

CENTER FOR AMERICAN PROGRESS



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

Why Social Security Should Guard Against 21st Century Economic Insecurities

---

Ann O'Leary April 2012



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

Why Social Security Should Guard Against  
21st Century Economic Insecurities

---

Ann O'Leary April 2012

# Contents

- 1 Introduction and summary**
  
- 5 Social Security's outdated family benefits**
  
- 7 Family economic insecurity caused by serious illness or caregiving**
  
- 12 Reforms must provide paid family and medical leave and caregiving credits**
  
- 17 Conclusion**
  
- 18 About the author and acknowledgements**
  
- 19 Endnotes**

# 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.<sup>1</sup> 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.<sup>2</sup> 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.<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup> 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.<sup>6</sup> 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.<sup>7</sup>

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.<sup>8</sup> Fewer women today spend multiple years entirely out of the labor force providing care, but those who do are disproportionately low-wage workers.<sup>9</sup> 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,<sup>10</sup> 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.<sup>11</sup> This paper presents the best way to add paid family leave to Social Security—our country’s social insurance system—for family caregiving.<sup>12</sup>

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.

# Social Security's outdated family benefits

When most Americans hear the phrase “Social Security,” they think of the retirement benefits provided to workers. While this is by far the largest component of our national social insurance system, the Social Security Act also ensures that our government provides benefits—and thus critical economic stability—to workers who become permanently or long-term disabled, as well as to the families of workers who have retired, died, or become disabled. In 2010 more than 54 million individuals benefited from these programs—nearly 7 million of whom were the spouses and children of retired, disabled, or deceased workers.<sup>13</sup>

As former President Franklin D. Roosevelt said upon the passage of the Social Security Act in 1935:

*We can never insure one hundred percent of the population against one hundred percent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-stricken old age.*

This central tenant of Social Security—protection against loss of income that extended not only to the worker but also to the entire family—has not been updated to account for some of the major risks to income security that modern families (dual-income and single-parent) face, among them:

- The birth of a child
- The illness of a family member
- The short-term illness of a worker

Updating Social Security to account for these types of income loss would simply extend the underlying values of the original Social Security Act—to protect workers and their families. In this paper we focus on the first two economic risks facing families—the birth of a child and the illness of a family member. The support Social Security provides to families is more extensive than many Americans



may realize. Spouses and children receive Social Security benefits when the other spouse or the parent loses his or her job, as well as the accompanying family income, due to retirement, disability, or death, including:

- **Spousal benefits:** A spouse (or, in some cases, ex-spouse) who is age 62 or older is entitled to 50 percent of his or her spouse's benefits when the working spouse retires or becomes disabled if that amount exceeds their own earned benefit. In addition, a surviving spouse who is 60 years old is eligible for 100 percent of the deceased spouse's benefits.
- **Children's benefits:** Children—those who are the natural, adopted, and dependent children or stepchildren of a worker and who are either under 18 or disabled—qualify for children's benefits if the worker retires, becomes disabled, or dies. Children's benefits are equal to half the worker's primary insurance amount while the worker is still alive and 75 percent of the benefit after the worker's death.
- **Mother's and father's insurance benefits:** A spouse who has a dependent child in his or her care and is under the age of 62 also qualifies for 50 percent of the working spouse's benefit when the worker retires or becomes disabled and 75 percent if the working spouse dies.

Policymakers, politicians, academics, and family advocates have examined the efficacy of these family benefits, but most have focused exclusively on the inequities for various classes of women (married versus unmarried; working versus stay-at-home) in the existing system.<sup>14</sup> Largely missing from the analysis is how to ensure that families can receive Social Security benefits for today's greatest economic shocks to the family.

In today's world two-thirds of mothers earn at least 25 percent or more of the family income or are single, working mothers.<sup>15</sup> So what happens when:

- A mother cannot work due to caregiving conflicts?
- One of the two breadwinners becomes seriously ill and cannot work?

The next section of this paper explains why Social Security should ensure that workers who are combining work and care and who may face serious but short-term illnesses themselves, require access to increased economic security during their working years to enhance their short-term and long-term earning power.

# Family economic insecurity caused by serious illness or caregiving

Over the past several decades, our workplace demographics have shifted rapidly, with women making up half of all workers on U.S. payrolls.<sup>16</sup> Similarly, our family structure has changed, with two-thirds of families made up of either single-employed parents or dual-earner parents.<sup>17</sup>

This means that most families no longer have a stay-at-home spouse. In the past if a child or another family member became ill, someone was at home to care for them and nurse them back to health. If the breadwinner became temporarily disabled or unemployed, the stay-at-home spouse could enter the labor force to partially replace the lost family income.

Today, with most adults in families working, very few families have a labor-market substitute-in-waiting who can partially fill the void of lost wages.<sup>18</sup> Yet our workplaces have not been updated to ensure that workers have access to paid sick days or paid family and medical leave.<sup>19</sup>

Instead, each of these unanticipated events means that a working family member must adjust his or her schedule, take a leave of absence (often losing income with no access to paid time off), or leave his or her job. In *The Two-Income Trap*, Elizabeth Warren and Amelia Warren Tyagi estimate that dual-income families in the 2000s were two times more likely to have a family wage earner miss work due to an illness or disability and 10 times more likely to have a wage earner miss work to care for a sick child, than a single-income family in the 1970s.<sup>20</sup>

Of course, this is because when there are two working adults in the family, rather than the one-breadwinner norm of the past, the family automatically doubles their risk of needing to miss work and forgo income due to their own illness or the illness of their child.

