

# Prospects for Social Security Reform

Edited by Olivia S. Mitchell, Robert J. Myers, and  
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Frontispiece: Special Treasury securities, stored in a federal government filing cabinet in West Virginia, represent \$700 billion in Social Security Trust Fund assets. Photo: Jeff Baughan.

## Chapter 18

# **Americans' Views of Social Security and Social Security Reforms**

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John Rother and William E. Wright

Because of the importance that most Americans place on social security, public values and attitudes are likely to play an influential role in Congressional action. This chapter describes public values and preferences regarding the current social security program along with options for reform. We do not advocate any particular reform proposal; instead, we draw from a range of public opinion surveys to highlight which parameters should be considered in the upcoming debate.

Our conclusions may be summarized in four points. First, Americans know there is a problem with social security, but they do not regard it as a crisis (Jacobs and Shapiro 1998). Second, there is a high level of continuing support for the social security system, despite the public's increasing lack of confidence in the program (Jacobs and Shapiro 1998; AARP 1985, 1995, 1996). Third, the evidence suggests that the American public may need more time and information to work through some of the policy trade-offs that will be a necessary part of any effort to keep social security strong for the next century (Hecl 1998). Fourth, as the public works through these issues, we hypothesize that this debate will have a "centering effect" — i.e., a shifting from the position of "no change is needed" at one extreme, and "scrap the social security system and start over" at the other extreme, toward the position of moderate change in the present system.

### **Values and Attitudes About Social Security**

Several studies of public values and attitudes about social security have been commissioned by the American Association of Retired Persons (AARP). Here we report detailed findings taken from the 1996 survey; where possible, comparisons are made with the 1995 and 1985 surveys.

## Americans Feel Informed About Social Security

The survey evidence suggests that “[the public’s] knowledge of social security is much higher than widely assumed” (Jacobs and Shapiro 1988). Most Americans, 7 in 10 in 1996, believe they are “very well informed” or “fairly well informed” about how social security works, an increase from 6 in 10 in 1985 (AARP 1985, 1996). As would be expected, more seniors (85 percent of those age 65 or older) report being at least fairly well informed; this represents an increase from 67 percent of those age 62 or older in 1985. Seventy-three percent of those age 50–64 feel at least somewhat informed, as do 71 percent of the baby-boomer group (age 30–49), and 59 percent of Generation X (those in their twenties). All age groups report being better informed about social security in 1996 than in 1985.

## Americans Are Strongly Committed to the Program

Nearly 9 in 10 (88 percent) of nonretired Americans believe that they may not need social security when they retire (Table 1). However, they definitely want to know it is there for them just in case they do. (This question was not asked in the 1985 survey.) Sixty percent of Americans believe social security is one of the very most important government programs; this figure is down slightly from 65 percent in 1985 (AARP 1985, 1996). This belief rises with age: among those age 18–29 it is 48 percent; for those age 30–49 it is 55 percent; for those age 50–64 it is 70 percent; and at age 65 or older it is 83 percent.

Eight in 10 Americans of all ages believe that the government made a commitment to people a long time ago about social security being there for them when they retire and that the government cannot break this commitment (AARP 1996). There is a broad consensus on this across age, gender, and income categories, since 8 in 10 women, men, and people of all income categories hold this belief. (There are no corresponding data from 1985.)

The fraction of people reporting they are very confident or somewhat confident in social security declined from 46 percent in 1985, to 36 percent in 1996 (Figure 1). But confidence generally increases with age (Figure 2): one-third of Gen Xers are either very or somewhat confident, compared with 40 percent of those age 50–64 and 60 percent of seniors. However, baby-boomers are the age group with least confidence in the future of the social security system: only 23 percent are either very or somewhat confident. There are no gender differences, but there are income differences: the higher a respondent’s income, the lower the confidence in social security. Confidence figures range from 48 percent among those with incomes of under \$15,000, to 25 percent among those with incomes of \$50,000 or more (AARP 1996).

