



How to Talk About: SOCIAL SECURITY EARNED LEAVE

A New, Modern Approach to Paid Leave

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OVERVIEW

Social Security Earned Benefits are a proposed solution to expand access to paid family leave without raising taxes, growing the government, or hurting workers' economic opportunities.

WHY?

- Paid family leave is associated with myriad health benefits, family wholeness, and economic benefits, including strengthened labor force attachment (particularly among women).
- Many U.S. workers have access to paid leave, and many more have unpaid leave as guaranteed by the Family and Medical Leave Act. However, virtually half of all U.S. families live paycheck-to-paycheck making it difficult to take unpaid leave. Many with low incomes who lack paid leave end up turning to other forms of public assistance when they face time off from work.
- American families and workplaces have grown more diverse and versatile. We need a paid leave policy that addresses the 21st century workforce, allows for maximum flexibility and is not "one size fits all."

HOW IT WOULD WORK:

Congress can reform Social Security so that new parents could choose to receive

paid parental benefits in exchange for deferring the collection of their Social Security retirement benefits.

- **Eligibility:** Parents would have to have worked a minimum of 4 quarters total, and 2 of the 4 quarters preceding the birth of a child.
- **Benefit Levels:** Benefits would be calculated using the Social Security disability formula. An average worker would receive \$1,175 monthly, replacing 45 percent of wages, while lower-income workers would receive as much as 90 percent of their wages. New parents could take up to 12 weeks of leave.
- **Trade Offs:** Workers who use paid parental leave will delay receiving retirement benefits by about one week for every week they take in leave.
- **Costs:** Parental benefits will cost an estimated \$7 billion per year (compared to more than \$950 billion for Social Security retirement benefits). However, once today's participating parents retire, their retirement benefit deferrals will offset these costs so the program is budget neutral over the long term.
- **Number of Beneficiaries:** Many workers already have access to paid leave benefits at work. But this option

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would help those who lack paid leave, particularly those with lower incomes. If just 12.5 percent of eligible parents participated, about a million new parents would receive Social Security Earned Benefits.

BENEFITS OF THIS APPROACH TO PAID LEAVE

- **Voluntary:** No one would be required to participate. The program would not affect compensation, benefits, or the Social Security program for workers or retirees who are not interested.
- **Budget-Neutral:** This approach would function within an existing program, and would not create a new bureaucracy, a new tax, or new burdens on employers.
- **Responsible:** Social Security retirement benefits would be protected. Parental benefits would not affect the long-term health of the Social Security Trust Fund.
- **Individualized:** It allows working parents to make a trade-off: They agree to postpone their retirement benefits in exchange for parental benefits; it does not place responsibility for paid family leave on others.
- **Targeted:** This would allow parents who really need support—and who might otherwise end up on other forms of public assistance—to receive the support they need during a critical time.

FREQUENTLY ASKED QUESTIONS

WHAT ARE SOCIAL SECURITY EARNED BENEFITS?

Social Security Earned Benefits are a proposed solution to expand access to paid family leave without raising taxes, growing the government, or hurting workers' economic opportunities.

HOW WOULD THE PLAN WORK?

Policymakers can reform the Social Security program so that eligible new parents could choose to receive paid parental benefits in exchange for deferring the collection of their Social Security retirement benefits for a brief period of time.

HOW CAN WORKERS BECOME ELIGIBLE FOR PARENTAL BENEFITS?

Because workers earn parental benefits by paying Social Security payroll taxes and agreeing to defer their retirement benefits, eligibility would be limited to parents who are likely to earn Social Security retirement benefits and who are currently in the workforce. Therefore, the proposal for parental benefits would require:

- That eligible parents have worked a minimum of 4 quarters total.
- That eligible parents have worked 2 of the 4 quarters preceding the birth of a child.

HOW MANY WEEKS WOULD SOMEONE HAVE TO TRADE FOR EACH WEEK OF PARENTAL LEAVE?

Analysts are still evaluating the cost implications, but current estimates suggest that for each week of parental leave someone would have to delay retirement benefits by one week. That means that someone who takes 12 weeks of parental leave would have to wait about 3 months after their 67th birthday to be eligible for Social Security retirement benefits.

HOW MUCH WOULD THIS PROPOSAL COST?

