Blurring the line between Marriage and De Facto: evidence from Australia

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Motivation

- Marriage has been at the core of our Western civilisation for centuries
- The State has for long promoted it: religious before, secular after
- In AU, until recently: “a union for life” (Hyde v. Hyde and Woodmansee, 1866)
- Today more liberal stance: “maintaining an evidentiary record of relationships” Parkinson (2016)
- Lawmakers’ concerns: protection of vulnerable party, fair allocations

Motivation

- Important to study the effects of reforms changing the nature and incentives of long term relationships
- The stability of those are in the interest of the children involved
- Understanding the impact of changes in the family law can help drafting future welfare-improving policies

Executive Summary

- How does giving de facto couples marriage-like rights change their duration?
- Does it change the probability of being in one?
- Identification through exogenous change in law over time
- The 2008 reform gives De Facto couples same rights wrt married (Comm.)
- Long term relationships (*unions*) last longer
- Effect driven by migration from de facto to marriage
- Interaction with culture: immigrants almost unaffected
- Mechanism: aversion to uncertainty

2008's Amendment to the Family Law Act

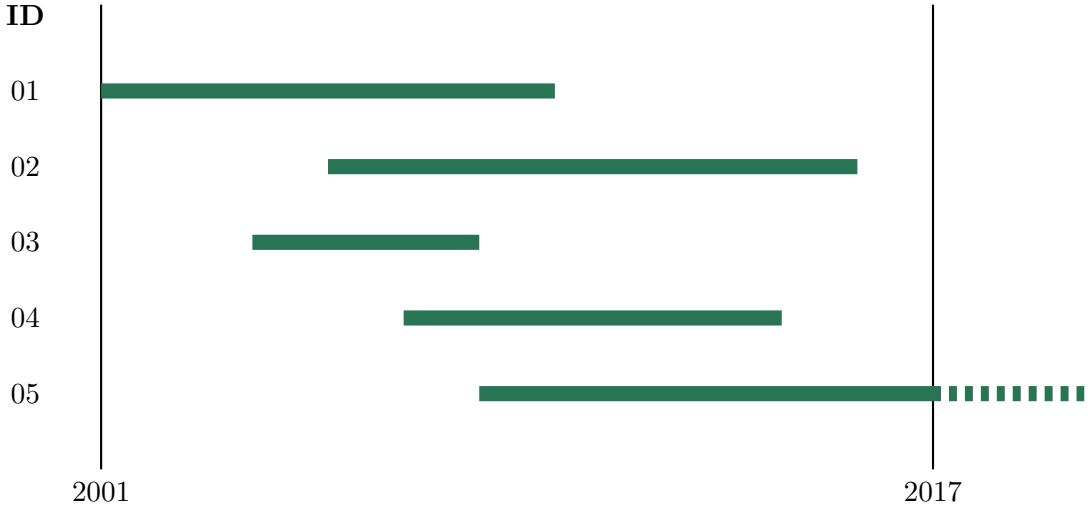
- Family Law Act 1975 until No 115, 2008
- Extended the NSW De Facto Relationship Act (1984) to the rest of AUS
- De facto and same-sex relationships fell out of Commonwealth's jurisdiction
- De facto $\equiv$ "a couple living together on a genuine domestic basis"
- Criteria include existence of a sexual relationship, offspring and shared ownership
- This ill-defined definition makes one's marital status uncertain

  $\rightarrow$ ambiguity aversion
- De facto defined ex-post, marriage ex-ante (no ambiguity)