There is some controversy on how to interpret the time trend. Jacobs and

TABLE 1. Attitudes Toward Social Security (1996) (percent)

	<i>Agree</i>		<i>Disagree</i>		<i>DK/Ref</i>
	<i>Completely</i>	<i>Somewhat</i>	<i>Somewhat</i>	<i>Completely</i>	
Maybe I won't need social security when I retire, but I definitely want to know it's there just in case I do.	70	18	4	8	—
The government made a commitment a long time ago about social security being there for them when they retire. The government can't break that commitment.	62	17	8	11	2
Everyone who pays into social security should receive it no matter what other income they have.	59	18	11	11	1
To ensure that social security will be there for me when I retire, I would be willing to pay more now in payroll taxes.	17	27	17	37	2
To ensure that social security will be there for today's older people, I would be willing to pay more now in payroll taxes.	18	32	18	31	1

Source: AARP/DYG/ICR (1996).

Shapiro (1998) forcefully challenge the assumption that declining confidence inevitably leads to declining support for social security; instead, they argue that "that even with low confidence, the public's support has remained virtually unchanged—a flatliner, according to available trend data." Hecla (1998) suggests, " 'It won't be there for me' appears to be a way of registering a generalized mistrust about government and politics today rather than a focused judgment about the sustainability of the social security program in particular."