Under this proposal:

- An estimated 2 million parents per year would receive approximately \$7 billion in parental benefits. This is a drop in the bucket considering over 60 million Americans currently receive more than \$950 billion in Social Security benefits each year.
- The long-term cost would be zero: Social Security Earned Benefits are ultimately self-financing because the cost of providing parental benefits would eventually be offset.

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HOW MUCH MONEY WOULD WORKERS GET IN PARENTAL LEAVE BENEFITS?

This plan:

- Would replace typically 45 percent of the wages for new parents earning an average wage. (For example, an average-wage worker would receive \$1,175 per month.)
- Would give lower-income workers higher relative benefits compared to their wages—up to a 90 percent replacement rate.
- Is comparable to, and in some cases more generous, than the average benefits provided by other nations as a percent of income (UK, 30.9 percent, and Canada, 48.4 percent).

HOW MANY PEOPLE WILL BENEFIT?

Many workers in the U.S. already have access to paid leave benefits at work. But this proposal could provide an important support for those who want it and need it:

- Even if just 12.5 percent of eligible parents participated, that would amount to about a million new parents who would receive Social Security Earned Benefits.
- This would enable these individuals spend invaluable time caring for their new child.

DOES THIS PLAN EXPAND THE ROLE OF GOVERNMENT?

No. This plan:

- Would not require a new tax or additional taxpayer funding.
- Would not create a new bureaucracy, but would function within an existing program.
- Would not create any new requirements or mandates on employers.
- Would not provide any new benefit to ineligible (non-working) parents.

HOW WILL FAMILIES BE IN CONTROL OF THEIR PAID LEAVE?

This proposal:

- Allows working parents to make a tradeoff: They must agree to postpone their own retirement benefits in exchange for parental benefits.
- Does not place responsibility for paid family leave on other workers (non-parents).
- Builds on the concept that money paid into Social Security belongs to workers.
- Would offer new parents a new option to access benefits they've earned.
- Would especially benefit families living paycheck-to-paycheck, who need to access their benefits now.

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HOW WOULD THIS PLAN AFFECT EXISTING BENEFITS OFFERED BY EMPLOYERS?

The plan:

- Would be strictly voluntary, only affecting working parents who choose to use it.
- Would not change the existing compensation structures for workers.
- Would not displace private arrangements between employers and workers:
 - Today, in the absence of any federal paid leave policy, many employers offer generous paid leave benefits in order to attract and retain workers.
 - Parental benefits would only provide partial income replacement, and would therefore be of most help to workers without any on-the-job paid leave benefits.

HOW WOULD THIS PLAN IMPROVE ECONOMIC OPPORTUNITY FOR WOMEN?

This plan would require no new taxes or mandates, meaning it would not discourage jobs. In fact, research shows that women who have paid leave benefits are more likely to return to work after having a child and to work more hours per week after returning to work.

Other proposals aimed at expanding paid leave would hinder women's outcomes:

- A mandate on employers raises costs, making it harder for businesses to hire and retain workers.
- A new entitlement program—such as the one proposed in the FAMILY Act—would require new funding in the form of increased payroll taxes, which would take resources away from workers and businesses.

FIND THIS ONLINE AT:

<https://www.iwf.org/2018/01/29/faq-a-new-simple-solution-for-paid-family-leave/>

MISPERCEPTIONS V. FACTS ON SOCIAL SECURITY EARNED LEAVE

MISPERCEPTION: *This plan will harm the Social Security program.*

FACT: The plan is designed to be self-financing. In other words, workers who opt in will pay for these benefits themselves in the form of delayed retirement benefits. There will be an upfront cost, as today's young parents take advantage of parental benefits. It will be decades before they make up for this cost in the form of delayed retirement. **But the plan will have no effect on Social Security in the long run, and it will not change anything about retirement benefits for those who do not opt in.**

MISPERCEPTION: *This plan is unfair to large families.*

FACT: We want to support families of all shapes and sizes. Of course, with or without this plan in place, larger families face more expenses. The number of weeks that workers take in parental benefits corresponds to the number of weeks their retirement benefits will be delayed. The choice is up to workers and doesn't depend on family size.

MISPERCEPTION: *This plan hurts women's retirement.*

FACT: The plan is gender neutral, meaning women and men are both invited to use parental benefits. We know that women are more likely to take advantage of family leave, but the choice is left to each individual worker and family. After the initial delay in retirement benefits, nothing else changes for women or men who choose to opt in to the parental benefits program.

