

**Pooling of Economic Resources:**

**A Comparison of Norwegian Married and Cohabiting Couples**

### **Abstract**

Using Norwegian survey data (n = 4116), we study couples' likelihood of pooling their economic resources. The proportion of cohabitation compared to marriages is high in Norway. Over the last decades, tax policy and the social security system have moved towards equating cohabitation with marriage. Our knowledge of the economic organization of the two types of couples is, however, rather imperfect. Our main hypothesis is that cohabitants are less likely to pool their economic resources than married couples, but that this difference is less if they hold plans to marry. We take into account important factors that largely have been ignored in many earlier studies, namely the presence of children and the duration of the relationship. The results confirm our hypothesis but also show that the difference between cohabitants and married couples is reduced once these important factors are controlled for. Implications for policy are discussed.

(145 words)

**Keywords:** cohabitation; marriage; money; income; finances; income organization; money management; Norway

The aim of the present study is to establish whether married and cohabiting couples to the same degree are pooling their economic resources, or whether there are notable differences between the two types of unions in this respect.

Over the course of the last few decades, co-residential couple relationships have become far more diverse, with a rapidly increasing proportion of heterosexual cohabitation as the major change. Another major societal change that has occurred in the same period is the shift from the male breadwinner model to a model of a dual earner family. Since more women are now economically independent, the question of how the couple's finances are divided and managed, gains more interest, compared to a situation where husbands are sole providers of their families. Norway is one of the countries where these changes have been most profound.

The economic organisation of the household is a very important facet of the day-to-day lives of co-residential couples. The management of economic resources is important for basic provisions to the members of the family, but it is also connected to a range of other issues, including, but not limited to, the distribution of power within the household and the production of gender inequalities (Kenney 2006; Vogler 1998).

Most previous studies of income organization in couple relationships have only studied married couples, but recently more studies have emerged emphasizing cohabitating couples (Elizabeth 2001; Hamplova and Le Bourdais 2009; Heimdal and Houseknecht 2003; Yodanis and Lauer 2007b). As cohabitation becomes more widespread, more countries may wish to introduce legal regulations for cohabitation. In Norway, the rights and obligations of cohabitants have gradually been taken into the jurisdiction. Cohabitants do not, however, have a mutual duty to provide for each other as the Norwegian Marriage Act imposes on married partners. In public law areas like pensions, social security and taxes, the most marriage-like unions (i.e., those that have lasted for more than two years or where the partners have common children) have, however, attained a legal status that is virtually equal to that of

married couples (Noack 2001). An important argument for these comprehensive changes has been a general sense of justice and the fear of a legislation that in some situations could make cohabitation more economically profitable and thereby threaten the legitimacy of the established welfare and taxation arrangements. But if cohabitants pool their economic resources to a lesser degree than married couples, a more equal treatment of cohabitation and marriage in public law may have unintended, and possibly negative, consequences at the individual level. It is thus important to increase our knowledge of couples' money management, in particular for the development of acceptable social policies.

Using a sample representative of young Norwegians, we contribute to the literature by studying pooling of economic resources, defined as having joint bank accounts and seeking the consent and advice of the partner before doing larger purchases, in married and cohabiting couples. We distinguish between cohabiting couples with and without marriage intentions and take into account confounding factors that were ignored in earlier studies. The Norwegian context provides a particularly interesting research setting for this study, as Norway is one of the forerunners in the development of cohabitation and out-of-wedlock fertility.

## THEORETICAL ARGUMENTS AND PREVIOUS RESEARCH

The degree to which couples pool their economic resources is likely to be affected by a wide range of factors. Any difference in the prevalence of pooling of economic resources between cohabitants and married couples might be generated by a range of different mechanisms.

One possible causal mechanism is that *social norms* on what is appropriate in each of the two types of relationship motivate the partners to organize their income differently. The normative context of marriage is different from that of cohabitation, and marital partners would be expected to pool their economic resources to a larger degree than cohabitants. With

increasing individualization, social class, gender and family ties are supposed to have less binding force upon the behaviour of individuals. Cohabitation, which often is seen as a more individualistic and less institutionalized family form (Cherlin 2004; Lewis 2001), represents both a break from and a continuation of marriage. On the one hand, cohabitation implies less norms, obligations and formal ties and hence more independence. On the other hand cohabitation also implies a wish of commitment to one another. Cohabiting couples balance ties versus independence. According to Singh and Lindsay (1996), ‘cohabitation money’ is characterised by separateness, accountability and calculation, whereas ‘marriage money’ is characterised by being joint, co-operative and nebulous. Vogler (2005:12) describes money management systems where money are kept separate as ‘privatised systems where goods and services are exchanged on the basis of market-like relationships’.

