

United States House of Representatives
Committee on Ways and Means

Hearing: Legislative Proposals for Paid Family and Medical Leave
January 28, 2020

Testimony of Congresswoman Ann Wagner (R-MO)
Sponsor of H.R. 1940, the *New Parents Act*

Good morning and thank you, Chairman Neal and Ranking Member Brady, for hosting this hearing. I appreciate your commitment to finding solutions on paid family leave. I also appreciate the dedication of my colleague, Representative DeLauro, who has taken a leadership role in promoting paid leave.

I am proud to be a Republican woman advocating for paid parental leave. I am encouraged to see both Republicans and Democrats coming to the table with sincere interest and rolled up sleeves. We are offering multiple creative solutions to expand access to paid leave flexibility without mandates or new taxes that could harm the low- and middle-income workers that we are seeking to empower.

As a mother, grandmother, and an employer of young parents, I know that having a baby is both a time of great joy and often anxiety. Along with rent and groceries, parents are now paying for medical bills, diapers, car seats, and countless baby supplies.

With sleepless nights, the hospital recovery, and figuring out just how to feed and bathe a baby, the last thing a new parent should have to worry about is whether she is going to lose her job or miss a paycheck.

Americans want working parents to be able to welcome a new baby into the world without worrying about financial hardship. Evidence demonstrates that maternity leave reduces infant mortality and improves mother's health, lowering the risk of depression and birth complications. Paternity leave improves a father's connection to his child.

I wrote the *New Parents Act* two years ago to start building consensus on a budget-neutral parental leave program that can become law. My legislation essentially allows parents to take an advance from their future earnings to finance up to three months of parental leave. I'm encouraged that Senators Cassidy and Sinema, and Representatives Allred, Cunningham, Stefanik and Herrera-Beutler, have recently adopted this general model and introduced a similar plan that would give parents a financial option when they welcome a new child into their lives.

I am also encouraged that more and more private sector actors are offering parental leave as a benefit. Thanks to the strong economy companies are providing new benefits to employees and their families. According to 2018 Bureau of Labor Statistics data, the vast majority of Americans

do have access to parental leave of some type—only it’s unpaid. In small private industry establishments with up to 50 workers, 80% of workers have access to unpaid leave; at establishments with 50 to 99 workers, that number jumps to 88%. And establishments with 100 to 500 workers offer unpaid leave to 95% of workers. To be clear, some of these employers also have paid leave options, with 25% of the civilian workforce receiving paid leave. But the problem we face is that many new moms and dads have the ability to take time off *unpaid* and are unable to take advantage of it because they can’t afford it.

Almost half of American families live paycheck-to-paycheck, making it difficult to take unpaid leave. 17% of families without paid parental leave end up turning to other forms of public assistance when they have to take time off from work after having a child. This number jumps to 48% among parents making less than \$30,000.

We need to help these families make ends meet when they bring life into the world. Depending on how Congress crafts a program, offering families financial options during this time can extend the time parents can spend with their children, reduce dependence on safety net programs, save taxpayers money, and empower parents to eventually return to work.

If we are serious about expanding parental leave options—particularly for low-income moms and dads who are least able to finance this time—we must pursue flexible and targeted solutions that fill in gaps for Americans who need help the most.

There are many options beyond a one-size-fits-all entitlement program that layers over states and burdens companies that already offer paid leave.

There are options beyond a universal payroll tax that would redistribute the earnings of low- and middle-income workers to provide paid leave for more privileged Americans.

There are tailored options that do not disproportionately burden low-income families in order to benefit families with more opportunity, more savings and financial security, or those already receiving paid leave.

Progressive, voluntary benefit options like the *New Parents Act* and the *Advancing Support for Working Families Act* offer parents choice, freedom, and flexibility without imposing small business mandates or raising taxes on low-income Americans and workers who choose not to—or cannot—have children.

I appreciate the diversity of viewpoints in the room, and I look forward to working with committee members on both sides of the aisle to further develop ideas that would expand access to paid leave and help moms and dads during one of life’s most precious and exceptional moments.

Thank you.



