

Unilateral Divorce and the Rise of Informal Cohabitation*

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Abstract

Does unilateral divorce eroded the gains of marriage with respect to informal cohabitation? Exploiting the staggered introduction of unilateral divorce across U.S. states, we show that after the reform newly formed relationships are 5% more likely to be cohabitations instead of marriages, and that cohabitation spells last longer. To understand the mechanisms underlying the law changes, we build and estimate a structural life cycle model with partnership choice, female labor supply and savings decisions, where the gains of marriage with respect to cohabitation come from a better risk sharing and specialization within the household, enforced through a costly divorce. In the model the reform increases the risk of divorce, making cohabitation preferred to couples that would have had the highest risk of divorce. Since the couples switching relationship are on average better matched than the average cohabitants, the duration of cohabitations increases.

Keywords: Marriage, Cohabitation, Unilateral Divorce, Structural Estimation

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