independent Women's Forum

— FREQUENTLY ASKED QUESTIONS —

Social Security Parental Benefits

What are Social Security Parental Benefits?

Social Security Parental 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.

Workers could get up to 12 weeks of paid parental benefits in exchange for postponing retirement benefits by six weeks. How does this work out?

This is based on a preliminary estimate. The math works out because:

- New parents (younger workers) typically have lower incomes than retirees (65 and up). Income level determines the amount of parental or retirement benefits due to workers. Thus, the average parental benefit under the proposal will likely be substantially lower than the average retirement benefit.

The proposal tentatively uses 12 weeks as a family leave period to mirror the Family Medical Leave Act, which mandates that many employers provide 12 weeks of unpaid leave. If policymakers (or workers) choose to lengthen or shorten the leave period for parental benefits, the deferment period for retirement benefits could also be adjusted correspondingly.

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 parental benefits are ultimately self-financing because the cost of providing parental benefits would eventually be offset.

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 parental 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.

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.

Where can I learn more about this proposal for Social Security Parental Benefits?

Visit **IWF.org** and read our Policy Focus entitled "A Budget-Neutral Approach to Paid Leave" and tell your friends and family about it. Let us know what you think on social media.