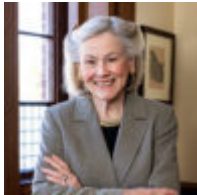


Bad ideas die hard

October 1, 2018

MarketWatch Blog by Alicia H. Munnell



Alicia H. Munnell is a columnist for *MarketWatch* and director of the Center for Retirement Research at Boston College.

We shouldn't use Social Security to finance parental leave

I had hoped that the proposal to use Social Security to finance parental leave had died. Unfortunately, Senator Rubio's "**Economic Security for New Parents Act**" appears alive and well and **was just scored** by the Social Security actuaries.

The Rubio bill would create an option for new parents to use a portion of their Social Security benefits for parental leave after the birth or adoption of a child. The benefit amount would be large enough that parents making below \$70,000 would be able to take two months leave at over 70 percent of their wages. Parents with low incomes would be able to finance longer than three months of leave with the amount of the benefit.

Those parents who elect to receive the parental leave payment would have their normal retirement age (NRA) and their age of earliest eligibility age (EEA) increased. The actuaries estimate that the ratio of months of NRA and EEA increase would be roughly twice the months of parental leave payments received. That is, a person receiving two months of parental leave payments would have their retirement benefits delayed by four months.

Let me be clear, I think that some paid parental leave is a wonderful idea. It would greatly ease the pressure on working women and increase the likelihood that they will return to work. It also results in healthier babies. And, in an era when fertility rates are dropping, it could also increase women's willingness to have more children. Yet paid parental leave is rare in the United States; according to the Bureau of Labor Statistics, **only 13 percent** of private sector workers enjoy such a benefit. The United States is unique among developed countries in not making paid parental leave broadly available.

Although the goal is laudable, reducing future Social Security benefits is not the right method to fund paid parental leave. The key reason is that our retirement income system is already inadequate. Social Security will – under current law – replace less of earnings than it has in the past, because the Full Retirement Age has been increasing from 65 to 67, more households are two earners and thereby not eligible for the spousal benefit, Medicare premiums account for an ever increasing share of benefits, and more households will see their benefits taxed under the personal income tax. Moreover, Social Security faces a 75-year deficit, which could lead to further benefit cuts. The only supplement to Social Security for private sector workers is increasingly a 401(k) plan, and in 2016 401(k)/IRA balances were only \$135,000 for working households with a 401(k) plan approaching retirement (ages 55-64). At any given point, about half of all private sector workers have no workplace retirement plan; many of these will end up solely dependent on a contracting Social Security system.

These proposals would also increase the administrative costs and complexity of the Social Security program, they would create a slippery slope (why not use it to cover periods of unemployment, to pay for college, or as a down-

payment for a house), and they would undermine support for the program by confusing its mission.

It seems amazing to me that Senator Rubio can vote for enormous tax cuts that go mainly to the wealthy and swell the deficit and then identify Social Security cuts as the only way to pay for a much needed program of parental leave for new parents.