MISPERCEPTION: *This plan penalizes people for prioritizing family over work.*

FACT: All workers must pay into Social Security. This plan gives workers a choice: use parental benefits now in exchange for delayed retirement benefits, or do nothing and keep the same retirement date. This plan doesn't create a new penalty; it creates a new (completely optional) opportunity. Interestingly, workers who use paid parental leave are more likely to return to work and work more hours afterward. In this way, paid parental leave is a win-win for both priorities: our family and our work lives.

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MISPERCEPTION: *This plan won't do enough to help working families.*

FACT: This plan replaces pay during parental leave according to the Social Security disability formula. This means the average wage worker will receive 45 percent of her normal pay in parental benefits. This is similar to what social programs in other countries provide: In Canada, the average wage replacement is 48 percent. In the U.K., it is 31 percent. The disability formula is progressive, meaning lower income families would receive more (up to 90 percent of their normal pay) in parental benefits.

MISPERCEPTION: *The FAMILY Act is a better solution than this plan.*

FACT: Americans should be informed about the important differences between the Social Security Earned Benefits plan and the FAMILY Act:

- **The FAMILY Act is unaffordable.** It would raise taxes on all workers (for example, by about \$200 per year for a worker earning \$50,000, according to projections from the sponsors of the legislation). Even this optimistic cost projection means all workers would be left with thousands less at retirement

age—not just those who use parental leave.

- **The FAMILY Act makes poor people pay for a middle and upper class entitlement.** For example, if a married couple earning \$200,000 used benefits for two children, taxpayers would provide this family with nearly \$50,000 in total benefits. On the other hand, a low-income worker who may never need paid parental leave would be taxed in order to pay for this high-income family's \$50,000 government bonus. Is that really fair?
- **The FAMILY Act will discourage employers from offering paid leave and other flexible arrangements.** If employers must pay a payroll tax to fund the FAMILY Act, which will provide paid parental leave, they will be less likely to offer additional benefits (this would be like providing/paying for these benefits twice). The Social Security proposal does not face this problem. Because it requires participants to trade off their retirement benefits for parental benefits, employers would still be benefitting their workers by adopting their own paid leave programs under which new parents could avoid this trade off.

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MISPERCEPTION: *This plan creates a new entitlement, expanding the scope of government.*

FACT: This proposal does not create a new government entitlement. It injects a little bit of freedom into an entitlement that already exists, expanding the scope of individual choice for those who pay into Social Security. For most Americans, the problem is not that they cannot afford the cost of paid parental leave in general, the problem is that they can't afford it *right now*. American workers do not need a government handout; they just need an affordable means of financing their paid parental leave.

MISPERCEPTION: *This plan will increase dependence on government.*

FACT: To the contrary, this plan could decrease the number of people who look to other welfare programs during a time of financial strain: Nearly 17 percent of workers who lack access to paid parental leave and need it go on government assistance to finance their paid leave - and this number jumps to nearly 50 percent for low-income individuals. These individuals don't necessarily want government handouts, but it's understandable that they would do anything they could to do their best

by their newborn child. This plan could allow more Americans to stay financially secure and self-sufficient.

MISPERCEPTION: *Workers should just save on their own for unpaid time away from work.*

FACT: This plan is built on the idea of personal responsibility—thus the individualized retirement tradeoff. Yes, it would be best if every American family could save for all the expenses related to a new baby, including time away from work, and save for retirement at the same time. However, the Social Security program takes 12 percent of every worker's paycheck, making it harder to save for more immediate needs, and forcing workers to prioritize retirement savings over other savings. This plan alleviates this restriction and gives workers freedom over benefits they have earned.

MISPERCEPTION: *Social Security's finances are already strained. We need to address that before adding options*

FACT: Paid leave aside, the Social Security program is in dire financial straits and needs reform. This is true now and will remain true if/when the parental leave

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option is implemented. However, this isn't a reason to avoid modernizing the program in a fiscally responsible way. Importantly, reforming Social Security to provide paid leave will discourage policymakers from creating another entitlement program with a new payroll tax, which would make it harder for workers to shoulder any additional burdens associated with Social Security in the future.

struggle to make ends meet. Paid family leave is associated with family wholeness, better health outcomes for mothers and children, and improved overall wellbeing. This plan could offer millions more Americans access to these benefits. As conservatives, we should delight in any program that is both pro-family and consistent with limited government principles. This plan is exactly that.