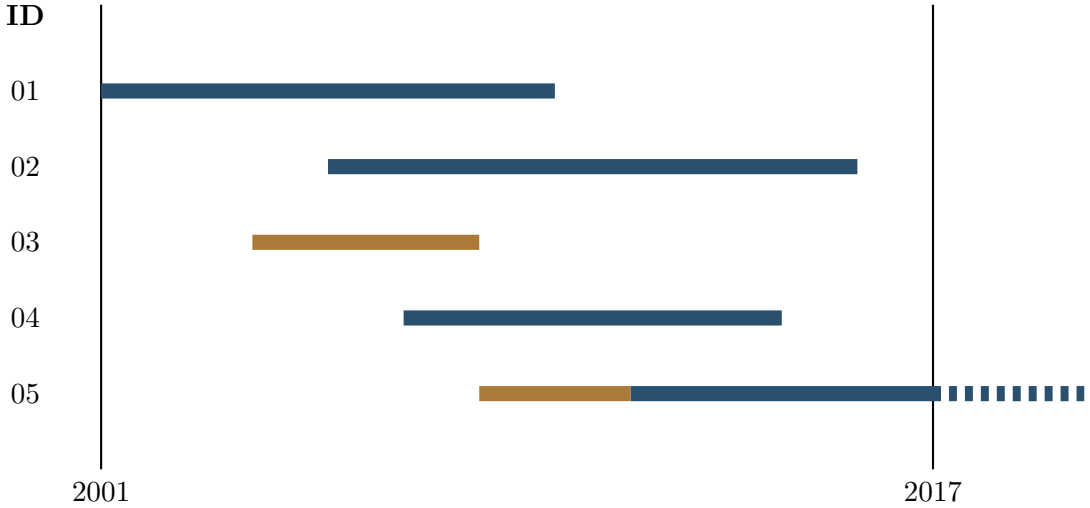
HILDA DATASET

- Household, Income and Labour Dynamics in Australia
- following lives of more than 17,000 Australians each year
- 17 years (2001-2017), 17 waves
- Sample representative of the country's population
- Variables on econ, psy and family dynamics
- Duration-model sample: 32,800 obs, 7,257 individuals

Sample Construction

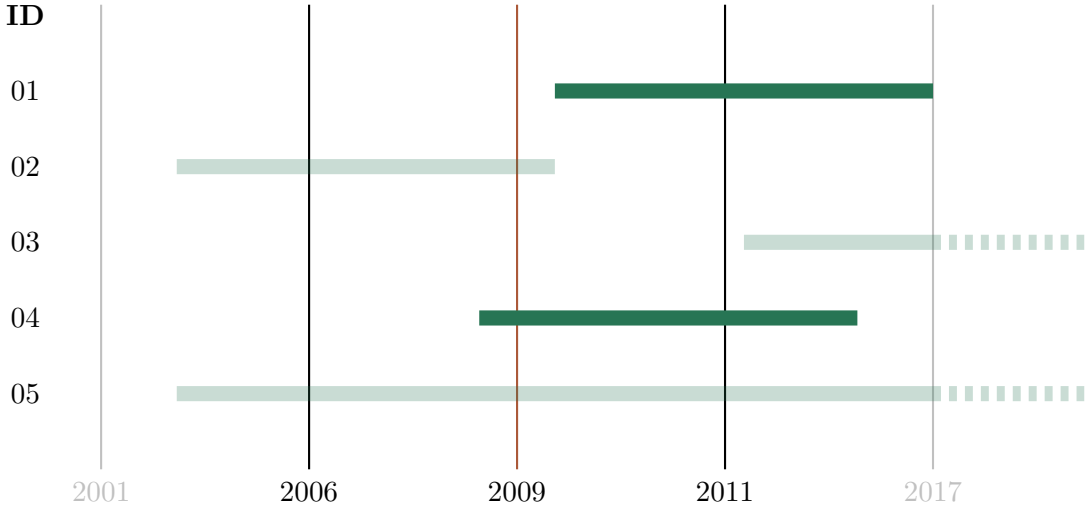


Sample Construction



Sample Construction

Sample Construction: restricting the sample



Descriptives

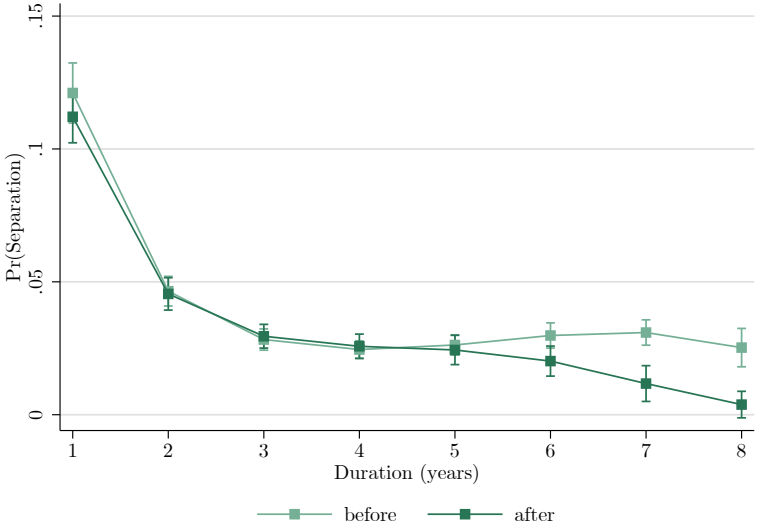
	mean	sd
Birth cohort	1962.61	12.39
Remoteness of area	0.50	0.78
non-English-speaking	0.15	0.35
Relative disadvantage	5.80	2.79
Highest education	5.29	2.64
Parents divorced	1.87	0.34
Observations	166142	