Studies that use representative samples to compare income organisation of married and cohabiting couples are few in number. Evidence from different countries tells us, however, that cohabiting couples are less inclined to pool their resources than married couples (Hamplova and Le Bourdais 2009; Heimdal and Houseknecht 2003; Knudsen and Wærness 2009; Vogler, Brockmann, and Wiggins 2006; Winkler 1997; Yodanis and Lauer 2007a). All these studies include some controls for potential confounders, such as age and income, but do not provide evidence that the difference can be given a causal interpretation. It is likely that also various selection mechanisms contribute to any remaining difference between cohabiting couples and married couples.

The most prominent possible selection mechanism is a *relationship duration effect*. As time goes by, the couple will most likely make small, joint investments, and this will make pooling more natural than keeping money separate. In other words, the economic lives of the partners are getting increasingly intertwined over time, and the couple thus accumulates “jointness” in their economic dispositions, even though they did not plan to pool resources at

the start of the union. Income pooling seems to be somewhat more likely among cohabitants in long-term relationships (Winkler 1997), and this may, for example, be due to the development of greater trust between the partners (Heimdal and Houseknecht 2003). Unions that have lasted longer will thus have higher tendency to pooling than unions that have lasted for a short period of time.

This process can be looked at from a transaction cost economics perspective, which would say that long-term relationships and relationships where the partners have invested heavily in the relationship will tend to pool money because this reduces the costs of transactions within households (Treas 1993).

In a context like contemporary Norway, where most unions start as cohabitation, the average relationship duration for a random sample of married couples will be higher than the average relationship duration for a random sample of cohabiting couples. Thus, by comparing the economic organization of married couples with that of cohabiting couples, one will necessarily pick a component that is due to the married couples' longer relationship durations. Combined with the fact that the duration of cohabitation is on average much shorter than marriage, this concern implies that potential differences in money management between married and cohabiting couples in part may be due to the shorter duration of the latter.

Several other characteristics of the relationship and the partners can be expected to influence whether couples pool their economic resources. *Household income* will obviously influence economic dispositions, and possibly the degree to which partners are pooling resources. It is, however, important to distinguish between income as a measure of total resources of the household, and income as a measure of the relative power of the partners. As to the first perspective, the importance of household income is unclear. One possibility is that high income facilitates separate accounts because the couple can afford it, another is that high income facilitate pooling because there is less need to budget carefully (Treas 1993). As to the

second perspective, economic bargaining models of households suggest that the outcome of negotiations over the allocation of housework and money in households, is heavily influenced by the financial resources each partner controls (Halleröd 2005; Lundberg and Pollak 1996; Winkler 1997). Studies that have included measures of partners' relative economic power report that independent management systems (keeping money separate) were most likely to be used by couples where one of the partners earned more than the other, while joint pooling of income was more likely when both partners had approximately equal income (Vogler, Brockmann, and Wiggins 2006). A quantitative study of separate financial arrangement of Japanese wives, report some, but not unconditional, support for the transaction cost hypothesis (Ono and Luoh 2003).

With increasing *age*, the partners will have more experience managing personal finances. This may lead them to pursue certain strategies of economic organisation, but the empirical evidence is not unanimous in this respect. Heimdal and Houseknecht (2003) find that elderly couples are more likely to keep money separate in the United States but that there is no such effect in Sweden. Treas (1993) also reports that elderly American married couples are more likely to have separate accounts. Vogler et al. (2006) report no effect of age for British couples (both married and cohabiting), but find that elderly male partners are less likely to practice independent money management. Married couples are, on average, older than cohabitants, so age might also be a confounder for the effect of union type on the likelihood of pooling economic resources.

A family's economic dispositions are bound to change dramatically once they have a *child* together. Children need food, clothing and care, and births may change the employment situation of both partners. Thus, having a common child should represent a causal mechanism affecting money management. Any difference in pooling by couple's parity status should not, however, be attributed wholly to such a causal mechanism, as it is definitely not random who

chooses to have a child: The decision to have a child might be the outcome of having a well-functioning cohabiting relationship and making plans to get married.