MISPERCEPTION: *Americans don't need this plan.*

FACT: It's true that many American families are doing just fine without this plan: Some families have opted to keep a parent at home, eliminating their need for paid leave. Some families do not have children. Some families already have access to on-the-job paid leave benefits, and the trend is in the direction of more and more generous employer-provided paid family leave. This is good news! None of these families would be affected by this plan.

However, other families face a significant hurdle after the birth of a new child. They have no paid leave benefits, they live paycheck-to-paycheck, and they

Americans want people to have paid time off from work after the birth of a child and are debating the best way to help give people greater access to such benefits. Take this quiz and find out what you know about the leading proposals to expand paid family leave.

1. HOW WOULD THE NEW SOCIAL SECURITY EARNED BENEFITS PLAN WORK?

- A)** Workers would all pay a new tax to fund 12 weeks of paid family leave benefits for each worker welcoming a new family member.
- B)** Employers would have to offer all employees paid family leave.
- C)** Workers could draw benefits out of Social Security for 12 weeks of family leave in exchange for delaying their retirement by a similar amount of time.

2. TRUE OR FALSE: UNDER THE SOCIAL SECURITY EARNED BENEFITS PLAN, EVERY WORKER WILL HAVE TO DELAY RETIREMENT TO MAKE UP FOR THE COST OF PAID FAMILY LEAVE.

- A)** True
- B)** False

3. HOW WOULD SOCIAL SECURITY EARNED BENEFITS BE FUNDED?

- A)** A new tax on baby formula
- B)** A new tax on employers
- C)** A new tax on employees
- D)** No new taxes—the plan is budget-neutral due to the tradeoff workers make

4. HOW MANY WORKERS ARE LIKELY TO BENEFIT FROM THE SOCIAL SECURITY EARNED BENEFITS PLAN EACH YEAR?

- A)** Approximately 150 million Americans, or everyone in the workforce
- B)** Approximately 8 million Americans, the number of new parents
- C)** Approximately 1-2 million Americans
- D)** Approximately 10,000 Americans

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5. WHAT WOULD BE THE BENEFITS OF SOCIAL SECURITY EARNED BENEFITS FOR WORKERS WHO LACK PAID LEAVE?

- A) It will encourage them to return to work, instead of quitting their jobs
- B) It will replace up to 90% of wages for lower income workers for 12 weeks following the birth of a child
- C) It will reduce their need for other forms of government assistance, allowing them to stay self-sufficient
- D) It will help them spend more time with new babies following birth, which is associated with better health outcomes for parents and children as well as family wholeness and overall well being
- E) All of the above.

Q1 ANSWER: C) Workers could draw benefits out of Social Security for 12 weeks of family leave in exchange for delaying their retirement by a similar amount of time. Answer choice (A) actually describes another proposal, the FAMILY Act, which would impose a new payroll tax on all workers to fund paid family leave.

Q2 ANSWER: B) False. This program is completely voluntary. Only those who opt in to “parental benefits” will see any change to their retirement date. Other workers will

not see any change to their compensation, tax burden, benefits or retirement date.

Q3 ANSWER: D) The Social Security Earned Benefits plan would impose no new taxes. The program is self-financing over the long run, because workers who opt to take parental benefits agree to delay their own retirement benefits for a similar amount of time. This means that Social Security benefits for current and future retirees will be protected. This plan will not harm the Social Security program.