For two-parent families, the increase in reliance on women's contribution to the family income, combined with women generally having more restricted access to the benefits that allow them to take time off for their own illness or to combine

work with care, puts families at greater risk of economic peril. In 2009 employed wives in dual-earner families contributed 47 percent of total family earnings.<sup>21</sup> Despite women's greater propensity to provide family care, women have less access to policies allowing them to combine work and care than do men. For instance, 25 percent of working mothers compared to 17 percent of working fathers have no access to any form of paid time off.<sup>22</sup>

For single-parent families, the risk that caregiving will conflict with work is greater.<sup>23</sup> Single parents, who are predominantly women, historically have higher rates of unemployment than other workers.<sup>24</sup> During the recent Great Recession of 2007–2009, the unemployment rate of women in female-headed households rose much faster than it did for all other women.<sup>25</sup> In fact, single-parent households face the highest level of income insecurity.<sup>26</sup> Single-parent families are predominantly low-income families, making it especially challenging to afford safe and enriching child care. Further, the wage earners in these families typically have less access to workplace policies that allow them to address work-family conflict.<sup>27</sup>

These risks of income loss due to one's own illness or the need to care for an ill family member can economically devastate families. In 2001, 25 percent of dual-income families and 13 percent of single-working-parent families who filed for bankruptcy did so after missing two or more weeks of work because of the illness of the worker or another family member.<sup>28</sup>

Not only do unpaid leaves of absences cause immediate and potentially devastating economic shock to families, but such leaves of absence can also have long-term consequences for family economic security, including loss in retirement earnings and negative impacts on future earnings potential. Research shows that significant family care obligations often lead to reduced labor force attachment, which in turn leads to lower lifetime incomes.<sup>29</sup>

Despite this strong evidence of economic insecurity caused by these work interruptions, our country remains one of few industrialized countries with no national system of short-term paid family or short-term disability leave.<sup>30</sup>

---

## Adding paid family leave to Social Security

Adding paid family leave to our nation's primary social insurance system would address the economic instability women experience when faced with caregiv-

ing needs at home and a workplace with limited or no policies supporting paid time off to meet these caregiving needs. A national social insurance system that included paid family leave would reduce the earnings gap between caregivers and noncaregivers in terms of lifetime pay.

Right now mothers face an earnings penalty, meaning women with children earn less than women in comparable jobs with no children.<sup>31</sup> Enabling women to come back to work after a short paid leave will also reduce the gap in economic security in retirement, as a lifetime of greater labor force participation and higher earnings will lead to higher retirement and Social Security benefits, reducing some women's economic insecurity in retirement.

It makes sense to add paid family leave to Social Security because it fits into Social Security's mission to economically stabilize families when both expected and unexpected drops in family income occur. Similar to our country's existing Social Security program, paid family leave is intended to provide families with necessary income security when a family breadwinner must take leave from work due to a work interruption, whether planned or unexpected. This is why the Social Security Act should be amended to insure against:

- **Unexpected work interruptions:** Income lost due to the serious illness of a family member, such as a child with cancer, should be added to our existing social insurance program. Currently, Social Security and unemployment insurance only provide for lost income from losing a job through no fault of the worker or when a worker dies or becomes permanently disabled.
- **Planned work interruptions:** Social Security should provide income replacement for the planned life event of welcoming a new child into the family, an event that can be financially overwhelming and can lead to increased family poverty, similar to retirement.<sup>32</sup> Social Security currently only provides income replacement for the planned life event of retirement.

The current retirement and disability components of Social Security were established under the assumption that workers would leave their jobs and never re-enter the workforce. In contrast proposals for paid family and medical leave recognize that temporary paid leave can provide workers with support to allow them to return to their job or re-enter the workforce once their health or family situation has stabilized—much like the goal of unemployment insurance (stabilizing family income until workers can find a new job).

Paid family and medical leave is particularly important for women who still do a disproportionate share of caregiving for children and ill family members. Data from other countries that have adopted social insurance programs for paid family and medical leave suggest that providing women with the means to take temporary time off keeps them working and also increases their lifetime wages. In countries that provide incentives for men to take paid family leave, they do it.<sup>33</sup>

The Center for American Progress has proposed a new program, Social Security Cares, to modernize the program so that the expected and unexpected life events faced by today’s workers—from the birth of a child to a sudden heart attack—will come with insurance against large and devastating drops in family incomes.<sup>34</sup> Social Security Cares would amend the Social Security Act to allow workers to take time off for the three primary sources of work-family conflict:

- The worker’s own serious illness
- To care for a seriously ill family member
- To care for a newborn or newly adopted or fostered child

Most employees in the United States today who need to take leave from work for these three reasons have no options for income replacement. At best, federal law may protect them from losing their job but only if they have been employed for a long enough period of time (at least 12 months), worked enough hours (at least 1,250 hours in the previous year), and work for a large enough employer (at least 50 employees in a 75-mile radius).