Congress has the responsibility to create more financial flexibility for parents who are welcoming new life into the world. – Congresswoman Ann Wagner

Having a baby is both a time of great joy and often anxiety. Along with rent and groceries, parents are now paying for medical bills, diapers, and countless baby supplies. With sleepless nights, the hospital recovery, and figuring out just how to feed and bathe a baby, the last thing a new parent should have to worry about is whether she is going to lose her job or miss a paycheck. The United States is the only industrialized country in the world where most women do not have access to paid maternity leave. Many American families live paycheck-to-paycheck, and a significant number of families go into debt or turn to public assistance when navigating unpaid leave. Giving families more access to paid parental leave options will offer parents more freedom and flexibility and could save taxpayer dollars.

How It Works

- H.R. 1940, the *New Parents Act*, will allow parents to take an advance on their own Social Security benefits to use for paid parental leave after the birth or adoption of a child.
- Parents can choose to take a benefit of one, two, or three months to finance parental leave.
- The benefit amount is progressive, especially benefitting parents with low and middle incomes, who will be able to finance at least three months of leave.
- “Stay-at-home” parents with an earnings history that meets eligibility requirements will also be able to take the option.
- Parents who decide to take this option will receive a proportionate reduction in monthly retirement benefits for the first 5 years of retirement. Alternatively, parents can choose to increase their Social Security retirement age by an estimated 3 to 6 months depending on the number of months taken.

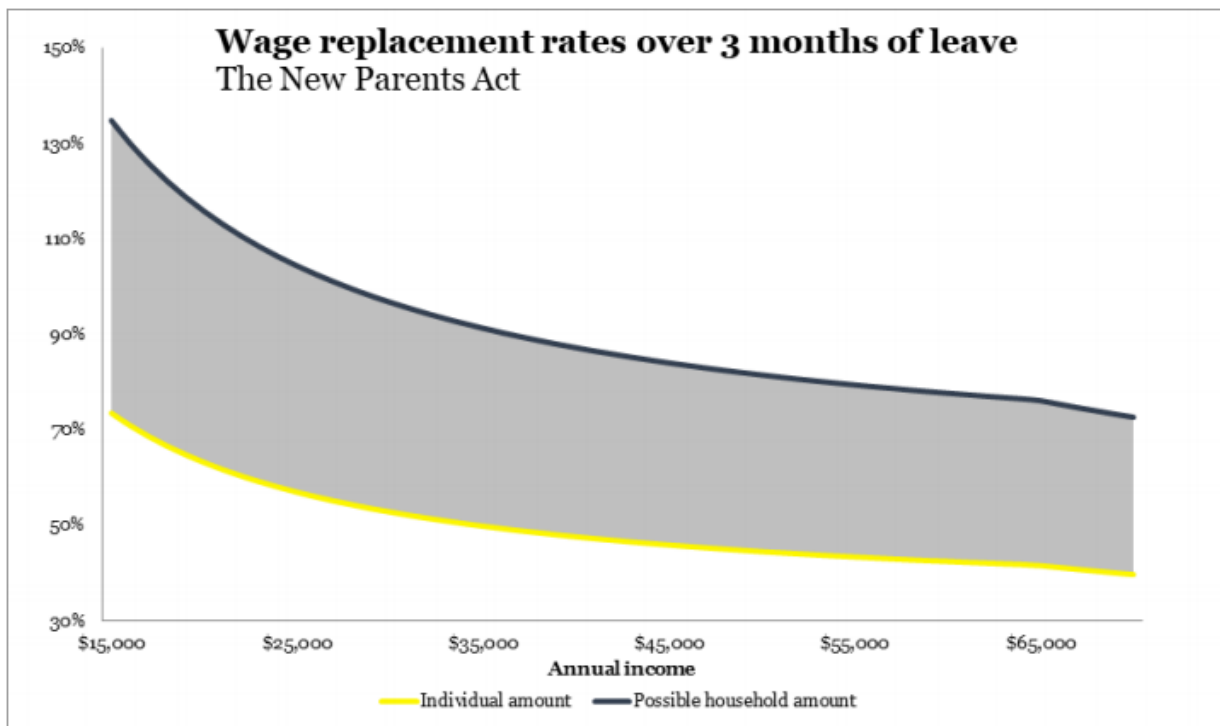
- Expectant parents will file an application with the Social Security Administration verifying that they intend to use this benefit to finance spending more time with their child and away from work during the benefit period. Approved parents will provide SSA with additional documentation after the birth or adoption of the child.

