



# Social Security Parental Leave

## *Addressing Concerns*

### **CHARGE**

The free market can handle paid leave—the government doesn't need to get involved.

### **RESPONSE**

The recent tax cuts confirmed that businesses want to better support their workers when they can afford to do so. But many businesses cannot afford to give employees paid parental leave, and there are many workers who do not have paid parental leave and face real hardships. About half of those low-income employees who lack paid parental leave benefits end up on other forms of government assistance.

Many new mothers also end up quitting their jobs entirely when they lack paid time off, which reduces earnings and makes them more financially vulnerable in the future. That is why it is important for a program to help those who need it, without displacing private leave programs. That is what the Social Security Paid Leave program does.

The benefits of Social Security Paid Leave are clear:

- It is budget-neutral, gender-neutral, and completely voluntary.
- It requires no new taxes.
- It would give people the ability and freedom to access the benefits they've earned through a government program that already exists.
- It would not change the existing compensation structures for workers or displace private arrangements between employers and workers.

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### **CHARGE**

Paid parental leave threatens Social Security's financial stability and speeds up insolvency of the Trust Fund.

### **RESPONSE**

This paid leave program is designed to be budget neutral over the long term since workers who opt to take parental benefits pay for themselves by delaying their retirement benefits in the future. There will be an upfront cost, as today's young parents take advantage of parental leave benefits. 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.

The legislation requires that Congress transfer funds from the general treasury to the Social Security Trust Fund to compensate for any reduction in revenue in the Trust Fund. It is also important to keep these costs in perspective: if 2 million parents use this option, that would cost roughly \$8 billion per year. That is a very modest investment, compared to Social Security's \$950 billion in other benefit payments.

It's also important to look beyond just Social Security's finances to how this would impact taxpayers more broadly. And the good news is that giving people access to paid parental leave could decrease the number of people using other public welfare programs. Currently, nearly 17 percent of workers who lack access to paid parental leave go on government assistance to finance their paid leave – and this number jumps to nearly 50 percent for low-income individuals. Far better for these people to access a benefit through Social Security—which they then payback through delayed retirement benefits—than to use these forms of public assistance.

Paid leave aside, the Social Security program needs broader reforms to address its long-term financial imbalance. This is true now and will remain true if/when the paid parental leave option is implemented. However, this is not a reason to avoid modernizing the program in a fiscally responsible way.

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## CHARGE

Incorporating paid leave into Social Security would discourage other needed changes.

## RESPONSE

Social Security Paid Leave will encourage all Americans to think about the social safety net differently. Because workers are making a tradeoff—delaying their own retirement in exchange for using benefits now—the plan underscores that these benefits come with a cost.

With more people vested in the overall health of the program at more stages of life, they may be more open to changes to slow the growth of future benefits or modestly cut benefits for higher earners—especially if they have a greater ability to customize the timing of when they use those benefits.

Once people become accustomed to the idea of opting to push back their retirement age, it may become less difficult to gradually raise the normal retirement age to reflect increases in longevity.

Policymakers should consider how to modernize the existing safety net so that it is used more efficiently today. We should consider more ways to give beneficiaries of all government programs greater freedom and choice.

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## CHARGE

Social Security was supposed to be about retirement and shouldn't become a piggy bank for *other needs*. If we start with paid parental leave, what's next?

## RESPONSE

Social Security was created in 1935 to provide financial support to people who were too old to work. That's an important mission and one that remains central to Social Security. However, people's working conditions, health, and lifestyles have changed drastically over the last 80 years.

For one, people are living much longer, so the Social Security retirement age is now comparatively young. More people also are working parents and face some of their greatest financial pressures earlier in their lives. They tend to be more financially secure and are willing and able to continue working at what is considered retirement age under Social Security.

If some workers today believe that their need for income support is greater in the weeks following the birth or adoption of a child than it will be at the retirement age of 67—and they are willing to make the tradeoff so the overall value of their Social Security benefits is unchanged—then the government should not prevent them from making that choice.

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## **CHARGE**

It's unfair to ask people to trade time off during retirement for family leave.

## **RESPONSE**

Tradeoffs are already at the core of our Social Security program. The Social Security benefit is already calculated based on how much someone chooses to work and earn—and when they choose to retire.

Just as people who take time out of the workforce today do so with the understanding that they may then qualify for a lower retirement benefit, people who decide to take the parental paid leave benefit will do so knowing that this will delay their date of eligibility for retirement. It is a tradeoff of taking 12 weeks for paid parental leave in exchange for delaying retirement by 12 weeks.

This tradeoff is important to making sure that this program is fair for everyone—and that employers continue to offer paid leave benefits on their own. Anyone who doesn't think this is a good deal can elect not to take the paid parental leave benefit. Additionally, people who opt to take parental leave and delay their retirement will still be eligible for Social Security benefits at a relatively young age for retirement by historical standards.

Social Security Paid Leave lets individual American workers decide how they use their Social Security benefits. It's a tradeoff of time now versus later. And, again, it's completely voluntary. Social Security Paid Leave gives American workers greater freedom and choice regarding how and when they receive their hard-earned benefits.

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## **CHARGE**

Government involvement in paid leave programs would discourage private businesses from offering benefits on their own and create less flexible workplaces.

## **RESPONSE**

The Social Security Paid Leave program would not change the existing compensation structures for workers or displace private arrangements between employers and workers. It is completely voluntary and is a tradeoff of approximately 12 weeks. Compared to other approaches, like the creation of a new stand-alone entitlement program, the Social Security Paid Leave proposal is much less likely to crowd out private action or encourage discrimination.

Since employees would be making a tradeoff of delaying future retirement benefits and taking Social Security benefits early for parental leave, employees would still want and benefit from employer-provided paid parental leave. Employer-provided paid parental leave would give businesses that offer such benefits a competitive advantage in attracting and retaining valuable workers.

Employers would face no new costs in administering or paying for those who elect to use Social Security Paid Leave, other than temporarily in using replacement workers, a problem that they would have often faced even in the absence of the Social Security Paid Leave benefits.

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## CHARGE

Social Security Paid Leave only addresses parental leave. We need more robust family leave, like the FAMILY Act.

## RESPONSE

One-size-fits-all policies do not serve American families very well. Unlike proposals like the FAMILY Act, Social Security Paid Leave takes a one-size-fits-all policy (Social Security) and adds a measure of flexibility to it.

Americans should be informed about the important differences between the Social Security parental 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 of dollars less at retirement age—not just those who use paid parental leave.
- The FAMILY Act makes low-income people pay for a middle and upper class benefit. 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, as this would be like providing and paying for these benefits twice. The Social Security Paid Leave proposal does not face this problem. Since it requires participants to trade off their retirement benefits for parental leave benefits, employers would still be helping their workers by offering their own paid leave programs.