educational attainment. Most results are imprecisely estimated due to the smaller sample sizes. However, it is clear that the increase in male employment is driven by couples with low education, with a 6 percentage point increase in employment. There is suggestive evidence that it is women with low and medium education who are more likely to increase housework hours. That we see larger employment responses for less educated couples is perhaps unsurprising: employment activity among men from more educated households is already very high and may have less scope for further increase.

We now turn to evidence of effects on relationship-specific investments including home ownership and children. Table 4 displays these results, with panel A giving results for women and panel B for men. All results include state, time and individual fixed effects and control for education and state time trends. Column (1) shows the impact of equitable property division on home ownership: affected couples increase their home ownership rate by 11 percentage points, indicating a substantial increase in couple-specific investments.<sup>21</sup> Columns (2) to (4) look at outcomes related to children. In column (2) we see that the number of children a couple has increases by around 0.25, suggesting that a quarter of affected cohabiting couples have a child. In column (3) we observe an increase in the time spent with children of 4.1 hours per week for women and 2 hours per week for men. In column (4), we look at the effects on fertility intentions. This is the number of additional children men and women report intending to have (conditional on having said they wish to have more children).<sup>22</sup> Both men and women increase their intended number of children by more than 0.1. Together these results suggest an increase in realized and intended fertility and an increase in child investments, representing a substantive increase in realized and planned couple-specific investments.

Columns (5) to (7) of Table 4 show results for three dimensions of self-reported life satisfaction. For both men and women affected by the reform we find an increase in reported satisfaction with finances, though this is not precisely estimated for men. Offsetting this we find a significant reduction in partner satisfaction for men and women,

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<sup>21</sup>This variable is captured at the household level so we are unable to distinguish whether a home is jointly owned. For all couples subject to equitable property division laws the couple's home will be considered as part of the property subject to reallocation in the event of relationship breakdown.

<sup>22</sup>The sample size for this analysis is substantially smaller than for other outcomes because: (a) individuals must report that they do intend to have more children to be asked this question; and (b) the survey question is not comparable across all waves, meaning that responses in waves 5, 8 and 11 are excluded.

**Table 4:** Effect of equitable property division on other outcomes

	Home owner <sup>†</sup> (1)	Number children (2)	Time w. children (3)	Fertility intention (4)	Satisfaction with Finances (5)	Satisfaction with Partner (6)	Overall (7)
<b>A: Women</b>							
Equitable	-0.005 (0.015) [0.806]	-0.044 (0.017) [0.155]	-1.011 (0.772) [0.389]	-0.071 (0.072) [0.492]	0.110* (0.032) [0.052]	0.092** (0.028) [0.0118]	0.029 (0.022) [0.244]
Cohabitation	-0.225** (0.018) [0.012]	-0.726*** (0.029) [0.001]	-17.564** (1.624) [0.023]	-0.045 (0.030) [0.229]	-0.045 (0.078) [0.603]	0.276** (0.037) [0.014]	0.050 (0.035) [0.343]
Equitable*Cohab.	0.109** (0.015) [0.024]	0.255* (0.048) [0.086]	4.080* (1.422) [0.053]	0.109** (0.025) [0.02]	0.155* (0.059) [0.084]	-0.170 (0.055) [0.141]	-0.032 (0.039) [0.647]
<i>Observations</i>	44,709	48,003	38,608	9,645	47,990	44,110	47,991
<i>Couples</i>	7,715	8,170	7,251	3,588	8,168	7,819	8,169
<b>B: Men</b>							
Equitable		-0.046** (0.013) [0.024]	-0.408 (0.205) [0.169]	-0.084** (0.033) [0.033]	0.129** (0.036) [0.041]	0.006 (0.042) [0.916]	0.003 (0.012) [0.849]
Cohabitation		-0.783*** (0.025) [0.000]	-6.707*** (0.328) [0.003]	-0.068* (0.015) [0.051]	-0.136 (0.073) [0.380]	0.208*** (0.022) [0.006]	0.067 (0.068) [0.667]
Equitable*Cohab.		0.283** (0.046) [0.047]	1.948** (0.311) [0.0268]	0.143* (0.035) [0.0689]	0.151 (0.094) [0.355]	-0.175*** (0.016) [0.004]	-0.043 (0.057) [0.745]
<i>Observations</i>		48,003	38,041	9,605	47,987	43,236	47,979
<i>Couples</i>		8,170	7,152	3,536	8,169	7,698	8,169