Both common children and children from prior relationships (“step-children”) are likely to affect the pooling of economic resources also through selection, as, theoretically, common children increase the likelihood of pooling, because children can be seen as a joint investment and reducing the risk of a break-up (Treas 1993). An important question is whether there is a distinction between common children and children from earlier relationships in this respect. On the one hand, having children from earlier unions is likely to affect the economic decision-making, but on the other hand, children brought into the household from one of the partners’ earlier relationships may not represent the same kind of investment in the transaction economics sense of Treas (1993). A study of qualitative data reported that those with prior relationship experience were more likely to keep money separate, plausibly due to the presence of children from previous unions (Burgoyne and Morison 1997). Thus, it is not clear what effect on money management of children from earlier relationships. While finding no effect of having children for married couples, Vogler et al. (2006) report that cohabiting parents are more similar to married couples than to cohabiting couples without children concerning the management of money within the household, i.e. they are more likely to jointly pool income. Winkler (1997) reports that income pooling is more likely among cohabiting couples when they have a biological child, but her analysis do not include married couples. Recently, Hamplova and Le Bourdais (2009) reported that the difference in the likelihood of pooling between married and cohabiting couples to some extent is moderated by the presence of children in Denmark, France and the United States.

*The diversity of cohabiting couples in Norway*



Cohabiting couples is a very heterogeneous group (Thornton, Axinn, and Xie 2007). Although cohabitation as a prelude before marriage has become typical behaviour in many countries and in this respect may be apprehended as a part of the marriage process, this is obviously not the perception of all cohabitants. Manning and Smock (2002) remind us that marriage intentions are certainly not universal among cohabitants, and for those who do not expect to marry, cohabitation may be more appropriately perceived as an alternative to marriage or living alone. Irrespective of whether marriage intentions among cohabitants are fulfilled or not these intentions may be used as indicators for different types of cohabitation. Generally, cohabitants who plan to marry seem to be far more like married people than those who express less precise or no intentions at all (Brown 2003; Brown and Booth 1996; Wiik, Bernhardt, and Noack 2009). A study of Norwegian couples reported such differences for various socioeconomic variables and relationship assessments, such as the seriousness of their relationship and whether they have considered dissolving it (Wiik, Bernhardt, and Noack 2009). It has also been found that the relationship assessments of cohabitants expecting to marry their partner are not measurably different from those of married couples in the United States (Brown and Booth 1996). Taken together, these findings suggest that cohabitants' assessments of their relationships likely influence their union outcomes. When studying how married and cohabiting couples organize their income, we therefore analyse two different groups of cohabitants, those *with marriage intentions* and those *without such intentions*.

In Norway, cohabitation seems to be more marriage-like than in most other countries. According to a typology deduced from a cross-national study of seventeen countries (Heuveline and Timberlake 2005), Sweden has reached a final stage where cohabitation is nearly indistinguishable from marriage. Although Norway was not included in this study, it is reasonable to believe that Norway would be categorized in about the same manner (Wiik, Bernhardt, and Noack 2009). Therefore, one would expect smaller differences between

cohabitants and married couples in Norway than in most other countries also with respect to how couples organize their finances. Nonetheless, cohabiting couples have higher dissolution rates and lower degrees of commitment than married couples (Poortman and Lyngstad 2007; Wiik, Bernhardt, and Noack 2009). If cohabiting couples forgo marriage because they want an easy way out of the relationship (or they do not trust their partner to stay), the couple's willingness to integrate their finances with those of the other partner should be lower. It is likely that integrated finances represent a practical and possibly also a mental "barrier" to dissolving the relationship.

### *Hypotheses*

Considering all the theoretical arguments and empirical evidence from the existing literature, we arrive at a set of four hypotheses on the relationship between marital status and pooling of economic resources. First, we expect that (Hypothesis 1) *cohabiting couples, ceteris paribus, are more inclined to keep money separate than married couples*, but that this difference is *smaller for cohabiting couples with marriage intentions* (Hypothesis 2). Second, we will test whether *the duration of the union reduces the discrepancy between the two types of cohabiting and married couples* (Hypothesis 3). Finally, we will examine the role of children in the household by testing the hypothesis that *couples with children are more likely to pool their resources than couples without children* (Hypothesis 4). In the following sections, we will test these hypotheses using Norwegian nationally representative survey data.

## DATA AND METHOD

### *The Sample*

We analyze data derived from The New Families Survey conducted by Statistics Norway in 2003. This is a survey of a nationally representative random sample of the non-immigrant population (i.e. men and women with at least one Norwegian-born parent). The sample was drawn directly from the Norwegian central population register. This means that the sample is representative of the Norwegian non-immigrant population in the appropriate age ranges. At the time of the survey, the women were aged 20-44 and the men were aged 23-47. The reason for the staggered age ranges is men's slightly postponed family behaviour. The response rate was 63.3 % which is as expected for a survey of this design, where questionnaires are sent by post. Of the net sample of 6317 individuals, 4419 individuals were living in either married or cohabiting unions. After excluding cases with missing values, we are left with 4116 observations.

