



SOCIAL SECURITY  
PARENTAL LEAVE  
Communications Kit

**A New, Modern Approach to Paid Leave**

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## OVERVIEW

Social Security Parental Leave is a proposed solution to expand access to paid parental leave benefits without raising taxes, growing the government, or hurting workers' economic opportunities. It would offer new parents the opportunity to receive early Social Security benefits for parental leave in exchange for delaying the collection of retirement benefits by an equal amount of time.

### WHY?

- Paid parental leave is associated with positive health benefits, family wholeness, and economic benefits, including strengthened labor force attachment (particularly among women).
- While some U.S. workers have access to paid leave, many have either no leave or unpaid leave, as guaranteed by the Family and Medical Leave Act. Importantly, virtually half of all U.S. families live paycheck-to-paycheck, making it difficult to take unpaid leave. Many end up turning to other forms of public assistance when they have to take time off from work after having a child. The public assistance programs that they use (and that taxpayers pay for) don't come with a tradeoff of deferred retirement benefits. Reducing dependence on those safety net programs would save taxpayers money.
- With the rising costs of living and childcare, many younger workers find they need support more when welcoming a new family member, and are willing to work a few extra months at the relatively low retirement age of 67. Social Security Parental Leave lets individual workers make that decision for themselves.
- American families and workplaces have grown more diverse and versatile. We need a flexible paid leave policy designed for the 21st century workforce.
- This policy would be a win-win for all: women and families, employers and employees, as well as the economy and job market.

### HOW IT WOULD WORK:

Congress can reform Social Security so that new parents can choose to receive paid parental leave benefits in exchange for deferring the collection of their Social Security retirement benefits.

- **Eligibility:** Parents must have worked a minimum of 12 quarters total, or 2 of the 4 quarters preceding the birth or adoption of a child.
- **Benefit Levels:** Benefits would be calculated using Social Security's formula. A \$30,000 per year employee would receive a benefit of about \$4,000 to help pay for time off from work to care

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for his/her child.

- **Tradeoffs:** Workers who use paid parental leave will delay receiving retirement benefits by about three months to offset the costs of their benefits. So the program will be budget neutral over the long term.
- **Number of Beneficiaries:** Many workers already have access to paid leave benefits at work. But this Social Security Parental Leave option would help those who lack paid leave, particularly those with lower incomes. If just 12.5 percent of eligible parents participated, then about one million new parents would receive Social Security benefits for parental leave.

## BENEFITS OF THIS APPROACH TO PARENTAL 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 that workers are already paying into, Social Security. The Social Security Parental 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.
- **Responsible:** It would not create a new bureaucracy, new tax, or new burdens on employers. And it would not change the existing compensation structures for workers or displace private arrangements between employers and workers.
- **Secure:** Social Security retirement benefits would be protected. Parental leave benefits would not affect the long-term health of the Social Security program.
- **Individualized:** It allows working parents to make a tradeoff: They agree to postpone receiving their retirement benefits in exchange for receiving parental leave benefits. It does not place responsibility for paid parental 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.
- **Flexible:** It would give working parents the flexibility and freedom to access the benefits they have already earned through a program that already exists (Social Security).

# FREQUENTLY ASKED QUESTIONS AND... SUGGESTED ANSWERS

## WHAT IS THE SOCIAL SECURITY PARENTAL LEAVE PROPOSAL?

Social Security Parental Leave is a proposed solution to expand access to paid parental leave without raising taxes, growing the government, stifling businesses, or hurting workers' financial opportunities.

## HOW WOULD THE PLAN WORK?

Policymakers could reform the Social Security program so that eligible new parents could choose to receive paid parental leave benefits in exchange for deferring the collection of their Social Security retirement benefits for a brief period of time, 12 weeks.

## HOW WOULD WORKERS BECOME ELIGIBLE FOR PARENTAL LEAVE?

Workers would earn parental leave benefits by paying Social Security payroll taxes and agreeing to defer their retirement benefits. Therefore, 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 leave benefits would require:

- That eligible parents have worked a minimum of 12 quarters total OR
- That eligible parents have worked 2 of the 4 quarters preceding the birth of a child.

## HOW MUCH WOULD THIS PROPOSAL COST?

Under this proposal:

- An estimated 2 million parents per year would receive approximately \$8 billion in parental leave 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, or compared to our \$3 trillion national budget.
- To make sure that the Social Security Trust Fund balance is not affected by these upfront costs, Congress could credit Social Security with these revenues by transferring resources from the General Treasury.

The long-term cost would be zero. Social Security Parental Leave is ultimately self-financing, because the cost of providing parental leave benefits would eventually be offset by workers delaying retirement benefits.

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## HOW MANY PEOPLE WOULD BENEFIT?