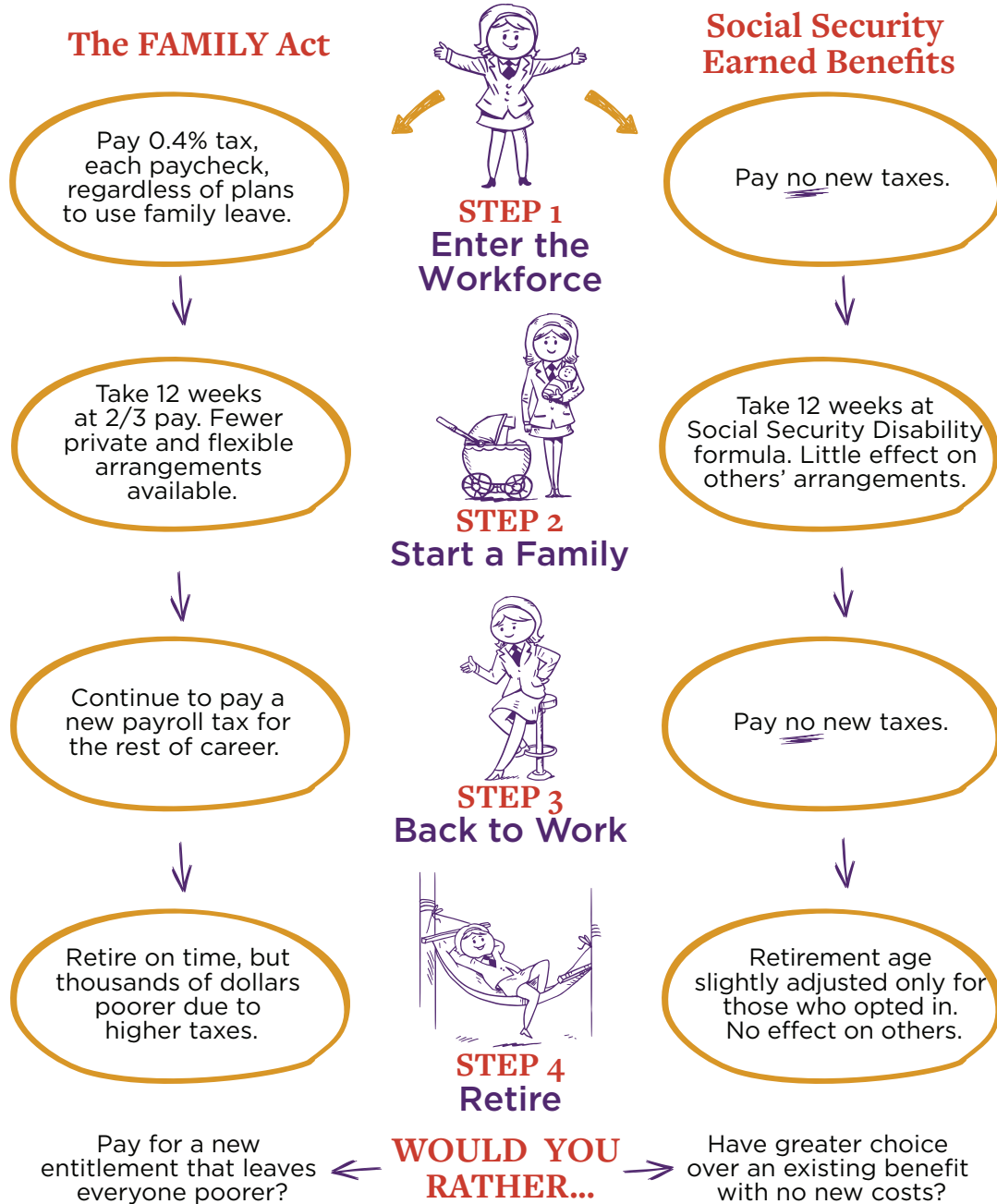
Q4 ANSWER: C) Approximately 1-2 million Americans. Many Americans do not need Social Security Earned Benefits, either because they have no new babies, because they have a stay-at-home parent, or because they have a job that already offers paid family leave. Good for them! They would not be impacted by the plan at all. But for those 1-2 million working parents who lack a good option, Social Security Earned Benefits would offer them a new choice for how to receive the benefits they are working so hard to earn through Social Security.

Q5 ANSWER: E) All of the above.

FIND THIS ONLINE AT:

<https://www.iwf.org/2018/02/26/quiz-what-do-you-know-about-the-nations-best-new-paid-leave-plan/>

INFOGRAPHIC: TWO PATHS FORWARD ON FAMILY LEAVE



The Choice is Yours!

FIND THIS ONLINE AT: <https://www.iwf.org/2018/03/02/graphic-the-family-act-or-social-security-earned-leave/>

*POLICY FOCUS: A BUDGET-
NEUTRAL APPROACH TO
PARENTAL LEAVE*



SINCE THIS POLICY FOCUS WAS PUBLISHED IN JANUARY 2018, ANALYSTS HAVE CONTINUED TO EVALUATE THE BUDGET IMPLICATION TO IDENTIFY HOW MANY WEEKS OF RETIREMENT WOULD NEED TO BE DELAYED TO OFFSET THE COSTS OF PARENTAL LEAVE. CURRENT ESTIMATES SUGGEST THAT EACH WEEK TAKEN IN LEAVE WOULD REQUIRE A WEEK OF RETIREMENT DEFERRAL.

FIND THIS ONLINE AT:

http://pdf.iwf.org/budget-neutral_approach_parental_leave_PF18.pdf