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Standard errors clustered by state in parentheses; wild bootstrapped p-values in square brackets. All results include time, state and individual fixed effects, education controls (a set of six indicator variables) and state-specific time trends. <sup>†</sup>Home ownership is measured at the household level so it gives a couple-level result. The smaller sample size for fertility intentions is due to question routing and a lack of comparability across all waves as outlined in footnote 18.

albeit imprecisely estimated for women. In column (7), these off-setting effects result in no change in overall life satisfaction. Across all three domains the estimated effects are symmetric for men and women. If a change in bargaining power was the predominant mechanism through which exposure to equitable property division laws affected couple behavior, we would expect to see an asymmetric response increasing one partner's satisfaction at the expense of the other's. The symmetric effect we find instead suggests that the reform changed couple behavior by enabling couple-specific investments, either by solving an investment hold-up problem or by increasing the costs of separation.

## 6.1 Changing relationship status selection in response to the reform

Our triple-difference fixed effects results identify the effect of the expansion of equitable property division laws for couples observed cohabiting both pre- and post-reform. These reforms may also have changed selection into and out of unmarried cohabitation. For example, some couples may have separated or married in anticipation of the reform, or chose not to get married when they otherwise would have done. This last mechanism is of concern for our main results: one potential explanation for the finding that equitable division makes unmarried couples behave more like married couples is that couples who were planning to marry for the legal protections no longer need to.<sup>23</sup>

We look for evidence of changing selection in two ways. First, we directly look for evidence of whether there was a change in the propensity to marry or separate for cohabiting couples both in anticipation of and after the reform. We implement a difference-in-difference model for the sample of cohabiting couples only.<sup>24</sup> The outcome variables are separation and marriage. We first look at whether these transitions are more likely for unmarried couples after they become subject to equitable property division laws. These results are shown in Panel A of Table 5 for three specifications. We find no significant change in the propensity to separate or to marry for affected unmarried couples after the legal reforms. This suggests that our main results are not driven by couples who would have married not doing so.

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<sup>23</sup>Additionally, new couples forming may have chosen to marry rather than cohabit or vice versa, changing the composition of married and cohabiting couples post-reform. We do not examine the changing composition of new couples in this paper.

<sup>24</sup>We are not able to use married couples as a control group as they are not at risk of getting married.

**Table 5:** Propensity of Cohabiting Couples to Change Relationship Status

	Separate			Marry		
	(1)	(2)	(3)	(4)	(5)	(6)
<b>A: Post-equitable division expansion</b>						
Equitable	0.004 (0.002) [0.144]	0.004 (0.002) [0.152]	0.004 (0.008) [0.794]	0.006 (0.009) [0.667]	0.003 (0.010) [0.806]	-0.031 (0.020) [0.260]
<i>Observations</i>	8,279	8,279	8,279	9,331	9,331	9,331
<b>B: Year before equitable division expansion</b>						
Equitable	-0.004 (0.003) [0.475]	-0.004 (0.003) [0.485]	-0.003 (0.003) [0.575]	0.019* (0.010) [0.084]	0.022** (0.011) [0.032]	0.024** (0.011) [0.020]
<i>Observations</i>	8,279	8,279	8,279	9,331	9,331	9,331
<b>Controls</b>						
Education	×	✓	✓	×	✓	✓
State time trends	×	×	✓	×	×	✓

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Standard errors clustered by state in parentheses; wild bootstrapped p-values in square brackets. All results include time, state and individual fixed effects. Education is a set of six indicator variables included separately for men and women.