The survey data were supplemented with data from administrative registers maintained by Statistics Norway. For more information on this type of data, see Røed and Raaum (2003). Additional information on income, fertility and education was linked to the survey data. Provided that the respondents give their consent, such linking of data is facilitated through a system of personal ID numbers. By returning the questionnaire, survey respondents also agreed to the linking of register data to the survey data, thus no further non-response was incurred at this point.

#### *Measure of pooling of economic resources*

We use two criteria to define our dependent variable measuring whether the partners are pooling their economic resources or not. First, to be defined as pooling their resources the couple must have a *common bank account*. This criterion was measured by a simple survey question, which wording was "Do you and your partner have a common bank account?" Hence, we do not know from the responses whether this is a savings account or an account

used in day to day household management. Nor do we know whether both have equal access to the account. However, having a common bank account indicates that they, at least for a proportion of their expenses or savings, consider themselves as one economic unit. In some countries, opening a bank account is associated with rather large fees, but in Norway most banks have no fees or take account fees that are negligible in this context.

The second criterion considers *the insight each partner has into the consumption and other economic behaviour of the other partner*. For a couple to pass this criterion, the responding partner must report that both partners always consult the other before doing purchases costing more than 2000 NOK (approx. USD 300). One problem with this definition of pooling is that all information is collected from one of the two partners. Hence, lack of accurate knowledge or erroneous beliefs about the other partner's behaviour may influence the respondent's answer.

To summarize, the dependent variable is operationalized as follows: respondents with a common bank account and reporting that themselves as well as their partner always seek the advice of the other partner before doing larger purchases are defined as *poolers*. Respondents who only fulfil one or none of the two criteria mentioned are defined as non-poolers. Poolers are coded 1 on the dummy variable. According to this indicator, poolers amount to 44 per cent of the sample.

Despite the mentioned shortcomings, which to a large degree also characterize the other studies of this topic, we argue that our measure will be sufficiently precise for our purposes. Constructing an ideal measure of income pooling is probably not possible, and even more difficult with the advent of electronic money like credit cards (Pahl 1999).

We can compare our definition and results to the definitions used and results obtained in other studies, for example Knudsen & Wærness' (2009, henceforth K&W) study of Norwegian couples using ISSP data. K&W operate with a stricter definition of pooling than we. The so-

called *genuine joint poolers* both pool all income and keep equally account of the regular expenses and the family economy as a whole. They find that 24 per cent of the couples were genuine joint poolers, which is markedly lower than our result. The reasons the discrepancy include, but are not limited to, K&W's requirement that partners keep equal account of the family finances to be counted as poolers, and this is a stricter criterion than our definition. In addition, our estimate is probably higher than the K&W estimate because our definition (having a common bank account and seeking advice when doing purchases) does not necessarily mean that the household pools all income. A final important reason for the different results is that our study is restricted to young couples while the other studies are not.

It can also be argued that the distinction between “poolers” and “non-poolers” is too simplistic. The “non-poolers” include a various situations, such as partners with separate bank accounts that seek each other's advice before doing large purchases and couples that have common bank accounts (for commodity reasons) but do as they please with their money. Here, we have chosen to follow the literature on dividing couples into “poolers” and “non-poolers”. The most recent studies on this topic (e.g. Hamplova and Le Bourdais 2009) make use of this distinction. A more fine-grained definition of the dependent variable would increase the model complexity. We have, however, experimented with OLS regressions on an index of the degree of pooling with a score from 0 to 5. Two points was added for a joint bank account and one or two points added for each spouse's asking for advice usually or always. Results from this exercise were close to substantively identical to the set of results obtained with the logit model on the dichotomous dependent variable. Thus, we conclude that we are not hiding any important patterns by choosing the dichotomy over a constructed index.

We do not maintain that our operationalization of income pooling is ideal. Pooling of income does not necessarily imply that both keep exactly the same account of the household finances. Partners may for example divide the responsibility for day-to-day purchases and

financial decisions. More substantial decisions should, however, imply participation from both partners. When results of determinants of pooling are compared across studies, the pattern shown in our analyses is compatible with those reported by Knudsen and Wærness (2009) and Hamplova and Le Bourdais (2009). This is at least an indication of the different definitions tapping into the same latent variable: the degree of economic intertwining of the two partners and their dispositions.