Half of nonretired Americans (52 percent) believe that social security

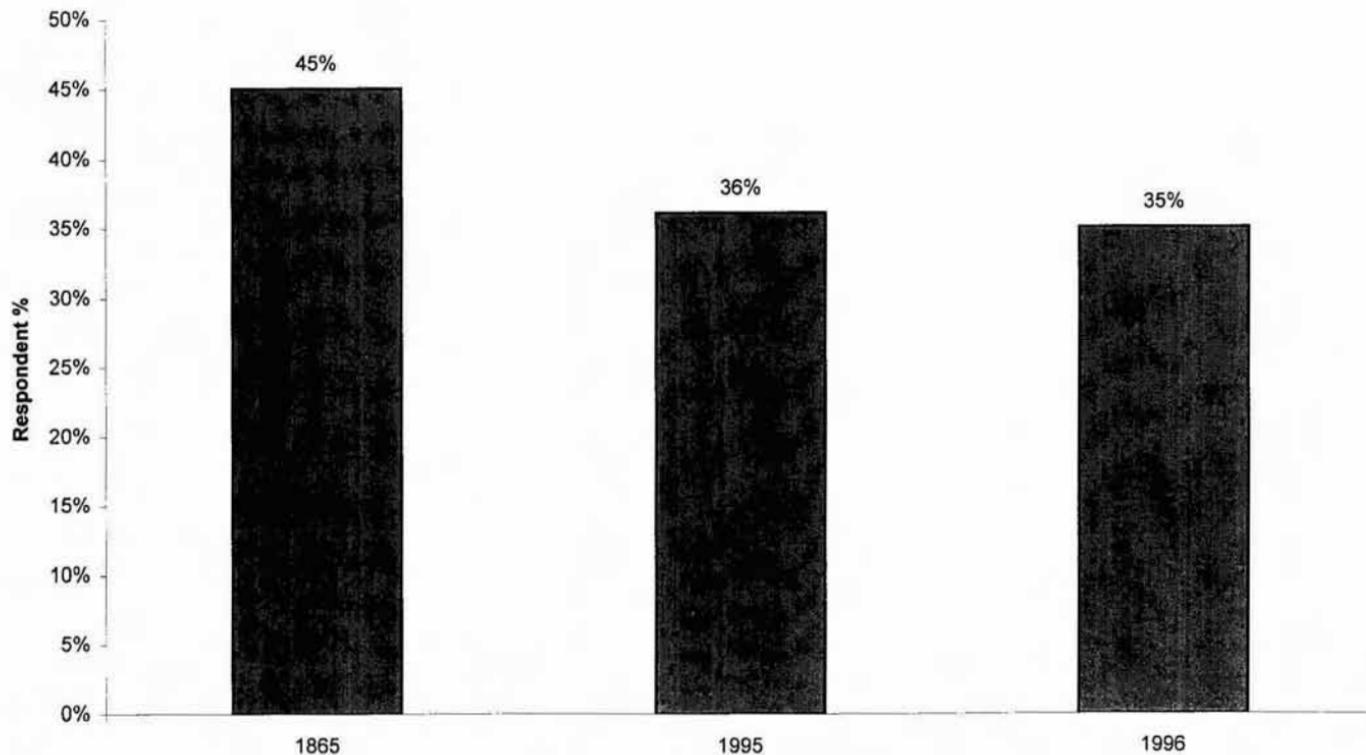


Figure 1. Respondents very/somewhat confident in the future of social security (various years). Source: AARP/DYG (1985, 1995), AARP/DYG/ICR (1996).

