

The Effect of Benefits on Single Motherhood in Europe

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This paper uses data from the eight waves of the European Community Household Panel (1994-2001) to estimate the impact of welfare benefits on the incidence of single motherhood and headship among young women across European countries. The regressions include country fixed effects as well as time trends that are allowed to vary by country, to account for fixed and trending unmeasured factors that could influence both benefit levels and family formation. The analysis also accounts for individual characteristics and labor market conditions. The results with country fixed effects and a common time trend suggest that benefit levels have a significant effect on the prevalence of single mothers. However, once we include country-specific trends and individual fixed effects, the effect of benefits becomes insignificant, suggesting that the observed correlation can be attributed to unobserved time-varying country-specific factors and/or individual-level unobserved heterogeneity.