Duration model: hazard

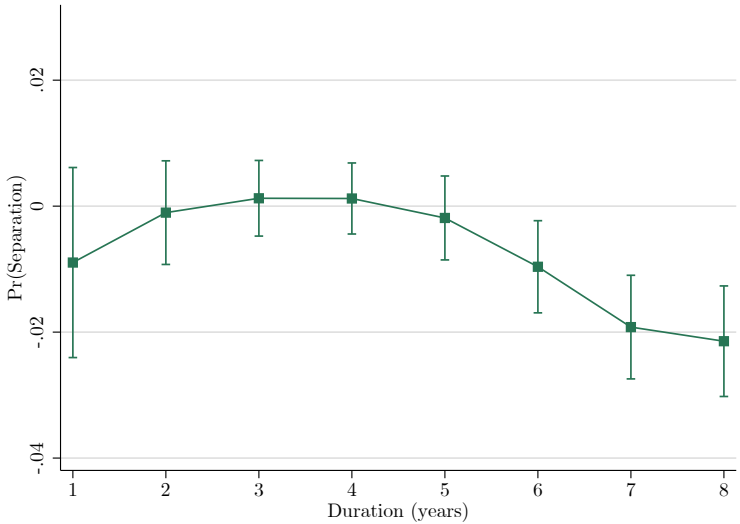
$$logit \;\; Pr[S_{j+1} = 1 | S_j = 0, X] = \alpha_0(j) + \alpha_1(j)D + \beta X \tag{1}$$

- $S = 1$ if the union ended in a separation at time j
- Flexible specification: $\alpha_i(j) \equiv \gamma_{0i} + \gamma_{1i}j + \gamma_{2i}j^2 + \gamma_{3i}j^3$
- $D = 1$ if the union started after 2008, 0 otherwise
- S.e. clustered at individual level
- X includes birth cohort only, until otherwise specified

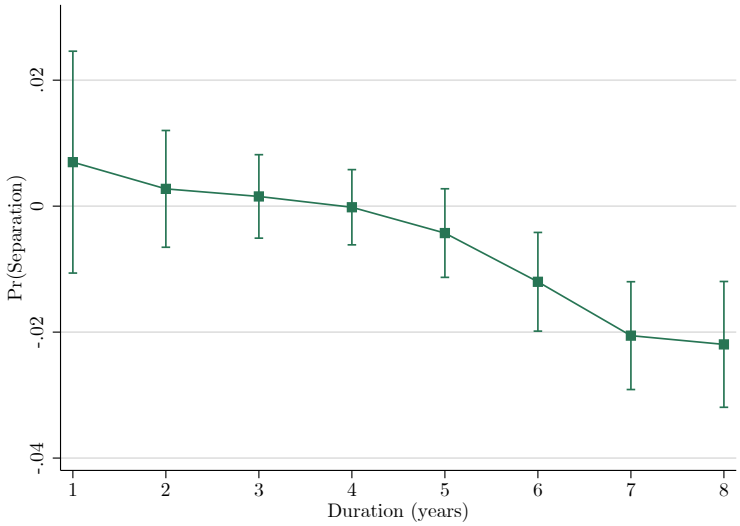
Hazard curves (2001-2017)