#### *Measures of independent and control variables*

Our main independent variable is *union type*, i.e. whether the respondent is currently cohabiting or married. In addition, we use a question about marriage intentions among cohabiting respondents. From these questions a three-category variable is constructed, separating between (1) cohabitants with intent to marry within the next two years, (2) cohabitants without specific marriage intentions and (3) married respondents.

There are several other factors that may influence both a couples' choice of union type and their economic organization. To increase the comparability of the cohabiting and married couples, we include two sets of control variables: One with indicators of the couple's socioeconomic resources and potential, and one with characteristics of their relationship.

The first set of control variables includes *education, household income, age and gender*. Both his and her educational levels are included as variables in the regression model. Respondents' highest educational attainment was assessed by the use of register information at the end of the year of interview, while the partner's education was reported by the respondent in the survey. Both variables are coded as categorical variables with six levels ranging from primary education to a graduate degree. Gross annual income before taxes and transfers in the year before the survey was reported by the respondent for him-/herself as well as for the partner in seven categories from 'less than 100 000 NOK' to '500 000 NOK and

over'. We control for partners' incomes by including main effects of both his and her annual income and an interaction effect. Cohabitants tend to be younger than married couples. We therefore included the average age of the respondent and his/her partner as a continuous regressor.

An important point is that we also control for the respondent's *gender*. Since our data are based on reports from only one of the partners there is a possibility that male and female respondents do not report equally concerning the dependent variable. By controlling for gender, however, this potential bias is taken care of. In the case of no reporting bias by gender, the parameter for this dummy variable will not be measurably different from zero in the analyses.

Turning to the second set of control variables, *relationship characteristics*, an important variable is the *duration of the union* in calendar years, measured from the establishment of the joint household (when the partners moved together). This means that the duration of the union for cohabitants who have married is the time that has passed since they started their cohabitation, and not the time since marriage. Another important control variable is *children*. Three dummy variables are included in the model in order to capture effects of the presence of three types of children in the household: One dummy variable indicates whether the couple has any common children, another variable indicates whether the man has children from an earlier relationship, and a third variables indicates whether the woman has children from earlier relationships (0 = no, 1 = yes).

### *Statistical approach*

As our main outcome is a binary variable, we use the logistic regression model to model the logarithmic odds of the partners pooling their economic resources. This approach is adequate for models of binary outcome variables (Menard 1995). Descriptive statistics for all analysis

variables are shown in table 1. In order to have a meaningful reference group in the regression analysis, the education, income and age variables were centred. The reference group is married couples, in the first year of their relationship, where the average age of the partners is 25, with no children living in the household, both partners' education levels at ISCED level 4, and both earning average incomes.

We estimate three separate models. The first model includes only union status, and shows what the gross differences in the likelihood of pooling economic resources are for the three types of couples we study. In a second model, we include control variables indicating the couples socio-economic resources and potential, such as partners' average age, education levels, and incomes. Then, in a final estimation round, we add controls for several characteristics of the couples' relationship and household.

ABOUT HERE TABLE 1

## RESULTS

### *Pooling of resources in cohabiting and married couples*

Our main interest lies with the differences between married and cohabiting couples in their likelihood of pooling their economic resources. Evidently, with this cross-sectional research design, we do not know whether union type *causes* different degrees of pooling, or whether we are witnessing the result of selection into marriage of couples who pool their economic resources. What we can ascertain, however, is whether or not the difference between married and cohabiting couples persists when we have introduced our two sets of additional variables.

ABOUT HERE TABLE 2



From the first model reported in table 2, the basic model without any control variables, we see that the association between union type and our outcome is strong and statistically significant: In accordance our first hypothesis, married couples are more likely to pool their incomes than are cohabiting couples. Both categories of cohabiting couples are less likely to pool incomes than married couples. Cohabiting couples without marriage plans are those who are the least likely to pool their resources. Couples that are cohabiting but do have specific intentions to get married are less likely to pool their resources than married couples, but more likely to do so than couples without marriage intentions. Thus, also our second hypothesis is supported. The parameters for the two groups of cohabiting couples are statistically different from each other ( $p = XXX$ )

These differences persist when we in the second model include our set of socioeconomic control variables and age. However, when we also include relationship characteristics, we see that the differences between married couples and the two groups of cohabiting couples are markedly reduced. Taken together, the relationship characteristics must be very important for the management of the couple's finances. In turn, we discuss the impact of the relationship characteristics: Duration of the couple's co-residential relationship, the couple's common children living in the household, as well as any children the partners have from earlier relationships living in the household.