These restrictions mean that about half of private-sector workers are ineligible for job-protected leave.<sup>35</sup> Nearly 90 percent of those who needed leave but did not take it cited financial reasons.<sup>36</sup> Social Security Cares—a program proposed in the Center for American Progress report called “Helping Breadwinners When It Can’t Wait,” authored by Senior Economist Heather Boushey, and included in the proposed plan to modernize Social Security titled “Building It Up, Not Tearing It Down,” by Center for American Progress Senior Fellow Christian Weller—would begin to address these inadequacies in our current federal employment laws.<sup>37</sup> Social Security Cares would provide up to 12 weeks partial wage replacement for eligible workers who need to take leave from work in order to bond with a child after birth or adoption, to recover from their own serious illness, or to provide care for a seriously ill family member—the same length of leave and qualifying conditions provided in the Family and Medical Leave Act of 1993.<sup>38</sup>

Similar to that existing law, Social Security Cares leave would be gender neutral, with men and women qualifying for the same amount of leave, which would encourage greater uptake by men. Wage replacement would be administered through a newly developed trust fund within the Social Security Administration.

More information regarding the administration of Social Security Cares can be found in our report, “Social Security Cares: Why America is Ready for Paid Family and Medical Leave.”<sup>39</sup> But briefly, the commissioner of the Social Security Administration would establish an Office of Paid Family and Medical Leave within the agency to administer paid family and medical leave. The administration of the proposed law would allow for the creation of a national program built on the expertise and efficiencies of an already existing national infrastructure, including data and payment systems and appeals networks.<sup>40</sup>

In order to cover as many workers as possible, the rules for eligibility would be based on eligibility for Social Security Disability Insurance. Eligibility for this insurance is age-adjusted, meaning that younger workers with less work history can still be covered. Because eligibility is tied to lifetime employment history, not tenure or hours with a specific employer, workers who hold multiple part-time jobs, who work for small businesses, and who have changed employers within the previous year are not penalized—provided they have sufficient labor force attachment.<sup>41</sup>

Social Security Cares would include language to prevent retaliation and discrimination against leave takers, but unlike the existing Family and Medical Leave Act, the new program would not require job protection. Social Security Cares leave is intended to be taken in conjunction with FMLA leave for those workers who currently qualify for job-protection. Extending job protection to part-time workers, workers in small businesses, and domestic partners would need to be addressed through separate legislative action. Building on Social Security makes clear that paid family and medical leave should be part of the nation’s fabric of social insurance—insurance that is provided in the course of life events that cause economic hardship and family economic instability.<sup>42</sup>

# Reforms must provide paid family and medical leave and caregiving credits

Social Security Cares would allow a very broad swath of caregivers to qualify for paid family leave insurance benefits.<sup>43</sup> But those who are not regularly employed, as well as those who do not return to employment after their paid family leave ends, will need benefits to ensure that leaving the labor force for a long stretch of time to provide care to their children or relatives will not leave them economically devastated in their retirement years.

For the past several decades, Social Security reformers interested in alleviating the economic consequences for workers who exit the workforce in order to provide family care have focused reform proposals on improving retirement benefits for those caregivers (primarily women) who entirely leave the labor force for a number of years in order to take care of children or ill or elderly family members.

These proposals for Social Security caregiver credits, which have come from both the left and the right, are aimed at valuing and rewarding the work of unpaid family caregiving for the purposes of calculating retirement benefits. Of course, there are differences in the approaches. The bills introduced by conservative members of Congress include marriage requirements, whereas the bills introduced by progressives do not—cutting to the heart of the debate about how to update Social Security to accurately represent today’s families. Conservatives believe social policy should be constructed to protect the traditional view of the family, while progressives recognize that families have changed and that the system should be updated to promote equitable access to Social Security. (see box for a history of this legislative divide in Congress)

## The legislative history of the Social Security caregiving credit

In 1999 the National Council of Women's Organizations Task Force on Women and Social Security published a report that advocated for a family service credit (later called the caregiver credit) of \$5,000 for each year spent performing unremunerated caregiving.<sup>44</sup> The policy scholars at that meeting equated the credit with what men receive for serving in the military.<sup>45</sup>

The idea gained greater prominence when then-Vice President Al Gore championed it as part of his 2000 bid for the presidency. Vice President Gore's proposal would have credited stay-at-home parents with earnings of half of the national average wage (\$16,500 in 2000) for up to five years, which would have resulted in an average increase in retirement benefits of \$600 per year for approximately 8 million individuals.<sup>46</sup>

Since that time Rep. Nita Lowey (D-NY) has continuously introduced bills to provide these credits to stay-at-home caregivers. Her Social Security Caregiver Credit Act would allow caregivers who provide defined types and amounts of family care to have each qualifying caregiving period deemed paid at 50 percent of the average wage used generally in the Social Security formula.<sup>47</sup> Up to 60 months, or 5 years, of caregiving could be deemed paid.<sup>48</sup>

