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Protecting Workers and Their Families with Paid Family Leave and Caregiving Credits

Why Social Security Should Guard Against 21st Century Economic Insecurities

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Introduction and summary

The most salient fact about the economic reality for families today is that two-thirds of families rely on the earnings of women to stay afloat.[1] This became increasingly evident in the 1980s and 1990s but came to dominate everyday economic family life in the 21st Century.

Yet despite the heightened importance of women's earning power for today's families, women continue to face real barriers to staying in the labor market at the same earnings level when family caregiving needs arise, including the birth of a child or the serious illness of a family member. In fact, women are more likely than men to leave a job or shift from full-time to part-time work when they have a child.[2] Women are also more likely to leave a job or make the shift from full-time to part-time work in order to provide ongoing care to an elderly, ailing parent.[3] Many women are left with little option but to make such a choice as they face workplaces with no paid family leave policies or inflexible scheduling practices.

The consequences of these decisions can lead to a lifetime of greater economic insecurity for these women and their families. As workers with care responsibilities withdraw from the workforce or limit their time at work, they bring home less income in the short run, are less likely to earn raises and promotions at the same pace as those without care responsibilities, have more restricted access to workplace retirement benefits, earn less in Social Security retirement benefits, and accumulate lower lifetime earnings.[4] This quadruple whammy means too many American middle-class families today are treading water or worse throughout their working lives without adequate savings for retirement, while those families struggling to enter the middle class can barely stay afloat.

But it doesn't have to be this way. If workers of both sexes have access to paid, job-protected family leave upon the birth of a child or the serious illness of a family member, then they are much more likely to be able to return to the workforce and to have higher earnings over their lifetimes.[5] The problem is that the United States is an outlier among developed nations in that it does not have a national paid family leave program. Our nation's social insurance system—most importantly at the federal level with Social Security—provides no paid family leave benefits to help workers remain in the workforce.

Furthermore, caregivers who must temporarily leave the workforce to provide care stop earning credits toward Social Security retirement benefits while they are out of the labor force providing family care. This means they are penalized immediately because of lost daily income and over the long haul due to the loss of Social Security retirement income.

Over the past several decades, in considering needed changes to the way Social Security treats family caregivers, advocates for women's equality and social reformers have focused their energies on the need to improve Social Security retirement benefits.[6] These proposals—often called Social Security caregiving credits—either limit the Social Security penalty for time spent out of the labor force to provide family care or require Social Security to deem the time off to provide care as paid for the purposes of receiving credit toward Social Security retirement income.

Social Security caregiving credits would provide greater retirement security for those workers, especially low-income, unmarried workers who leave the workforce (or significantly reduce their hours) to provide care for their kids or elderly relatives, but these credits alone will not do enough to provide economic security for today's family caregivers. These credits would definitely help workers who, upon retirement, would receive Social Security based on their entire work experience, including their working years in the labor force and their unpaid caregiving for their families.

But that is only part of the solution for dual-income or single-parent families in today's economy. This majority of American families needs a solution to assist caregivers who require immediate income security at the time they leave their jobs to provide care. This in turn means they need to be able to take short-term leaves of absence from work but ultimately stay in the workforce, which would improve their short-term and long-term income security.[7]

This paper makes the case that the best way to provide insurance against the risks of lost income due to family care is to modernize Social Security in two ways to account for the needs of today's families:

- Provide all workers with paid family leave through the Social Security system.

- Credit unpaid family caregivers with Social Security retirement benefits when they take leave to care for family members.

This report will detail why Congress should enact both of these changes, but here is a brief summation of our analysis and recommendations.

Provide all workers with paid family leave through the Social Security system

Leaving a job to provide temporary care for a child or elderly relative falls predominantly on women.[8] Fewer women today spend multiple years entirely out of the labor force providing care, but those who do are disproportionately low-wage workers.[9] One of the primary reasons that low-wage workers remain out of the labor force longer is that they do not have access to paid family leave or to affordable child care.

Some states have been making progress implementing new paid family leave programs, in some cases building on existing short-term medical leave programs,[10] but ultimately all workers in the United States should have access to paid family and medical leave. Two companion papers to this one—"The Effects of Family and Medical Leave on Employment Stability and Economic Security" and "Social Security Cares: How We Can Implement Paid Family and Medical Leave"—provide detailed analysis and recommendations on providing paid family and medical leave through the Social Security system.[11] This paper presents the best way to add paid family leave to Social Security—our country's social insurance system—for family caregiving.[12]

Social Security is at root an intergenerational commitment to provide each other with income insurance when planned and unplanned events in life arise, including retirement and disability. Extending this commitment to the life events that keep 21st century workers out of work, including the arrival of a newborn baby or the sudden or progressive illness of a parent or other relative, is a logical extension of Social Security.

Today the Social Security system does not include insurance against such major life events, an omission that is a relic of how our families and work were structured in the past. Adding paid family leave should be a priority—as a matter of equity, national values, and improving family economic security—as Congress considers updating and stabilizing the Social Security Act for the future.

Credit unpaid family caregivers with Social Security retirement benefits when they take leave to care for family members

Workers who leave the labor force or significantly reduce their hours in the workforce to provide family care should be allowed to earn credits toward Social Security retirement benefits so that they accumulate Social Security savings for their retirement. But this remedy must be coupled with paid family leave in order to provide low-wage workers with the opportunity to stay connected to the labor force in the first place.

In this way, those providing care will earn immediate and long-term income based on the everyday realities of today's workplace, enabling these workers and their families to better thrive and prosper in our economy today. These two Social Security proposals aim to protect families against economic insecurity as they live and work today.

In the pages that follow, this paper will first provide an overview of how Social Security is currently structured to provide benefits to families experiencing an economic shock from the loss of an income earner and the underlying, outdated assumptions in our existing system that families consist of married-for-life couples with one breadwinner and one stay-at-home caregiver. The paper then details the economic consequences faced by workers who have no access to paid family leave and provides a detailed account of why adding this leave to Social Security will improve family economic security.

The paper acknowledges that adding paid family leave to Social Security will not provide more than 12 weeks of help to those low-income caregivers who entirely exit the workforce, and that Social Security caregiving credits must be included in any reform package to ensure that all caregivers at least have access to an adequate retirement income. The paper then concludes with several proposals for how Congress can best support family caregivers against short-term and long-term economic instability.

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