We also look for evidence of marriage or separation in anticipation of the expansion by including an additional interaction term for the year prior to expansion in affected states. Panel B of Table 5 shows estimates of this additional interaction term. We find no evidence of excess separation in the year immediately preceding the expansion of equitable property division laws. We do, however, find that couples are more likely to have married in the year prior to their expansion. To the extent that cohabiting couples with a strong preference for couple-specific investments are those who marry in anticipation of these reforms, our main results may underestimate their effects.

The second approach to examining how selection may affect our estimates is to return to our main results and re-estimate, holding relationship status fixed at its pre-reform status. This directly tests whether our results are robust to couples separating in response to the reform and to couples choosing to marry after they become subject to equitable property division. In Table 6, column (1) presents the main results, and columns (2) and (3) present results fixing relationship status based on one and two years before the expansions, respectively.

We find qualitatively similar results for all specifications. The larger magnitude of point estimates across columns (2) and (3) provides suggestive evidence that increased marriage rates in anticipation of the reform lead us to underestimate the intensity of the specialization response.

**Table 6:** Robustness checks: I

	Main results (1)	Fix status: 1 year (2)	Fix status: 2 year (3)
<b>A: Women</b>			
Employed	-0.023 (0.011) [0.232]	-0.027 (0.011) [0.274]	-0.038* (0.004) [0.055]
<i>Observations</i>	48,003	42,148	37,076
<i>Couples</i>	8,170	6,794	5,995
Hours worked	-0.738 (1.164) [0.580]	-0.903 (0.913) [0.586]	-1.813 (0.847) [0.107]
<i>Observations</i>	34,569	30,498	26,933
<i>Couples</i>	6,676	5,566	4,898
Housework hours	1.974* (0.884) [0.091]	2.501* (0.807) [0.087]	2.392** (0.529) [0.014]
<i>Observations</i>	40,455	34,754	30,442
<i>Couples</i>	7,336	6,035	5,310
<b>B: Men</b>			
Employed	0.029*** (0.005) [0.006]	0.047** (0.007) [0.012]	0.048* (0.005) [0.050]
<i>Observations</i>	48,003	41,772	36,713
<i>Couples</i>	8,170	6,649	5,882
Hours worked	1.425 (0.569) [0.240]	1.934 (0.554) [0.157]	1.991** (0.361) [0.036]
<i>Observations</i>	42,585	36,419	31,909
<i>Couples</i>	7,426	5,981	5,268
Housework hours	0.121 (0.184) [0.555]	-0.200 (0.233) [0.617]	-0.051 (0.170) [0.754]
<i>Observations</i>	39,589	34,099	29,799
<i>Couples</i>	7,226	5,848	5,161

\*\* p<0.1, \* p<0.05, \*\*\* p<0.01. Standard errors clustered by state in parentheses; wild bootstrapped p-values in square brackets. All results include time, state and individual fixed effects, education as a set of six indicator variables, and state time trends. The fix status (1 year) results exclude Tasmania and Queensland due to pre-existing FLA-equivalent policies (see Table 1); the 2-year results also exclude WA due to data availability.

## 6.2 Additional robustness checks

Our main results assume that all cohabiting couples become subject to the equitable division regime post-reform, and does not account for the gateway requirements of a two-year relationship or a common child. We re-estimate our results only considering a cohabiting couple subject to equitable division laws when they meet these requirements. These results are presented in column (2) of Table 7. The results remain qualitatively similar.

Second, we re-estimate our results excluding couples from Western Australia, which has not referred jurisdiction over many family matters to the Commonwealth and operates an independent but parallel family court system and therefore may not provide a suitable control group. These results are shown in column (3) of Table 7, and it is evident that with and without WA the results are similar.

