Introduction

This paper examines the nature of cohabitation and marriage in the light of the investments theory. According to this theory, marriage works as a way to secure joint investments (from childbearing to house acquisition) made by a couple, whereas cohabitation does not. A causal mechanism is proposed to account for the relation between marriage and investments, which contradicts a generally assumed fact: that exit costs are higher in marriage. In this study it is argued that when important investments are made in the relationship, the costs of terminating cohabitation may be higher than those of divorcing. In order to do so, two transitions are analysed: first union formation, and the transition from cohabitation to marriage.

The structure of the paper is the following: a review of the investments theory is presented first, followed by a brief description of the selected cases of study and relevant variables. Statistical models are described and results commented on the second part of the paper.

Theoretical background

Union formation involves various investments, both material and emotional. The economic concept of "investment" applies very well to these actions because they are long-term projects, which entail initial costs and involve risks as well as an expected benefit. For instance having children is a long-term joint project, which constrains the future behaviour of both partners. Rational Choice Theories have used this concept to characterise family formation since the early work of Becker (1981). In his terms, both buying a house and having children are investments which constitute capital specific to the partners' relationship.

A common assumption in the literature has been that breaking a marital union is economically more costly than breaking a consensual one (Smock 1993). As it involves public commitment, it is also assumed that the emotional cost is higher, but this is not so relevant here. Divorcing is supposed to be more expensive because it involves lawyers and alimonies; however, dissolution costs depend not only on the union type, but also on the investments made in the relationship. Dissolving a married union is a process which involves legal actions and that is mostly regulated by a third party: the state or authority. Dissolving a consensual union relies solely on partners' decisions and personal arrangements. It can also lead to legal actions, but the process is not regulated

and in the absence of a peaceful agreement, there is a high degree of uncertainty; the outcome will depend on ex-partners' good intentions. If the couple had bought a house or had children, or if the woman had abandoned her career in order to take care of her offspring, then in fact getting divorced may be easier than dissolving a consensual union, because at least the agreements reached can be enforced by a third party.

This is coherent with the idea that marriage works as a way to secure investments. It is so because if the union ends, both partners are supposed to benefit proportionally to what they have invested. In contrast, cohabitation is not suited for important investments in the long term, since it provides no guarantees that the partners will benefit proportionally to what they have invested.

The hypothesis that we can derive from this is that depending on the investments that have been (or plan to be) made in the relationship, the costs of breaking a marriage may be lower than the costs of ending a cohabitation, and therefore, the probability of marrying increases with the amount of investments made.

Data and methods

Data are from the Fertility and Family Surveys carried out by the United Nations Population division in the mid-nineties. Provided that the institutional context plays an important role in union formation decisions, and given the cross-national variation in the prevalence of consensual unions, a comparative approach was required, and three countries were contrasted in the analysis: Spain, Germany and France.

The main investments tested in the paper are: acquisition of a dwelling, childbearing, and women's abandonment of the labour force. Other variables identified in the literature as key to union formation (such as educational attainment, religiosity, experience of parental divorce) are included as controls.

First union formation is studied using a multinomial logistic regression with a person-month data set, as an approximation to a discrete-time event history model. The transition to marriage from cohabitation requires a more complex statistical treatment, due to a potential sample selection problem, given that the possible outcomes -marriage and cohabitation- could conditionally dependent. Instead of using selection equations, an alternative methodology is proposed, estimating at the same time both transitions and using dummy variables to define the role of independent variables on the transition to marriage.

Results

Results summarised in Table 1 are tentative concerning the transition out of cohabitation, due to the small number of cases, but they show a clear association between home ownership and marriage in the three countries studied, even though the dwelling is relatively easy to distribute if the union dissolves when both partners are owners as well. The timing of childbirth also presents a pattern of birth legitimation in Spain and Germany, but not in France, where out of wedlock births are more commonplace. Women's employment did not show a clear effect, but this variable would require a specific study with more fine-grained data and especially, with a parallel study on partner's employment characteristic, since the decision to leave the labour market will be dependent on economic subsistence issues in the first place.

Table 1. Results from logistic regression for first union formation and entry into marriage from cohabitation, by country

	Entry into cohabitaiton (vs. Marry)			From cohabitation to marriage		
	SPAIN	GERMANY	FRANCE	SPAIN	GERMANY	FRANCE
Age cohort						
35-40	1,00	1,00	1,00	1,00	1,00	1,00
30-34	1,33	2,04 ***	2,47 ***	-0,91 *	-0,39	-1,02 ***
25-29	2,61 ***	3,04 ***	7,55 ***	-1,27 **	-0,61 ***	-1,56 ***
20-24	4,6 ***	4,24 ***	22,51 ***	-2,15 ***	-0,92 ***	-2,19 ***
Education						
Primary	1,00		1,00	1,00		1,00
Secondaryl	1,23	1,00	1,39	-0,1	1,00	-0,39 *
Secondaryll	1,66 *	1,38	1,33 *	0,34	0,05	-0,11
College	1,86 *	1,04	1,38	0,42	0,74	-0,32
Active at union entry	1,08	1,03	1,31 **	-0,16	-0,62 ***	-0,65 ***
Parental divorce	2,29 ***	1,68 **	1,69 ***	-1,38 **	-0,61 ***	-0,43 ***
Lived independe	7,11 ***	1,69 ***	3,78 ***	-0,97 ***	-0,79 **	0,34 **
Premarital conception						
Pregnancy	0,22 ***	0,23 ***	0,28 ***	-0,36 ***	-0,23	-0,74 ***
Birth	0,79 *	0,93	0,97	-0,81	0,59 **	0,26
Town>100000	1,26	1,25 *	1,28 *	-0,86 **	-0,16	-0,10
Religiosity						
Once a week	1,00	1,00		1,00	1,00	
Once a month	2,81 *	3,34 ***		-1,22	-1,82 ***	
Never/almost	5,38 ***	6,28 ***		-2,03 **	-1,84 ***	
Time				-0,02 ***	-0,02 ***	-0,02 ***