Then in 2006 and again in 2008 Rep. Terry Lee (R-NE) and Sen. Sam Brownback (R-KS) introduced Social Security caregiver credits as part of their Parents' Tax Relief Act, an omnibus bill focused on making the tax code friendlier to "traditional" (working dad, stay-at-home mom) families.<sup>49</sup> For the purpose of Social Security benefit calculation, the Parents' Tax Relief Act would have deemed wages equal to the national average wage index to caregivers providing unpaid care to their child either under age 6 or under age 10 and disabled for up to 10 years.<sup>50</sup>

But the benefit's potential for higher retirement earnings under this conservative proposal would have been severely limited by the definition of qualified individuals. To receive the credit an individual had to be married for more than 90 days during the year(s) they would be claiming and had to live with their spouse and child, if there was a child.<sup>51</sup> Single mothers; unmarried, divorced, or never-married mothers; and unmarried couples would be unable to claim the credit, significantly curtailing its potential to help lower-income families, among which single parenthood is much more common.<sup>52</sup>

The progressive proposals presented in this paper do not make such distinctions, recognizing the realities of family life today.

---

### Social Security caregiver credits—the basics

The proposed reforms presented in this paper are squarely progressive. But first we need to quickly provide the basics on how Social Security credits are currently calculated.

In order to qualify for Social Security retirement benefits, individuals must earn 40 Social Security work credits over their working life (equivalent to 10 years of earning full credits). In 2011 every \$1,120 in taxable income earned one credit and workers can earn up to a maximum of four credits per year. Workers can retire with full benefits once they have reached the full retirement age, which ranges from 65 years to 67 years, depending on the year the worker was born, or they can choose to take reduced benefits starting at age 62.



The amount of Social Security retirement benefits is calculated using average indexed monthly earnings. For retirement benefits, this calculation is based on earnings indexed and averaged over 40 years minus five years in which either no earnings occurred or low earning occurred—meaning the benefit amount is based on a worker’s top 35 earning years.

Social Security caregiver credits would change the way that Social Security retirement benefits are calculated to either limit the penalty for time off or deem the time paid for informal caregivers during the months or years spent providing care outside formal employment. For caregivers today each year they provide informal, uncompensated care counts as zero for the purposes of the benefit amount formula. This means that for those caregivers more likely to be unemployed, or more likely to need to take time off to have children or to provide uncompensated care, it is very difficult to reach 35 years of earnings to put into the Social Security formula, causing every “zero” caregiving year to drag down the worker’s overall average.

Many women who take time off to provide family care may still receive Social Security retirement benefits as the spouse or, in some cases, ex-spouse of a qualifying worker. Spousal benefits, on the basis of a worker’s retirement or disability, can be claimed when the spouse reaches the age of 62 (for ex-spouses, they can only be claimed if the marriage lasted for at least 10 years). Spousal benefits are equal to half the worker’s primary insurance amount while the worker is still alive and 100 percent of the benefit after the worker’s death. A spouse with his or her own work history receives the higher of his or her own benefit or the spousal benefit.

While these benefits were never designed to compensate women for caregiving work, some argue that they act as de facto caregiver credits for those in “traditional” marriages, while others say that the credits in no way take into account whether a spouse actually provided family care.<sup>53</sup> Regardless, it is clear that the idea for Social Security caregiver credits was meant to address the inequity faced by women who took many years out of the labor force to provide family care but did not qualify for spousal benefits, either because they were never married or their marriage lasted less than 10 years.

When Social Security caregiving credits first surfaced as a policy idea in the 1990s, the American people were only just beginning to comprehend the changing work patterns of men and women. Most people still presumed that women spent significantly more years than men entirely out of the workforce earning no income. To some extent this was true, as men averaged only one year with zero earnings in 35 years of working, and women averaged 12 years of zero earnings

in that same time frame.<sup>54</sup> But the ground was shifting rapidly in the workforce.

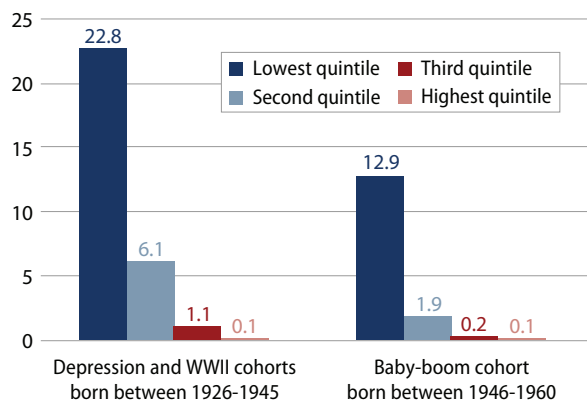
Today this gap is significantly reduced. The Social Security Administration projects that for baby boomers (those born between 1946 and 1960), women will have an average of only 3.7 years of zero earnings in 35 years of work, and men will average 2.8 years of zero earnings.<sup>55</sup> Yet this reduction in the average number of zero-earning years for women (and slight increase for men) masks the continued significant number of years that workers in the lowest earning quartile are out of the workforce.