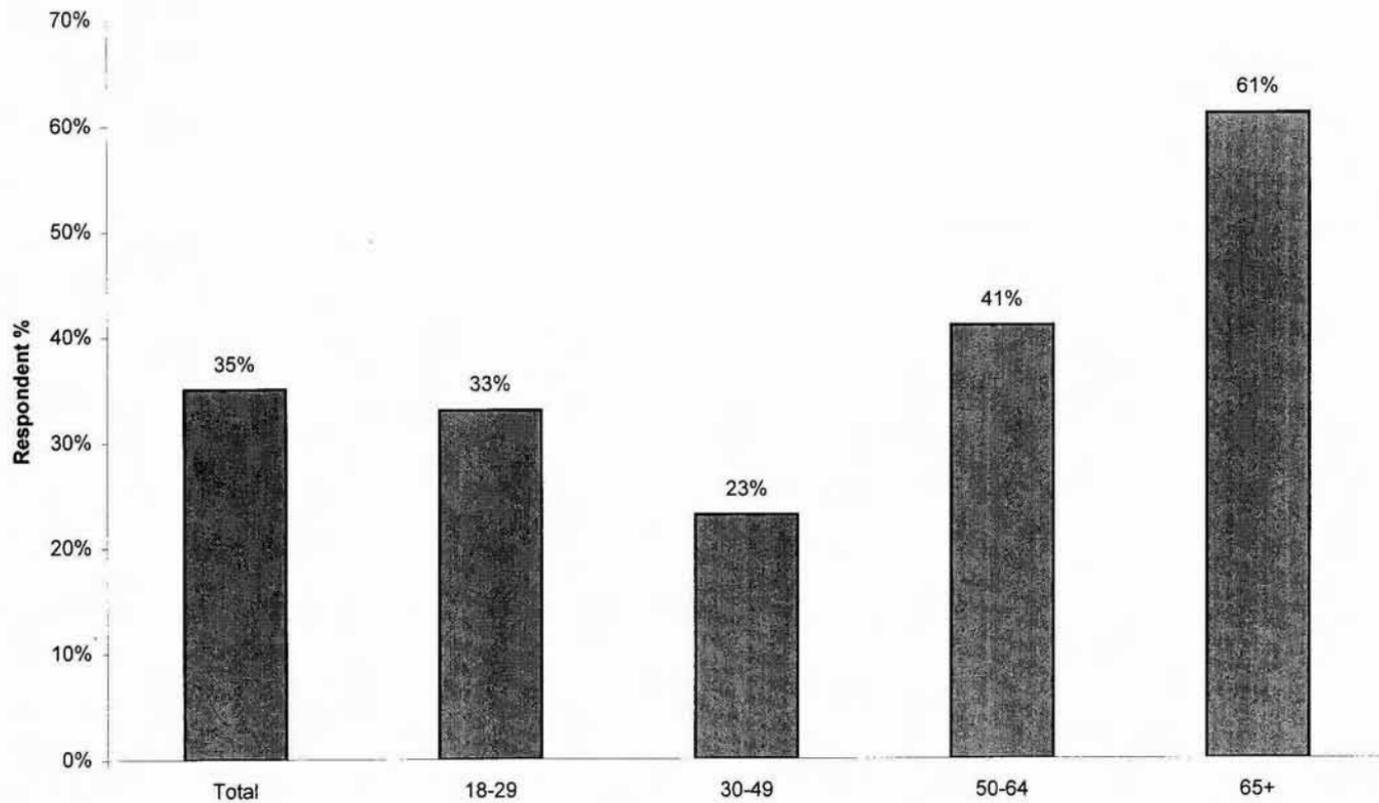


Figure 2. Respondents by age very/somewhat confident in social security (1996). Source: AARP/DYG/ICR (1996).

payments are too low (AARP 1996). In 1985, 4 in 10 nonretired Americans perceived social security payments as being "inadequate," in a differently worded question (AARP, 1985). This view was held more often by mid-life Americans (those age 50–64) (58 percent) and boomers (56 percent) than it was by Gen Xers (42 percent) (AARP 1996). In 1996, one-quarter of the nonretired believed that social security payroll taxes are "too high"; this represents almost no change over 1985 (23 percent) (AARP 1985, 1996).

### Americans Support a Universal Program, but Are Also Interested in Private Retirement Options

More than three-quarters (78 percent) of Americans believe that everyone who pays into social security should receive it no matter what other income they have (AARP 1966). (There are no corresponding data from 1985.) There are no age differences in this view in the combined agreement categories (agree completely plus agree somewhat). Only at the highest income level (\$50,000 or more household income) is there less overall agreement (73 percent). Thus, there is a broad consensus across age, gender, and income categories regarding the universal nature of the program.

More than two-thirds (68 percent) of the nonretired say they should stay in and support the social security system rather than get out of it. Nevertheless, this figure is down from 73 percent in 1985 (AARP 1985, 1996). There is a slight but statistically significant rise in interest in the option of "dropping out" of the social security system, from 24 percent in 1985 to 28 percent in 1996. There are also substantial gender differences (Figure 3): nonretired men (37 percent) are almost twice as likely as women (20 percent) to say they would like to drop out of social security. Male boomers (43 percent) are twice as likely as female boomers (21 percent) to say they would opt out. Higher-income respondents (\$50,000+) are more likely to want to opt out (Figure 4).

### Americans' Willingness to Pay More Now Has Declined

Less than half of nonretired Americans say they are willing to pay more now in the form of payroll taxes to assure that social security will be there for them when they retire (44 percent), and to assure that social security will be there for today's older people (49 percent; Table 1). (There are no corresponding 1985 data.) Nearly half (49 percent) of those age 50–64 are willing to pay more for their own retirement and 57 percent are willing to pay more for today's older people. Willingness to pay more for their own retirement was at the same level (49 percent) among Xers, 53 percent of who are willing to pay more now for today's older people. Boomers are the least willing to pay higher payroll taxes, either for themselves (39 percent) or for today's older people (45 percent). Willingness to pay is also related to income. Willingness to pay more for themselves is greatest among those with in-