Third, we exclude all couples who migrate between states at any point in our sample. The concern is that migrating couples may choose their state of residence based on the property division laws in force, and so move to an equitable property division state to enable specialization; this could explain our results. Column (4) of Table 7 shows that the employment responses for men and women who never migrated are consistent with the main results. Excluding these couples, however, does significantly change the housework result for men, suggesting that men in non-migrating unmarried couples significantly increase their housework hours after the FLA expansion. This may suggest there are more evenly shared joint investments in the household for non-migrating unmarried couples.

Finally, we re-estimate the main model accounting for the anticipation effects observed in Table 5. We include an additional intercept shift for the year-before-reform and its interaction with the indicator for cohabitation. The results in column (5) of Table 7 therefore compare post-reform behavior to pre-reform behavior *excluding the year immediately before the reform*. Similar to our results in Table 6, failing to account for the higher propensity to marry in the year before the reform causes our main estimates to underestimate the true specialization response.

## 7 Conclusion

This paper has presented empirical evidence showing that the expansion of equitable property division laws to unmarried couples leads to increased specialization and relationship-specific investments for already-formed couples. We evaluate changes in laws across Australia, including the 2009 expansion of the Family Law Act to unmarried couples. Our empirical strategy exploits the disparate treatment of unmarried couples across states and

**Table 7:** Robustness checks: II

	Main results (1)	Gateway definition (2)	Exclude WA (3)	Migration to other States (4)	Anticipation Effects (5)
<b>A: Women</b>					
Employed	-0.023 (0.011) [0.232]	-0.020 (0.010) [0.231]	-0.027 (0.009) [0.203]	-0.018 (0.010) [0.251]	-0.029 (0.011) [0.218]
<i>Observations</i>	48,003	43,977	43,649	46,840	48,003
<i>Couples</i>	8,170	7,150	7,458	8,061	8,170
Hours worked	-0.738 (1.164) [0.580]	-0.784 (1.788) [0.616]	-0.683 (1.185) [0.586]	-0.723 (1.149) [0.581]	-0.981 (1.298) [0.573]
<i>Observations</i>	34,569	31,314	31,563	33,802	34,569
<i>Couples</i>	6,676	5,818	6,087	6,574	6,676
Housework hours	1.974* (0.884) [0.091]	1.852* (1.038) [0.072]	1.950 (0.922) [0.111]	1.668 (0.953) [0.125]	2.357* (1.034) [0.080]
<i>Observations</i>	40,455	37,104	36,715	39,430	40,455
<i>Couples</i>	7,336	6,431	6,696	7,227	7,336
<b>B: Men</b>					
Employed	0.029*** (0.005) [0.006]	0.032* (0.008) [0.079]	0.029** (0.005) [0.019]	0.026** (0.005) [0.015]	0.033** (0.007) [0.029]
<i>Observations</i>	48,003	43,977	43,649	46,840	48,003
<i>Couples</i>	8,170	7,150	7,458	8,061	8,170
Hours worked	1.425 (0.569) [0.240]	1.167 (0.567) [0.328]	1.703 (0.499) [0.130]	1.366 (0.578) [0.240]	1.573 (0.647) [0.268]
<i>Observations</i>	42,585	39,030	38,623	41,598	42,585
<i>Couples</i>	7,426	6,513	6,760	7,320	7,426
Housework hours	0.121 (0.184) [0.555]	0.099 (0.248) [0.692]	0.088 (0.173) [0.653]	0.328** (0.166) [0.017]	0.041 (0.217) [0.855]
<i>Observations</i>	39,589	36,329	35,918	38,584	39,589
<i>Couples</i>	7,226	6,345	6,597	7,117	7,226

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Standard errors clustered by state in parentheses; wild bootstrapped p-values in square brackets. All results include time, state and individual fixed effects, education as a set of six indicator variables and state time trends.

territories in a triple-difference fixed effects empirical strategy. We use a rich household panel survey, allowing us to examine both hours of market work and housework. This means, for example, that we are not restricted to interpreting a reduction in women's labor supply as an increase in leisure, but instead can see offsetting increases in housework.