First, the *duration of the union*, this variable has the strong positive effect on the odds of pooling that we expected. For each year more the union has lasted the odds of pooling income increases with about 4 per cent, when all the other independent variables in the model are controlled. Experiments were done with dummy variable and polynomial parameterizations of the duration variable, but the results did not differ in any important way. Thus, there is support for our third hypothesis stating that with increasing duration of their

relationship, couples are more likely to pool their economic resources even when other characteristics of the relationship are controlled.

Our fourth hypothesis stated that children serve as an important confounder of the relationship between marital status on the one hand and the likelihood of pooling on the other hand. The *presence of children* in the household was also expected to have a positive effect on the odds of pooling. It does indeed have such an effect, as the odds for pooling income is around 18 per cent higher for couples with children than for the reference group of childless couples. Thus, this hypothesis is also supported by the data. It is only the presence of common children that has an effect on the likelihood of pooling income. For couples that have children either of the partners had in earlier relationships, the effects are statistically insignificant.

When both duration of the union and presence of children are controlled, the odds of pooling for cohabiting couples with and without marriage intentions are reduced to respectively 78% and 46% of that of married couples, indicating lower likelihoods of pooling in these couples when compared with married couples. Only the difference between cohabitants without marriage intentions and married couples and between two types of cohabitants were significantly different at the 5% level, however. The finding of different degrees of pooling by union status is evidence for our proposition that, in studies of differences in behaviour between married couples and cohabiting couples, researchers need to take into account which stage the relationship is at. Co-residential relationships have a momentum of their own, that produces certain types of behaviours in the partners.

#### *Results for all control variables included in the final model*

There is no statistically significant effect of *respondent's sex*. This result means that there is no systematic difference between male and female partner's concerning the report of income pooling within households. Secondly, there is a statistically significant effect of *age* on the

propensity to pool resources. The effect is negative but nonlinear so that the probability for pooling resources is much larger for young couples than for older couples. Concerning the potential effect of *education*, only the parameter estimated for *his education level* was statistically significant. A highly educated male partner seems to reduce the likelihood of pooling economic resources. The partners' *annual incomes* yielded no significant effects on the odds of pooling resources. However, the interaction effect indicates that when both partners are earning higher salaries, their likelihood of pooling is reduced.

## DISCUSSION AND CONCLUSION

In accordance with earlier research and our theoretical expectations, we are able to show that there are marked differences between couples in different union types in the economic organisation of the household. First and foremost, married couples are much more likely to pool their economic resources than are cohabiting couples. Furthermore, our analysis also shows that cohabiting couples that intend to marry are more likely to pool their economic resources than cohabiting couples without marriage plans. Most interestingly, these differences remain even when the couples are identical with respect to duration of the relationship, the presence of children, a set of socioeconomic control variables, and age. All these factors could be possible explanations of the relationships between marital status and money management. The relationship characteristics do explain some of the gross differences, but there are still marked differences in the organisation of money that must be due to other mechanisms.

These results are in line with results from previous studies of pooling using other data and other operationalizations, for example the ISSP data sets and Pahl's money management typology, but did not include measurements of the presence of children and distinguish

between his and her income and education. In the absence of the data that include measurements of pooling and at the same time these very important demographic variables, we view this comparison as an indication that the dependent variable captures the phenomenon of pooling versus non-pooling to a satisfactory degree for our purposes.

The results indicate that marriage induces on the partners a special way of considering their relationship. As a social institution, marriage fills and regulates certain important tasks in society. Through the family institution and marriage society regulates emotional affection and relations between men and women. It provides a system of legal rights and duties, expectations and demands between the two partners but also between parents and children. These formal and informal norms concern financial matters such as support and inheritance, division of tasks between the members of the family, and socialisation and upbringing of children. The family institution offers a basis for stability and predictability and trust, what the transactional economics framework would call “reduced transaction costs.” Marriage strengthens the ties and the solidarity between the two partners, but the marital institution is also rigid, and not necessarily well adapted to changing demands in society. It might reify and legitimize unequal distributions of resources and power at both the micro level within each family and at the societal level.

According to the idea of increasing individualisation there is a match between the independence and loose ties connected to cohabitation and the market-like way of organising income. This could also explain why cohabiting couples with marriage plans behave more like married couples in this respect. For many couples, cohabitation is a first step towards marriage. Marriage plans imply more commitment and stronger ties that also explain why they are more likely to pool money.