On average baby boomers with earnings in the bottom 25 percent of all income earners will have 12.9 years of zero earnings over 35 working years.<sup>56</sup> Though this statistic is not broken down for men and women, both low-wage men and women are significantly more likely than higher-earning workers to be out of the workforce due to unemployment, disability, or caregiving.<sup>57</sup> (see Figure 1)

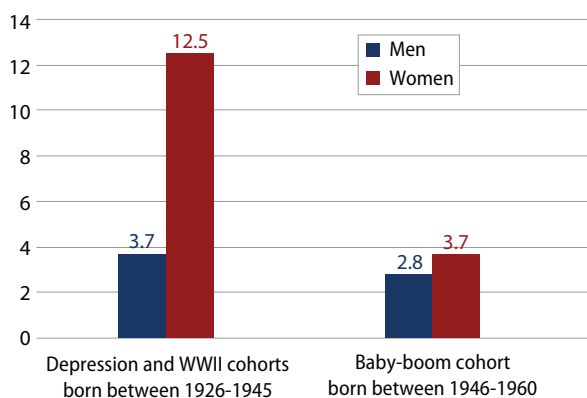
This statistic also masks the fact that even if women do not leave the workforce entirely, they may reduce their hours and in turn, reduce their pay in order to manage their caregiving responsibilities. The Social Security caregiving credit proposals promoted by progressives, including Vice President Gore and Rep. Nita Lowey, would allow workers to earn credits for caregiving in addition to the credits they were earning in the labor market so that they would be deemed paid up to half of the average national wage for purposes of calculating their retirement benefits.

**FIGURE 1**  
**The dynamics of change in Social Security earnings among Americans born between 1926 and 1960**

Projected mean numbers of years of zero earnings within 35 years of working, by income birth cohort and income quintile



Projected mean number of years of zero earnings within 35 years of working, by birth cohort and gender



Source: Chad Newcomb, "Distribution of Zero-Earning Years by Gender, Birth Cohort and Level of Lifetime Earnings" (Washington: U.S. Social Security Administration, Research and Statistics, 2000).

## The importance of combining caregiving credits and paid family leave

There are a number of reasons that low-income workers have the highest number of zero-earnings years. The primary reason, of course, is the instability and unpredictability of the low-wage labor market. But it should be noted that low-wage earners are also the least likely to have access to affordable, quality child care and the least likely to have access to unpaid or paid family leave.<sup>58</sup>

In addition, according to the working elder caregiver study from the Families and Work Institute, a majority of working caregivers of the elderly (54 percent) report interference between caregiving and work, and one in five current caregivers report experiencing a negative impact at work as a result of this interference.<sup>59</sup> As a result, low-wage workers often make a short-term economically rational choice to forgo work in the labor market in order to provide family care.<sup>60</sup>

This decision, while rational in the short run, leaves workers with much less retirement income than those who stay connected to the labor force. In fact, Melissa Favreault of the Urban Institute found that taking five or more years off to provide care during one's working years leaves older adults twice as likely to have low Social Security benefits as those who did not leave the labor force to serve as caregivers.<sup>61</sup>

In order to continue to encourage labor market participation while recognizing the realities that many Americans can't take leave from work without pay, Congress needs to amend the Social Security Act so that low-wage workers can take paid family leave and earn credits towards retirement when taking leave due to family caregiving responsibilities. That's why this paper recommends:

- **Providing paid family leave for all workers as the first priority:** Much of Social Security rests on the notion that there are caregivers who can and should remain out of the workforce for many years at a time. Our proposal intentionally recommends an updating of Social Security to reward and encourage working caregivers who ultimately will have greater lifetime earnings because they will be able to take temporary leaves from work, rather than years away at a time.
- **Combining paid family leave with Social Security caregiving credits:** Workers will continue to take fewer and fewer years away from the workforce, but those who must take some years because their work provides no leave or because they have no option for affordable child care or elder care should not be punished in retirement and should not be forced to deal with reduced retirement income if they are not married or were never married. Furthermore, those workers who remain in the workforce but must significantly reduce their hours and their earnings also should not be punished. Workers should be able to take up to five years away from the labor market or take five years of significantly reduced participation in the labor market in order to provide family care and still receive credit toward their Social Security retirement benefits at 50 percent of the national average wage (\$20,837 in 2011).

# Conclusion

Updating Social Security to meet its original goal of providing economic security to families as a whole must account for how families work and live today. Unlike the Social Security developed for our grandparents, the Social Security for our generation must recognize a greater ability, and in many cases a necessity, to work throughout one's life, even when faced with serious illnesses, disabilities, and significant family obligations.

Including paid family and medical leave benefits within Social Security provides necessary temporary insurance for workers with family caregiving or personal medical needs while encouraging strong attachment to the labor force, which allows for greater productivity over workers' lifetimes. Coupling a new paid family and medical leave benefit with a Social Security caregiving credit would ensure that those low-income workers who cannot combine family care with work because of limited access to jobs, affordable child care or elder care, and leave benefits would be at least partially compensated for their caregiving in retirement.