Many workers in the U.S. already have access to paid leave benefits at work. But this proposal would provide important support to those who want and need it and don't have access to paid leave:

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

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## WOULD 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; it would function within an existing program (Social Security).
- Would not create any new requirements or mandates on employers.
- Would not provide any new benefit to ineligible (non-working) parents.

## HOW WOULD PARENTS BE IN CONTROL OF THEIR PAID LEAVE?

This proposal:

- Would allow working parents to make a tradeoff: They must agree to postpone their own retirement benefits by 3 months in exchange for receiving parental leave benefits.
- Would build on the concept that money paid into Social Security belongs to workers.
- Would offer new parents the choice, freedom, and flexibility to access benefits they've already earned.
- Would especially benefit families living paycheck-to-paycheck, who need access to 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 place responsibility for paid parental leave on other workers.
- Would not change the existing compensation structures for workers.
- Would not displace private arrangements between employers and workers.

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Today, in the absence of any federal paid leave policy, many employers offer paid leave benefits in order to attract and retain workers. Social Security Parental Leave would only provide partial income replacement for three months after a child is born and, therefore, would be of most help to workers without any on-the-job paid leave benefits.

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## **HOW WOULD THIS PLAN IMPROVE ECONOMIC OPPORTUNITY FOR WOMEN?**

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

In contrast, 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, businesses, and families.

# MISPERCEPTIONS V. FACTS ON SOCIAL SECURITY PARENTAL LEAVE

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

**FACT:** The Social Security Parental Leave 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.

Social Security Parental Leave 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 pay back 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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**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 times that workers take parental leave

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benefits will determine how many months their retirement eligibility is delayed. The choice is up to workers and doesn't depend on family size.

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

**FACT:** The plan is gender neutral, meaning women and men are both invited to use parental leave benefits. We know that women are more likely to take advantage of paid parental leave, but the choice is left to each individual worker and family. We also know that women are more likely to return to work if they have access to paid leave benefits, which could lead to increased earnings and a more secure retirement. Other than the delay in eligibility for retirement benefits, nothing else changes for women or men who choose to use the parental leave benefits program.

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**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 delaying access to retirement benefits by 3 months, or do nothing and keep the same retirement date. This plan doesn't create a

new tax, mandate, or penalty. It creates a new and completely optional opportunity. Interestingly, workers, particularly women, who use paid parental leave are more likely to return to work and work more hours after having a child. In this way, paid parental leave is a win-win for both priorities: our family and our work lives.

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

**FACT:** Americans should be informed about the important differences between the Social Security Parental Leave 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 low-income people pay for a middle and upper class benefit.** For example, if a married couple earning \$200,000 used family leave benefits for two children, taxpayers would provide this family with nearly \$50,000 in total benefits. On the other

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hand, a low-income worker who may never need paid parental leave would be taxed in order to pay for this middle-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 family leave, they will be less likely to offer additional benefits to employees. This would be like providing and paying for these benefits twice.

The Social Security Parental Leave proposal would not face this problem. This proposed policy would require that participants agree to delay receiving retirement benefits in exchange for receiving parental leave benefits from Social Security. It is a tradeoff of three months now versus later. So employers would still be supporting their workers by offering their own paid leave programs under which new parents could avoid this tradeoff.

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

**FACT:** The Social Security Parental Leave proposal does not create a new government entitlement. Instead, it injects more flexibility

and freedom into a program that already exists; therefore, 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 a hand up and an affordable means of financing their paid parental leave.

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**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 yet need access to paid parental leave go on some form of 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 is understandable that they would do anything they could to support their newborn child. The Social Security Parental Leave plan could allow more Americans to stay financially secure and self-sufficient, while taking care of their newborn child.

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

**FACT:** This Social Security Parental Leave 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, this isn't realistic given the rising costs of living and childcare. And 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. The Social Security Parental Leave plan alleviates this restriction and gives workers freedom, flexibility, and access to benefits they have already earned.

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

**FACT:** Paid leave aside, the Social Security program needs reform to address its long-term financial imbalance. This is true now and will remain true if/when

the parental leave 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 parental 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. And the Social Security Parental Leave 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.

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**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 heading in the direction of more and more employer-provided paid family leave. This is good news! None of these families would be affected by this plan.

However, many 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 struggle to make ends meet. Others have difficulty finding and accessing reliable, credible, and cost-effective childcare options. Paid parental leave is associated with greater family unity, better health outcomes for mothers and children, and improved overall well-being.

The Social Security Parental Leave plan could offer millions more Americans access to these benefits. We should applaud any program that is pro-family and pro-business, as well as consistent with limited government principles. This plan is exactly that.

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 parental leave.

### 1. HOW WOULD THE NEW SOCIAL SECURITY PARENTAL LEAVE PLAN WORK?

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

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

- A) True
- B) False

### 3. HOW WOULD SOCIAL SECURITY PARENTAL LEAVE 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 PARENTAL LEAVE 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 PARENTAL LEAVE 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.