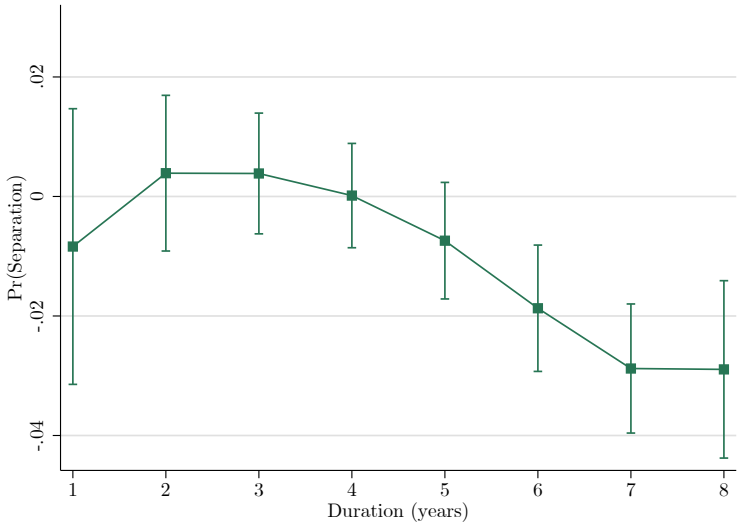
Difference between hazard curves (2001-2017)



Difference between hazard curves (2003-2014)



Difference between hazard curves (2006-2011)

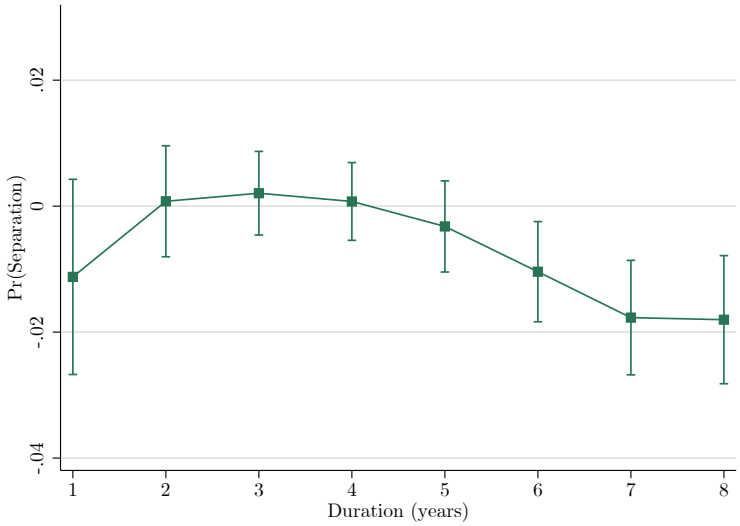


Hazard curves with determinants

The following categorical covariates are included:

- Remoteness of Area (ASGS 2011)
- Country of birth (brief)
- Decile of Index of relative socio-economic disadvantage (SEIFA 2001)
- Highest education level achieved
- Parents divorced

Difference between hazard curves with determinants

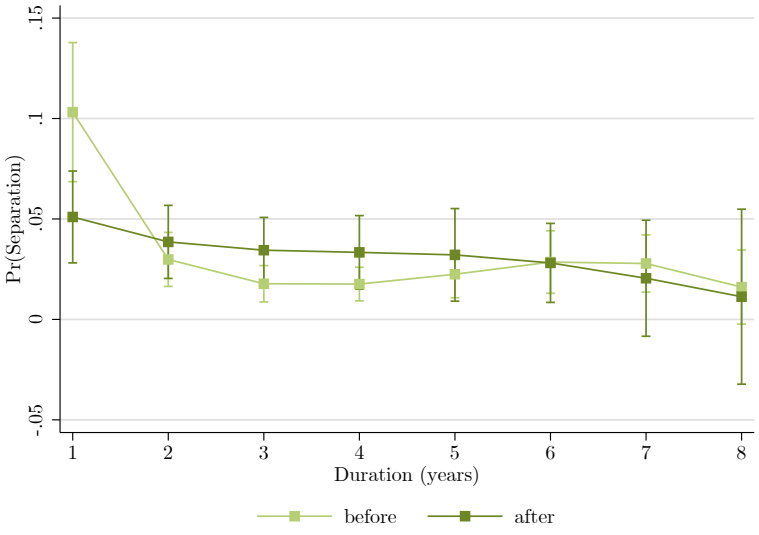


Econometric model: hazard for non-English-speaking ($\overline{ES}$)