---

## About the author

**Ann O’Leary** is director of the Children and Families program at The Center for the Next Generation, a Senior Fellow with the Center for American Progress, and a lecturer at the University California Berkeley School of Law. Previously O’Leary served as executive director of the Berkeley Center on Health, Economic & Family Security Program at the University of California Berkeley School of Law; a deputy city attorney for the City of San Francisco; a law clerk to U.S. Ninth Circuit Court of Appeals Judge John T. Noonan, Jr.; and as legislative director for former Sen. Hillary Rodham Clinton (D-NY).

Prior to that, O’Leary served in a number of positions in the Clinton administration, including as special assistant to the president in the Domestic Policy Council, policy advisor to the First Lady, and senior policy advisor to the secretary of Education. She sits on the board of the East Bay Community Law Center. O’Leary previously served on the Board of Public Advocates; as a volunteer policy advisor to the Hillary Clinton for President campaign on issues related to children and working families; and on the Obama-Biden transition team, where she advised the incoming administration on early childhood education issues.

---

## Acknowledgements

The author wishes to thank first and foremost Heather Boushey for her creative thinking and stalwart leadership in the arena of work-family policy and for her gracious editing and good ideas throughout this project. The author also thanks Gabriela Lopez for research assistance and Sarah Jane Glynn for assistance with charts and editing suggestions. Thanks also go to Heidi Hartman for her wise counsel about the mechanics of the Social Security caregiving credits and to Vicki Shabo for her substantive suggestions on the paid family leave sections of the paper. Finally, thank you to the Rockefeller Foundation for supporting this work, to the Center for American Progress for partnering with the University of California, School of Law’s Berkeley Center on Health, Economic & Family Security (Berkeley CHEFS) to conduct this research, and to Phyliss Martinez and Matt Chayt at Berkeley CHEFS for their continued support in assisting me in completing this paper.