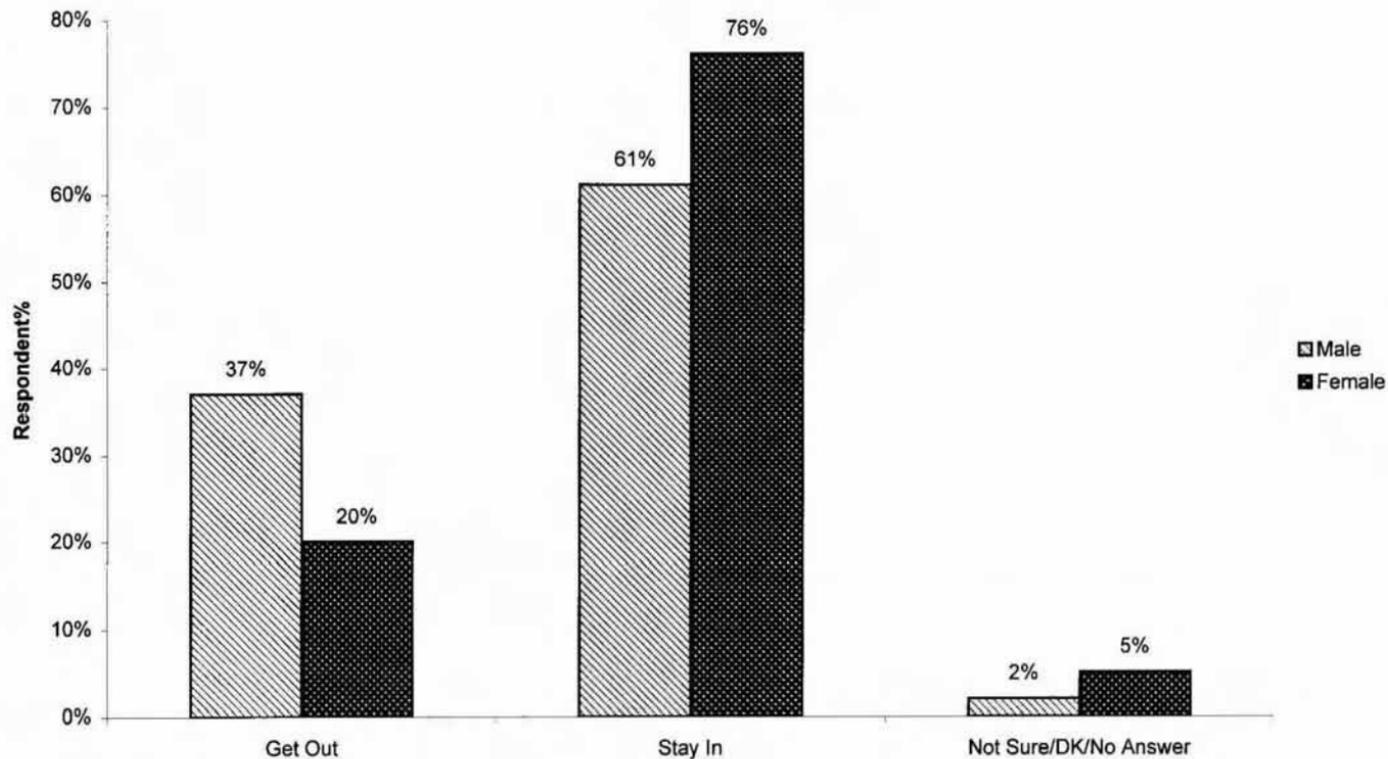


Figure 3. Response to 1996 question by sex: "If you could get out of the Social Security system, would you?" Source: AARP/DYG/ICR (1996).