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**Q1 ANSWER: C) Workers could draw benefits out of Social Security for 12 weeks of parental 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 leave” 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 Parental Leave 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.

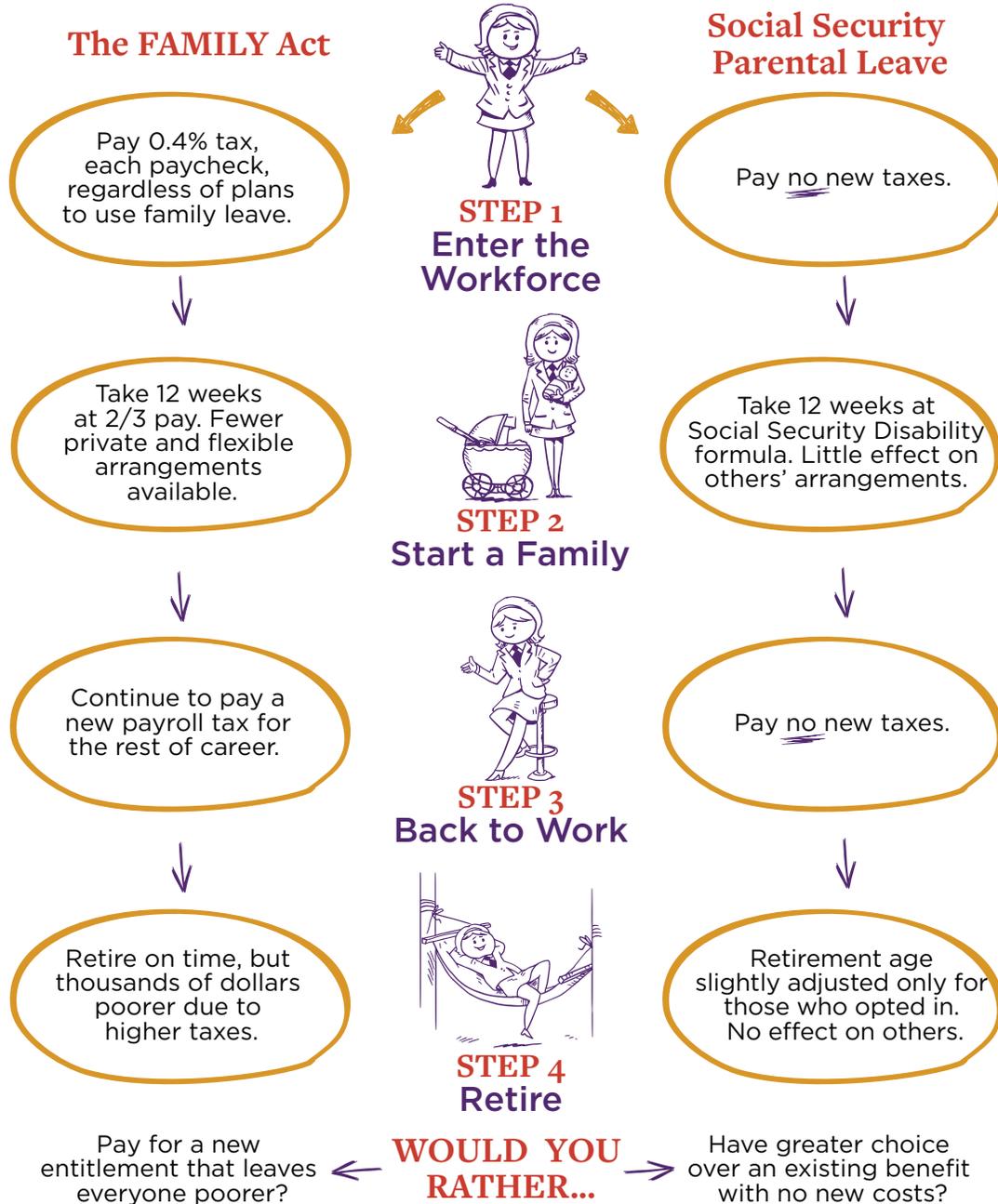
**Q4 ANSWER: C) Approximately 1-2 million Americans.** Many Americans do not need Social Security Parental Leave, because they have no new babies, they have a stay-at-home parent, or they have a job that already offers paid family leave. Good for them! They would not be impacted by the plan at all. But for those 1-2 million working parents who lack a good option, Social Security Parental Leave 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:**

<http://iwf.org/blog/2805919/QUIZ:-What-Do-You-Know-About-The-Nation's-Best-New-Paid-Leave-Plan->

# INFOGRAPHIC: TWO PATHS FORWARD ON PARENTAL LEAVE



**The Choice is Yours!**

FIND THIS ONLINE AT: <http://iwf.org/publications/2805963/Graphic:-The-FAMILY-Act-or-Social-Security-Parental-Benefits-->