---

## Endnotes

- 1 Noting that dual-earner families had greater income growth than so-called traditional families and that single-parent-headed households relied almost exclusively on women's earnings. See: Heather Boushey, "The New Breadwinners." In Heather Boushey and Ann O'Leary, eds., *The Shriver Report: A Woman's Nation Changes Everything* (Washington: Center for American Progress, 2009).
- 2 Catalyst, "Women Leaving and Reentering the Workforce" (2011), available at [http://www.catalyst.org/file/507/qt\\_women\\_leaving\\_re-entering\\_workforce.pdf](http://www.catalyst.org/file/507/qt_women_leaving_re-entering_workforce.pdf).
- 3 Ann O'Leary, "What's the Workplace Impact?" In Angela Timashenka Geiger and others, eds., *The Shriver Report: A Woman's Nation Takes on Alzheimer's* (Washington: The Alzheimer's Association, Simon & Schuster ebooks, 2010).
- 4 Shelly J. Correll and others, "Getting a Job: Is there a Motherhood Penalty?," *American Journal of Sociology* 112 (5) (2007).
- 5 Productivity Commission, *Chapter 5: The Labour Market Impacts of Paid Parental Leave* (Australian Government, 2008).
- 6 The Social Security Caregiver Act, H.R. 5751, was first introduced by Rep. William Hughes (D-NJ) in 1990. After Rep. Hughes retired in 1995, Rep. Nita Lowey (D-NY) has introduced the bill in every Congress since 1996. Since 2002 the bill language has remained essentially identical. See: *Social Security Caregiver Credit Act of 2009*, H. Rept. 769, 111 Cong. 1 sess. (Government Printing Office, 2009).
- 7 See, for example: Heather Boushey and Sarah Jane Glynn, "The Effects of Family and Medical Leave on Employment Stability and Economic Security" (Washington: Center for American Progress, 2012)
- 8 Catalyst, "Women Leaving and Reentering the Workforce"; O'Leary, "What's the Workplace Impact?"
- 9 Madonna Harrington Meyer, "Making Claims as Workers or Wives: The Distribution of Social Security Benefits," *American Sociological Review* 61 (1996): 449–465.
- 10 National Partnership for Women and Families, "2010 State Action on Paid Family Leave" (2010), available at [http://www.nationalpartnership.org/site/DocServer/Paid\\_Leave\\_Tracking\\_2010\\_-\\_07\\_19\\_10\\_\\_2\\_.pdf?docID=1921](http://www.nationalpartnership.org/site/DocServer/Paid_Leave_Tracking_2010_-_07_19_10__2_.pdf?docID=1921).
- 11 Heather Boushey and Sarah Jane Glynn, "The Effects of Family and Medical Leave on Employment Stability and Economic Security," (Washington, DC: Center for American Progress, 2012); Ann O'Leary, Matt Chayt, and Eve Weissman, "Social Security Cares: How We Can Implement Paid Family and Medical Leave," (Washington, DC: Center for American Progress, 2012).
- 12 Heather Boushey, "Social Security Cares 101: Providing Paid Family Leave Through Social Security" (Washington: Center for American Progress, 2010); Heather Boushey, "Helping Breadwinners When it Can't Wait: A Progressive Program for Family Leave Insurance" (Washington: Center for American Progress, 2009); Workplace Flexibility 2010 and the Berkeley Center on Health Economic & Family Security, "Family Security Insurance: A New Foundation for Economic Security" (2010).
- 13 Social Security Administration, "Fact Sheet on the Old-Age, Survivors, and Disability Insurance Program" (2010), table 5.A.1, available at <http://www.ssa.gov/policy/docs/statcomps/supplement/2011/5a.pdf>.
- 14 Christian Weller, "Building it Up, Not Tearing it Down: A Progressive Approach to Strengthening Social Security" (Washington: Center for American Progress, 2010).
- 15 Boushey, "The New Breadwinners."
- 16 Bureau of Labor Statistics, *Current Establishment Survey, January 2010* (Department of Labor, 2010).
- 17 Boushey, "The New Breadwinners."
- 18 For those families with one stay-at-home parent, this option remains an important form of self-structured family insurance. During the Great Recession, the percentage of two-parent families with only the mother employed rose from 3.4 percent in 2007 to 5.1 percent in 2009, suggesting that as men lost their jobs, stay-at-home mothers did enter the workforce. For more information on this form of family insurance, see: Chinhui Juhn and Simon Potter, "Is There Still an Added-Worker Effect?" (New York: Federal Reserve Bank of New York, 2007).
- 19 Workplace Flexibility 2010 and the Berkeley Center on Health Economic & Family Security, "Family Security Insurance: A New Foundation for Economic Security."
- 20 Elizabeth Warren and Amelia Warren Tyagi, *The Two-Income Trap: Why Middle-Class Mothers & Fathers are Going Broke* (New York: Basic Books, 2003).
- 21 Kristin Smith, "Wives as Breadwinners: Wives' Share of Family Earnings Hits Historic High During the Second Year of the Great Recession" (Durham, NH: Carsey Institute at the University of New Hampshire, 2010), available at <http://www.carseyinstitute.unh.edu/publications/IB-Smith-Breadwinners10.pdf>.
- 22 Katherin Ross Phillips, "Getting Time Off: Access to Leave Among Working Parents" (Washington: The Urban Institute, 2004).
- 23 Ashley English, Heidi Hartmann, and Ariane Hegewisch, "Unemployment Among Single Mother Families" (Washington: Institute for Women's Policy Research, 2009), available at <http://www.iwpr.org/publications/pubs/unemployment-among-single-mother-families>.
- 24 Ibid.
- 25 Joint Economic Committee, *Women in the Recession: Mothers and Families Hit Hard*, 111th Cong., 2d sess., May 28, 2009
- 26 Hacker and others, "Economic Security at Risk: Findings From the Economic Security Index" (Connecticut: Economic Security Index, 2010).
- 27 Joan Williams and Heather Boushey, "The Three Faces of Work-Family Conflict" (Washington: Center for American Progress, 2010).
- 28 Warren and Tyagi, *The Two-Income Trap*.
- 29 Gillian Lester, "A Defense of Paid Family Leave," *Harvard J.L. & Gender* 28 (2005): 21–22.
- 30 The United States is one of three countries without a paid federal maternity leave system (Swaziland and Papua New Guinea are the other two). See: Dune Lawrence and Alison Fitzgerald, "America Last Among Peers With No Paid Federal Maternity-Leave," Bloomberg, February 21, 2011, available at <http://www.bloomberg.com/news/2011-02-22/america-last-among-peers-with-no-paid-federal-maternity-leave.html>. A Harvard study concluded that of the 168 countries studied, 45 countries offered paid paternity or parental leave. The United States was not among these countries. See: National Partnership for Women & Families, "Expecting Better: A State-by-State Analysis of Parental Leave Programs" (2006). While approximately 145 countries offer paid sick leave for short or long term illnesses, the United States provides unpaid leave for serious illness. See: Joey Heymann, Alison Earle, and Jeffrey Hayes, "The Work Family, and Equity Index: How Does the United States Measure up?" (Montreal: McGill University's Institute for Health and Social Policy, 2007).