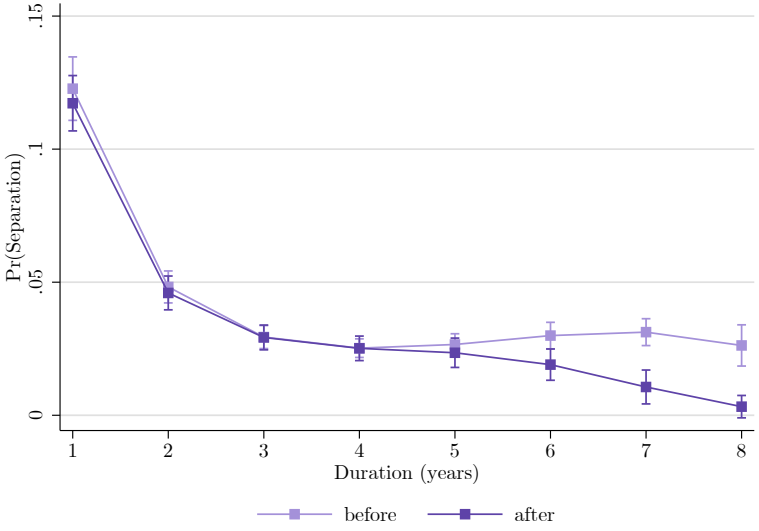
$$logit\ \ Pr[S_{j+1} = 1|S_j = 0, X] = \alpha_0(j) + \alpha_1(j)\overline{ES} + \alpha_2(j)(D) + \alpha_3(j)(D \times \overline{ES}) + \beta_2 X \tag{2}$$

- $\overline{ES} = 1$ for those not born in a main English-speaking country, 0 otherwise
- $S = 1$ if the union ended in a separation at duration j
- Flexible specification: $\alpha_i(j) \equiv \gamma_{0i} + \gamma_{1i}j + \gamma_{2i}j^2 + \gamma_{3i}j^3$
- $D = 1$ if the union started after 2008, 0 otherwise
- S.e. clustered at individual level
- X includes the whole set of covariates