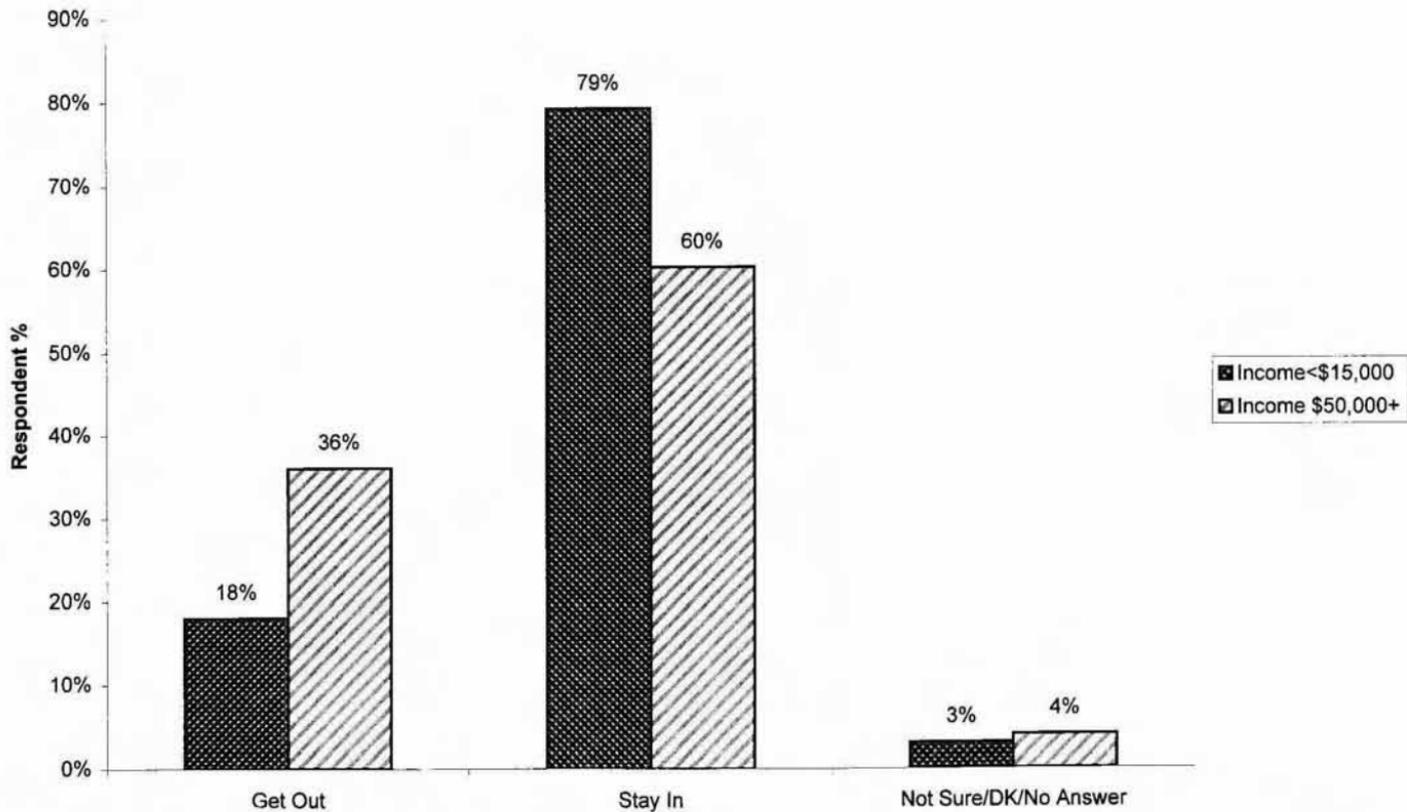


Figure 4. Response to 1996 question by income: "If you could get out of the Social Security system, would you?" Source: AARP/DYG/ICR (1996).

comes less than \$15,000 (62 percent), and least among those with incomes over \$50,000 (43 percent). Willingness to pay more for today's older people is likewise greater among the lowest income group (88 percent) and least (42 percent) among the highest income group.

### **Public Opinion on Social Security Reform Proposals**

There have also been several surveys regarding a range of social security reform options, which we summarize next.

#### *Are Cuts in Social Security Needed?*

Americans have traditionally consistently opposed cutting in social security benefits as a way of balancing the system. According to Jacobs and Shapiro (1998), "Support [for maintaining or expanding the social security program] remains enormous and opposition to cutting back massive." A 1996 poll found that 59 percent of respondents do not think it will be necessary to cut back on future social security payments to keep the system financially sound. One-third thought cuts would be necessary, and 8 percent were not sure (Time/CNN 1996).

#### *Cut Social Security Benefits to Balance the Budget?*

A majority of Americans believe that the federal budget *can* be balanced without cutting social security or Medicare. A 1995 survey found that more than three-quarters of respondents (77 percent) believed that the federal budget could be balanced without cutting social security. More than a fifth (21 percent) thought it must be cut and 3 percent did not know (AARP 1995).