There is a shift towards more equality in heterosexual relationships (Vogler 2005) . Nyman (1999) finds for instance in a non-representative sample of ten married Swedish

couples that most of the couples expressed a norm of equal sharing, i.e. that they organized money in such a way that each of them would have the same amount left to personal spending. A high prevalence of the equality norm may, however, have different implications for married and cohabiting couples, respectively. Brines and Joyner (1999) find that dissolution of a relationship is less likely when there is specialisation of tasks within marriage and when there is equal power-sharing within cohabitation. Married and cohabiting couples might also define equality in different ways (Vogler 2005). While married couples interpreted equality as 'jointness', cohabitants defined equality as numerically equal contributions to the household and an equal sharing of expenses. The two types of couples would have two different ways of organising their income, but still claim that the organisation is "equal".

Whether couples pool income or keep money separate influences the distribution of access to and control over money. The effect of money control systems are however not easily predictable. Joint pooling of income may lead to more equal distribution of resources and influence but may also maintain and reproduce gender inequalities as long as the male main breadwinner model is the norm rather than the exception. The same conclusion is valid for independent management systems. The potential 'equalising' effect of keeping money separate depends on how expenses are divided between the partners. If expenses are equally divided, the partner who earns less (usually the woman) is contributing relatively more than the partner who earns most. If expenses are divided in proportion to income each partner contribute 'equally' according an equity rule but the partner who earns less will still have less income left to cover personal expenses. Another alternative is to divide expenses in such a way that both partners have the same amount left to personal expenses. The two latter arrangements do, however, resemble the regime of income pooling.

Two other aspects are also important. The first aspect concerns the *definition of personal and collective expenses*. For instance, expenses related to children may not in all

cases be defined as collective spending but can fall into a “grey” category, often left to the women to pay for (Vogler 2005). Such definitions undermine efforts to obtain a more equal distribution of money within couples. Another aspect is the *evaluation of housework*. If one partner spends more time doing housework than the other but has considerably less access and control over money this implies that her work effort is valued less than the work effort of the husband.

The fact that more people live as cohabiting couples, a substantial number of children have cohabiting parents, and cohabiting couples are less regulated than married couples implies that knowledge of potential differences in couples’ propensity to pool economic resources will be valuable to policy-makers. If cohabiting couples organise their income in different ways from married couples this may have consequences for the question of equality between men and women. Cohabitation may give women more control and power over the household income compared to marriage, but the reverse may also be the case. The typical way of organising money among cohabiting couples may create, maintain or even aggravate gaps in economic resources between the partners.

Our results show that, even in a context where the legal regulation of unmarried cohabitation is increasingly similar to formal marriage, there are important differences in how married and cohabiting couples organize their finances. Arguments in favor of legal equalization of marriage and cohabitation were in the first decades of widespread cohabitation met with resistance from religious groups. Most politicians did, however, realize that treating cohabitants like singles may threaten the legitimacy of the welfare state since those living alone ordinarily got more than married couples. It was difficult to determine which of the cohabitants that were so marriage-like that they should be treated as married people, and even more to agree on practical solutions in identifying these couples without invading the citizens’ right to privacy. In Norway, this resistance has faded as cohabitation has become more

common and the definitions and the practice of identifying those cohabiting couples who are treated in the same manner as married couples, have been accepted. Suggestions of even further convergence in the obligations and rights of cohabitants towards those of married couples have, however, lately met increasing skepticism from the opposite side of the aisle, those who are inclined to protect the uniqueness of informal cohabitation and individuals' freedom of choice and autonomy regarding the ways in which they manage their private life. This is yet another reminder that one should be careful treating cohabitation and marriage as indistinguishable phenomena, even if the former may seem very "marriage-like" in many ways.