- 31 Michele Budig and Paula England, "The Wage Penalty for Motherhood," *American Sociological Review* 66 (2001): 204–225.
- 32 National Campaign to Prevent Teen Pregnancy, "Why It Matters: Teen Pregnancy, Poverty and Income Disparity" (2012), available at <http://www.thenationalcampaign.org/why-it-matters/pdf/poverty.pdf>.
- 33 Boushey and Glynn, "The Effects of Family and Medical Leave on Employment Stability and Economic Security"; Workplace Flexibility 2010 and the Berkeley Center on Health Economic & Family Security, "Family Security Insurance: A New Foundation for Economic Security."
- 34 "Social Security Cares: How We Can Implement Paid Family and Medical Leave."
- 35 Jane Waldfogel, "The Impact of the Family and Medical Leave Act," *Journal of Policy Analysis and Management* 18 (2) (1999): 281–303.
- 36 David Cantor and others, "Balancing the Needs of Families and Employers: Family and Medical Leave Surveys, 2000 Update" (Rockville, MD: Westat, 2001).
- 37 Heather Boushey, "Helping Breadwinners When It Can't Wait: A Progressive Program for Family Leave Insurance" (Washington: Center for American Progress, 2009).
- 38 Heather Boushey, "Social Security Cares 101: Providing Paid Family Leave Through Social Security" (Washington: Center for American Progress, 2010).
- 39 Ann O'Leary, "Social Security Cares: Why America Is Ready for Paid Family Leave" (Washington: Center for American Progress, forthcoming).
- 40 Workplace Flexibility 2010 and the Berkeley Center on Health Economic & Family Security, "Family Security Insurance: A New Foundation for Economic Security."
- 41 Labor force attachment is measured by credits that workers earn. Individuals must earn a specified number of work credits to qualify for disability or retirement benefits. In 2011, \$1,120 of taxable income earned one credit (for a minimum-wage worker, it would take just under 4 weeks working 40 hours per week to earn this credit). Workers can earn up to a maximum of four credits per year. Qualifying for disability benefits depends on the age in which you become disabled. Before age 24, six credits are required (equivalent to 1.5 years of work); between the ages of 24 and 31, individuals must have credit for working half the time between age 21 and the year they became disabled; for workers age 31 or older, the number of credits required increases with age. Of the credits required, 20 must have been earned in the previous 10 years (ending in the year in which the individual became disabled).
- 42 Boushey, "Helping Breadwinners When It Can't Wait."
- 43 Heather Boushey and Sarah Jane Glynn, "Comprehensive Paid Family and Medical Leave for Today's Families and Workplaces: Crafting a Paid Leave System that Builds on the Experience of Existing Federal and State Programs" (Washington, DC: Center for American Progress, 2012).
- 44 At the time, that is approximately how much a part-time minimum wage earner would have been making. See Heidi Hartmann, Catherine Hill, and Lisa Witter, "Strengthening Social Security for Women—A Report from the Working Conference on Women and Social Security" (Washington: Institute for Women's Policy Research, 2000), available at <http://www.iwpr.org/publications/pubs/strengthening-social-security-for-women-a-report-from-the-working-conference-on-women-and-social-security>.
- 45 Ibid.
- 46 James Dao, "Gore Proposes New Benefits for Parents and Widows," *The New York Times*, April 5, 2000; Slate, "Policy Corner: Gore's Social Security Pander," April 5, 2000, available at [http://www.slate.com/articles/news\\_and\\_politics/ballot\\_box/2000/04/policy\\_corner\\_gores\\_social\\_security\\_pander.html](http://www.slate.com/articles/news_and_politics/ballot_box/2000/04/policy_corner_gores_social_security_pander.html).
- 47 Eighty uncompensated hours or more per month for dependent relatives, including children, grandchildren, nieces, and nephews under age 12, or for children, grandchildren, nieces, nephews, parents, aunts, uncles, spouses, or domestic partners who are chronically dependent (need assistance with at least two activities of daily living). See: *Social Security Caregiver Credit Act of 2009*.
- 48 Ibid. at § (b)(1)(B).
- 49 *Parents' Tax Relief Act of 2005*, H. Rept. 3080, 109 Cong. 1 sess.; *Parents' Tax Relief Act of 2005*, S. 1305, 109 Cong. 1 sess.; *Parents' Tax Relief Act of 2007*, H. Rept. 1421, 110 Cong. 1 sess.; *Parents' Tax Relief Act of 2007*, S. 816, 110 Cong. 1 sess.
- 50 Ibid. at § 9.
- 51 Ibid.
- 52 Noting that single-parent families are more than twice as likely to be low income as two-parent families. See: Heather Koball and Ayana Douglas-Hall, "Rate of Children in Low-Income Families Varies Widely by State" (New York: National Center for Children in Poverty, 2004).
- 53 Madonna Harrington Meyer, "Making Claims as Workers or Wives: The Distribution of Social Security Benefits."
- 54 Madonna Harrington Meyer, "Making Claims as Workers or Wives: The Distribution of Social Security Benefits."
- 55 Chad Newcomb, "Distribution of Zero-Earning Years by Gender, Birth Cohort and Level of Lifetime Earnings" (Washington: U.S. Social Security Administration, Research and Statistics, 2000).
- 56 Ibid.
- 57 Heidi Hartmann, Catherine Hill, and Lisa Witter, "Strengthening Social Security for Women"; Noting the potential benefits of Caregiver Credits to provide assistance for unmarried mothers who receive no spousal or survivor benefits, see: Melissa Favreault and C. Eugene Steuerle, "The Implications of Career Lengths for Social Security" (Washington: The Urban Institute, 2008).
- 58 Williams and Boushey, "The Three Faces of Work Family Conflict."
- 59 Kerstin Aumann and others, "Working Family Caregivers of the Elderly: Everyday Realities and Wishes for Change" (New York: Families and Work Institute, 2010).
- 60 Ibid.
- 61 For those with between five and nine unremunerated caregiving years, 33.3 percent received Social Security benefits of less than poverty, compared to only 16.5 percent of those who had no caregiving years. See: Melissa M. Favreault, "Worker with Low Social Security Benefits: Implications for Reform" (Washington: The Urban Institute, 2010).

---

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just, and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”

---

Center for American Progress