When asked a direct question, "Should the federal government cut back spending on social security?" to reduce the federal budget deficit, 85 percent of respondents answered in the negative. Only 14 percent replied in the affirmative and 2 percent did not know (AARP 1995). In the same poll, the choice was posed between balancing the federal budget or preventing social security from being significantly cut. Here 69 percent of the respondents chose protecting social security from being significantly cut versus balancing the budget (27 percent). Twenty-seven percent opted for the reverse and 3 percent did not know or did not answer the question (AARP 1995).

#### *Changing the Cost-of-Living Adjustment*

A majority of Americans oppose most proposals to change the social security cost of living adjustment (COLA). In 1996, nearly two-thirds (62 percent) opposed "reduc[ing] automatic increases in [social security] benefits." Thirty-four percent favored this proposal and 4 percent did not know.

TABLE 2. Attitudes Toward Social Security Cost-of-Living (COLA) Reductions (1995) (percent)

	<i>Oppose</i>	<i>Favor</i>	<i>Don't Know</i>
Lower increases in social security benefits (COLAs) to about 2% for each of the next two years	62	34	4
Eliminate the increase entirely for just one year	70	27	3
Cut in half the cost of living adjustments paid to social security recipients for two years	76	19	5
Provide increases over the next two years just for people with lower incomes	41	54	4

Source: Readers Digest/Institute for Social Inquiry/Roper (1995).

Mid-life Americans (age 50–64) and seniors (age 65+) were more likely than Boomers and Generation Xers to oppose this proposal (EBRI 1996).

A poll in 1995 asked about several proposals for changing the COLA in the context of helping cut the federal deficit and balancing the budget (Table 2). Half the respondents (54 percent) favored only “providing increases over the next two years just for people with low incomes,” 41 percent opposed the proposal, and 4 percent did not know (Readers Digest 1995). Large majorities opposed halving the cost of living adjustments paid to social security recipients for two years (76 percent); delaying the increase entirely for just one year (70 percent); and limiting benefit COLAs to 2 percent for each of the next two years (Readers Digest 1995).

### Should the Retirement Age Be Raised?

Raising the retirement age appears to be among the least popular social security reform proposals, and the higher the proposed new retirement age is, the greater the opposition. A 1997 poll found that nearly two-thirds (64 percent) opposed “gradually increasing the retirement age for social security from 65 to 69 without affecting people now receiving benefits,” 31 percent favored this proposal, and 5 percent did not know (Newsweek 1997). Another 1996 poll found that a proposal raising the retirement age to 70 was opposed by 68 percent and favored by 31 percent, whereas 9 percent did not know. Younger respondents were most likely to oppose this proposal and those without any college education were more likely to strongly oppose this reform proposal (Table 3).

### Should the Payroll Tax Be Increased?

Increasing the payroll tax is an unpopular social security reform proposal. When asked a general question about raising this tax, over two-thirds (68

percent) opposed the idea in 1996, while 28 percent favored it (EBRI 1996). Boomers and Gen Xers were more likely to strongly oppose an increase in the payroll tax. A 1997 poll found that a majority (54 percent) of respondents opposed "increasing the social security payroll tax by one and a half to two percent," while 41 percent favored this proposal and 5 percent did not know (Newsweek 1997).

#### Should Social Security Benefits Be "Means-tested" or Fully Taxed?

Subjecting all of social security benefits to taxes is an unpopular reform proposal. However, taxing all social security benefits for retirees with household incomes over \$50,000 found favor with 61 percent of the respondents in 1996. This proposal was more likely to be favored by seniors, those with at least some college education, and those with annual incomes *less than* \$50,000 (EBRI 1996).