## REFERENCES

- Brines, J. and K. Joyner. 1999. "The ties that bind: Principles of cohesion in cohabitation and marriage." *American Sociological Review* 64:333-355.
- Brown, S. L. 2003. "Relationship quality dynamics of cohabiting unions." *Journal of Family Issues* 24:583-601.
- Brown, S. L. and Alan Booth. 1996. "Cohabitation versus Marriage: A Comparison of Relationship Quality." *Journal of Marriage and the Family* 58:668-678.
- Burgoyne, C. B. and V. Morison. 1997. "Money in Remarriage. Keeping Things Simple--and Separate." *The Sociological Review* 45:363-395.
- Cherlin, Andrew J. 2004. "The Deinstitutionalization of American Marriage." *Journal of Marriage and Family* 66:848-861.
- Elizabeth, V. 2001. "Managing money, managing coupledness: a critical examination of cohabitants' money management practices." *Sociological Review* 49:389-411.
- Halleröd, B. 2005. "Sharing of housework and money among Swedish couples: Do they behave rationally?" *European Sociological Review* 21:273-288.
- Hamplova, Dana and Céline Le Bourdais. 2009. "One Pot or Two Pot Strategies? Income Pooling in Married and Unmarried Households in Comparative Perspective." *Journal of Comparative Family Studies* 40:355-389.
- Heimdal, K. R. and S. K. Houseknecht. 2003. "Cohabiting and married couples' income organization: Approaches in Sweden and the United States." *Journal of Marriage and Family* 65:525-538.
- Heuveline, P. and J. M. Timberlake. 2005. "The role of cohabitation in family formation: The United States in comparative perspective (vol 66, pg 1214, 2004)." *Journal of Marriage and Family* 67:1.



- Kenney, Catherine T. 2006. "The Power of the Purse: Allocative Systems and Inequality in Couple Households." *Gender Society* 20:354-381.
- Knudsen, Knud and Kari Wærness. 2009. "Shared or separate? Money management and changing norms of gender equality among Norwegian couples." *Community, Work & Family* 12:39 - 55.
- Lewis, J. 2001. *The End of Marriage? Individualism and intimate relations*. Cheltenham: Edward Elgar.
- Lundberg, S. and R. A. Pollak. 1996. "Bargaining and distribution in marriage." *Journal of Economic Perspectives* 10:139-158.
- Manning, W. D. and P. J. Smock. 2002. "First comes cohabitation and then comes marriage? A research note." *Journal of Family Issues* 23:1065-1087.
- Menard, Scott. 1995. *Applied Logistic Regression*, Edited by Q. A. i. t. S. Sciences. Thousand Oaks, CA: Sage Academic Publishers.
- Noack, Turid. 2001. "Cohabitation in Norway. A common and increasingly regulated way of living." *International Journal of Law, Policy and the Family*.
- Nyman, C. 1999. "Gender equality in 'the most equal country in the world'? Money and marriage in Sweden." *Sociological Review* 47:766-793.
- Ono, H. and M. C. Luoh. 2003. "A wife's separate financial arrangement in contemporary Japan." *Journal of Family Issues* 24:381-401.
- Pahl, Jan. 1999. *Invisible Money: Family Finances in the Electronic Economy*. Bristol: Policy Press.
- Poortman, Anne-Rigt and Torkild Hovde Lyngstad. 2007. "Dissolution risks in first and higher order marital and cohabiting unions." *Social Science Research* 36:1431-1446.
- Roed, K. and O. Raam. 2003. "Administrative registers - Unexplored reservoirs of scientific knowledge?" *Economic Journal* 113:F258-F281.

- Singh, Supriya and Jo Lindsay. 1996. "Money in heterosexual relationships." *Journal of Sociology* 32:57-69.
- Thornton, Arland, William G. Axinn, and Yu Xie. 2007. *Marriage and Cohabitation*. Chicago: University of Chicago Press.
- Treas, J. 1993. "Money in the Bank - Transaction Costs and the Economic Organization of Marriage." *American Sociological Review* 58:723-734.
- Vogler, C. 1998. "Money in the household: some underlying issues of power." *Sociological Review* 46:687-713.
- . 2005. "Cohabiting couples: rethinking money in the household at the beginning of the twenty first century." *Sociological Review* 53:1-29
- Vogler, C., M. Brockmann, and R. D. Wiggins. 2006. "Intimate relationships and changing patterns of money management at the beginning of the twenty-first century." *British Journal of Sociology* 57:455-482.
- Wiik, Kenneth Aarskaug, Eva M. Bernhardt, and Turid Noack. 2009. "A Study of Commitment and Relationship Quality in Sweden and Norway." *Journal of Marriage and Family* 71:465-477.
- Winkler, A. E. 1997. "Economic decision-making by cohabitators: findings regarding income pooling." *Applied Economics* 29:1079-1090.
- Yodanis, C. and S. Lauer. 2007a. "Economic inequality in and outside of marriage: Individual resources and institutional context." *European Sociological Review* 23:573-583.
- . 2007b. "Managing money in marriage: Multilevel and cross-national effects of the breadwinner role." *Journal of Marriage and Family* 69:1307-1325.