We find that in affected couples, men increase their employment and women increase their housework. Couples are more likely to become home owners, have more children, and spend more time with their children. This is not explained by unmarried couples choosing not to marry. Moreover, we find effects on reported life satisfaction across a number of domains that are similar for men and women. These results strongly indicate the importance of equitable property division laws in enabling relationship-specific investments. This implies that financial arrangements on relationship breakdown can improve well-being and not just reallocate welfare within households through changes in bargaining power.

As unmarried cohabitation becomes more common throughout the developed world, a range of different legal approaches have been taken to accommodate the hardships of relationship breakdown. Our results demonstrate that legal approaches aimed at sharing this burden when relationships end also have important incentive effects for intact couples. Importantly, the extension of equitable property division rights to unmarried couples has the (likely) unintended effect of making unmarried couples behave more like married couples.

When considering the implications of our results in other international contexts, it is important to note that even the restrictive approach taken by New South Wales and Victoria before the FLA expansion provided more scope for property reallocation for separating unmarried couples than currently exists in most US states and to England and Wales. So, our analysis is of a comparatively small change in property division rights in comparison to what could be expected if equitable division laws were introduced in these other jurisdictions. Our results should therefore be seen as a lower bound to what to expect elsewhere.

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## A Appendix

**Table A1:** Variable descriptions and sources

Variable	HILDA code	Description	Survey
Employment hours	JBHRUC	Hours per week usually worked in all jobs	Individual
Housework hours	LSHW	Combined hrs/mins per week – housework	Self-complete
Employed	ESBRD	Current labor force status	Individual
Home ownership	HSTENR	Own, rent or live rent free	Household
Number of children	TCR	Count of own resident children (excl. foster/step/grandchildren)	Individual
Time spent with children	LSCHD	Combined hrs/mins per week – playing with your children	Self-complete
Fertility intentions	ICN	How many more children intended	Individual
Life satisfaction	LOSAT	Satisfaction – with your life	Individual
Satisfaction with finances	LOSATFS	Satisfaction – with your financial situation	Individual
Satisfaction with partner	LSRELSP	Satisfaction – with your partner	Self-complete

**Table A2:** Effect of equitable division laws on employment, hours worked, and housework by education group

Education	Women			Men		
	Low	Medium	High	Low	Medium	High
Employed	0.020 (0.019) [0.449]	-0.041 (0.022) [0.155]	-0.075 (0.018) [0.134]	0.060** (0.010) [0.020]	0.017 (0.012) [0.443]	-0.008 (0.022) [0.764]
<i>Observations</i>	23,167	11,000	13,836	23,167	11,000	13,836
<i>Couples</i>	4,006	2,005	2,159	4,006	2,005	2,159
Hours worked	-1.053 (1.307) [0.566]	-0.545 (1.399) [0.754]	-0.489 (1.066) [0.926]	1.791 (0.789) [0.352]	1.597 (0.660) [0.115]	0.705 (1.238) [0.728]
<i>Observations</i>	14,882	8,170	11,517	19,739	9,852	12,994
<i>Couples</i>	2,935	1,726	2,015	3,499	1,845	2,082
Housework hours	1.990 (1.427) [0.296]	2.846 (1.184) [0.104]	0.992 (0.278) [0.125]	0.335 (0.323) [0.375]	-0.149 (0.183) [0.475]	-0.088 (0.232) [0.745]
<i>Observations</i>	18,926	9,362	12,167	18,480	9,179	11,930
<i>Couples</i>	3,480	1,831	2,025	3,440	1,803	1,983

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ . Clustered standard errors are in parentheses. Wild bootstrapped p-values are in square brackets; further details of their computation is in the appendix. All results include time, state and individual fixed effects and state-specific time trends. Educational groups are determined by the woman's educational attainment. Low indicates high school completion or lower; medium indicates a trade qualification (certificate or diploma), and high indicates a bachelor degree or higher.