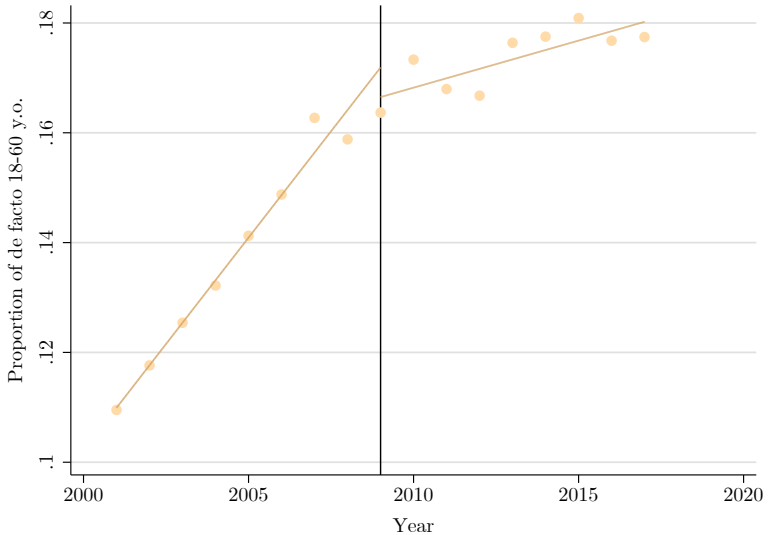
Hazard curves for non-English-speaking



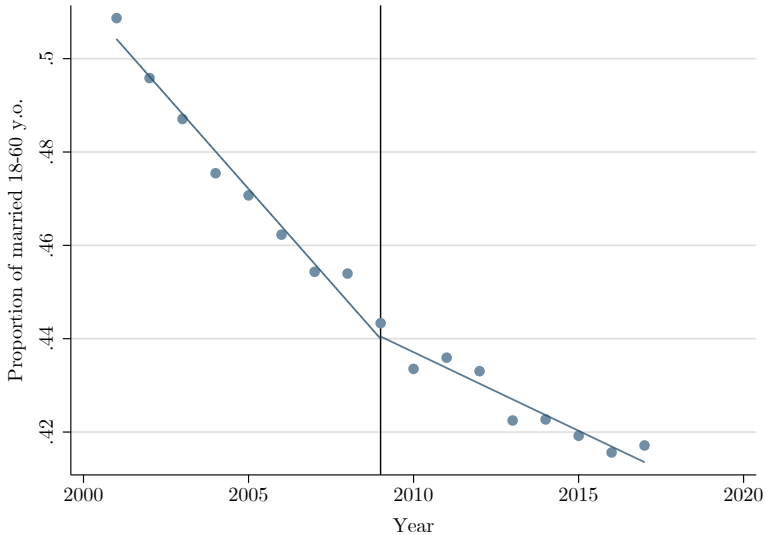
Hazard curves for English-speaking



Is this driven by a change in composition?



It seems to be the case



Econometric model: Prob(Y)

$$Y_{u,t} = \theta_0 + \theta_1 T_t + \theta_2 D_t + \theta_3 (D_t \times T_t) + \theta_4 X_{u,t} + \epsilon_{u,t} \quad (3)$$

- $Y := \{married, defacto, union\} \rightarrow$ binary variables
- $Y_u = 1$ if individual u's marital status is married/defacto/union at time t, 0 otherwise
- Sample of of individuals 16-60 years old
- S.e. clustered at individual level

Probability of being in a de facto relationship

	DeFacto
T	0.003***
	(0.001)
$\tilde{D}$	-0.003
	(0.004)
$\tilde{D} \times$ T	-0.005***
	(0.001)
Birth cohort	0.005***
	(0.000)
Constant	-9.125***
	(0.333)
No. of Obs.	138329

t-statistics in parentheses

*** p<0.01; ** p<0.05; * p<0.10.

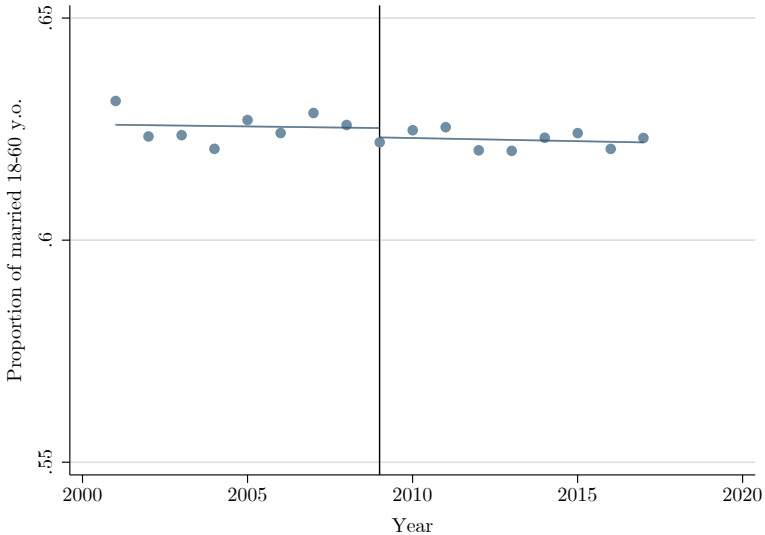
Probability of being in a marital relationship

	Married
T	0.005***
	(0.001)
$\tilde{D}$	0.011**
	(0.004)
$\tilde{D} \times$ T	0.005***
	(0.001)
Birth cohort	-0.014***
	(0.000)
Constant	27.879***
	(0.481)
No. of Obs.	138329

t-statistics in parentheses

*** p<0.01; ** p<0.05; * p<0.10.

These effects cancel out



Probability of being in a union

	Union
T	0.009***
	(0.001)
$\tilde{D}$	0.008*
	(0.005)
$\tilde{D} \times$ T	-0.000
	(0.001)
Birth cohort	-0.009***
	(0.000)
Constant	18.754***
	(0.488)
No. of Obs.	138329

t-statistics in parentheses

*** p<0.01; ** p<0.05; * p<0.10.

Conclusion

- It seems at first that empowering de facto relationships hampers their rise
- However, the *how* (↑uncertainty) is likely to be the actual cause
- Aversion to ambiguity in marital status might lead to shift to marriage
- Marriage, in which commitment is declared upfront, leads to ↑ duration
- Given the lawmaker's concerns over children welfare, there lies the next step