

Safety nets, intrahousehold bargaining, and economic empowerment: Israel's mandatory pension reform and divorce rates

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We exploit a reform in Israel that introduced mandatory pension savings to explore the effect of greater pension savings on divorce rates. Pension savings could be linked to divorce rates for numerous reasons. Having an individual pension savings account, as opposed to a joint savings for the couple, can increase each spouse's economic independence, resulting in a greater value of being single. Furthermore, the certainty in future income provided by pension savings decreases the economic appeal of marriage as a risk-sharing device and decreases the utility of being married. In contrast, the economic benefit provided by pension savings can increase a spouse's economic status within the household, which for males has been shown to stabilize marriages. Our findings – utilizing a difference-in-differences framework - are consistent with the independence effect for females and the economic status effect for males. We observe that an increase in pension savings among wives resulted in a higher divorce probability among higher-income couples; an increase in pension savings among husbands resulted in a lower probability of divorce.