Sponsor: Ann Wagner; Original Cosponsors: Elise Stefanik, Carol Miller, Dan Crenshaw, Mario Diaz-Balart, Rodney Davis, Pete Olson, Blaine Luetkemeyer

Questions and Answers

How much is the monthly benefit?

The monthly benefit would be an amount equal to the product of (1) the number of benefit months (not to exceed 3) selected by the individual in the individual's application, multiplied by (2) an amount equal to the primary insurance amount (PIA) for the individual.



How would workers become eligible for parental leave?

Workers would earn parental leave benefits by paying Social Security payroll taxes and agreeing to receive reduced retirement benefits for up to five years or by delaying receipt of retirement benefits for a specific period of time. Eligibility would be limited to

parents who are likely to earn Social Security retirement benefits. Eligible parents would be required to earn:

- No less than 8 quarters of coverage (as defined by Social Security), at least 4 of which are credited to calendar quarters during the calendar year in which the 1st month of the benefit period occurs; OR
- 12 quarters of coverage preceding the birth or adoption of their child.

The amount of earnings required for a quarter of coverage in 2019 is \$1,360. So if a new mother has earned at least \$5,440 in covered earnings in the past calendar year, she has earned 4 quarters of coverage.

How do eligible workers apply for benefits?

The Commissioner can establish an application process that may allow eligible parents to apply for the parental leave benefit online or at the same time as they apply for a Social Security account number for their child.

What is included in the application?

The bill instructs the Commissioner to establish an application process for this benefit that includes a notice explaining that a birth certificate or other appropriate documentation proving that the applicant is the parent of the eligible child must be submitted to the Social Security Administration as soon as either the birth certificate or other documentation becomes available. Should applicants fraud the system, they may be subject to penalties including up to a \$7,500 civil monetary penalty and an additional fine of not more than twice the amount of the cost to the Trust Funds of any leave benefit paid to them.

The application would also include a notice to applicants that any benefit amount received by an individual must be repaid, through reductions to old-age insurance benefits, delaying receipt of old-age insurance benefits, or by other means (to be determined by the Commissioner). The application will require an attestation to be signed by the individual submitting the application that they (1) expect to be the parent of an eligible child throughout the benefit period; (2) the individual intends to use this benefit to spend more time with the child at home outside of the workforce during the benefit period; and (3) consents to all other terms and conditions mentioned in the application. This includes repayment and producing documentation of birth.

What if a parent has twins or triplets?

This bill would only allow one payment to be available in the event of multiple births (twins, for example). However, multiple parental leave benefits may be received if more than one child is born or adopted at different times.

Does this program have a sunset clause?

Yes, this bill would does not allow applications for parental leave benefits to be filed in any calendar year that the OASDI fund ratio is less than 20 percent; OR is projected to be less than 20 percent in the following calendar year. Based on current projections this is expected to take place between 2032 and 2034.

Would this plan expand the role of government?

No. This bill:

- 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 change the amount of monthly benefits received from the Social Security Administration for anyone who does not participate.

How would parents be in control of their paid leave?

This bill:

- Would especially benefit families living paycheck-to-paycheck, who need access to benefits now to alleviate the costs of a newborn/newly adopted child.
- Would allow working parents to make a tradeoff: they must agree to receive reduced benefits for five years upon retirement or delay retirement for a specific amount of months in exchange for receiving parental leave benefits now.
- 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.

How would this plan affect existing benefits offered by employers?

This bill:

- 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.

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

How much would this bill cost?

Under this proposal 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 receiving reduced retirement benefits for up to five years. Between retired workers, disabled workers, dependents, and survivors, over 60 million Americans per year receive over \$950 billion in Social Security benefits. In contrast, about 4 million children are born to approximately 8 million parents in the United States each year. Assuming a generous 25 percent take-up rate, about 2 million parents per year would receive approximately \$5.4 billion in parental benefits under the proposal—a drop in the bucket.

Workers who don't stay in the workforce and don't become eligible for Social Security benefits or spousal benefits at retirement age would be subject to potential repayment of their parental leave benefits through a claw back provision.