A 1996 proposal prefaced a question regarding taxes with the statement, "As you may know, most people receiving social security payments today get more money in payments than they put into the system in taxes." Respondents were then asked if they thought social security recipients should have to pay federal income taxes on the difference between what they paid in taxes and the amount they received in benefits. This proposal is decidedly unpopular: 71 percent of the respondents are opposed to this proposal and 21 percent are favorable, with only 8 percent volunteering that they were not sure (Time/CNN 1996).

By contrast, "means-testing" (see Neumark and Powers, this volume) social security benefits is one of the more popular reforms, as long as the income level at which it takes effect is safely above the respondent's own annual income. In 1966, 61 percent favor, either strongly or somewhat, "cut[ing] future social security benefits for retirees with income over \$50,000," while 35 percent oppose this proposal. Respondents in the 35-54 age group are more likely to favor cutting benefits for retirees with high incomes (Table 3).

The public is roughly evenly divided over the general issue of "scaling social security benefits so that the more outside income retirees have, the less they receive in social security": 46 percent favor this proposal whereas 47 percent are opposed, with 7 percent having no opinion on this issue (Newsweek 1997). When specific income amounts are stipulated, the higher the income, the greater the favorability ratings.

#### Should Social Security Funds Be Invested in the Stock Market?

Regarding the question of whether social security funds should be held in equities, public opinion changes, depending on how the questions are phrased. Jacobs and Shapiro (1998) argue that "[f]airly probing the pub-

lic's views on privatization requires asking balanced questions that pose the potential rewards and risks of equity." Relatively more "abstract" questions about "letting individuals decide how some of their own social security contributions are invested" meet with favorable responses. In 1997, 71 percent favored this proposal, whereas 22 percent opposed it, and 7 percent did not know (Newsweek 1997). Similarly, nearly two-thirds (64 percent) of the respondents in a 1996 survey favored "invest[ing] some of the social security Trust Fund into private sector stock markets." This was opposed by only 29 percent of the respondents (EBRI 1996). Respondents under the age of 55, those with a college education, those with household incomes of \$25,000 or more, and men were more likely to indicate they favored investing some of the Trust Fund in the stock market.

Interestingly, a small change in question wording can alter findings somewhat. In one 1997 survey, the proposal was phrased as "investing some social security revenues in the stock market, instead of putting them all into government bonds." Faced with this question, half of the respondents are in favor, 40 percent opposed, and 10 percent have no opinion (Newsweek 1997). Another 1997 survey posed the question differently: "[T]hinking about social security, do you favor or oppose investing a portion of the social security tax funds in the stock market?" Here again, half are in favor, 36 percent are opposed, and 13 percent are not sure (Time/CNN 1997).

When risk is explicitly mentioned, opposition to investing social security funds in the stock market increases sharply. A 1997 poll posed the question as follows: "Some people have suggested investing some of the social security Trust Funds in the stock market, which might make more money for the Funds, but would involve greater risk" (CBS/NYT 1997). Nearly 7 in 10 respondents (69 percent) thought this was a bad idea; a quarter thought it a good idea; 6 percent did not know or did not answer the question. Similarly, a different 1997 poll mentioned that subsequent social security "benefits could either be higher or lower than expected, depending on the stock market's performance" (NBC/WSJ 1997). Respondents were asked to judge whether "the risk of losing money in the stock market outweighs the potential of high returns from investing in the stock market," or whether "the potential of higher returns from investing in the stock market outweighs the risk of losing money in the stock market." Fifty-seven percent believe that risk outweighed potential returns, 37 percent take the position that potential returns outweigh the risks, and six percent are not sure (NBC/WSJ 1997).

### Should Social Security Benefits Be Cut for All Future Recipients?

Cutting benefits for all future retirees appears to be the least popular proposed reform. More than three-quarters (76 percent) oppose this reform, and a majority (56 percent) of those surveyed in 1996 opposed it strongly.

TABLE 3. Attitudes Toward Social Security Reforms (percent)

	<i>Strongly Favor</i>	<i>Somewhat Favor</i>	<i>Somewhat Oppose</i>	<i>Strongly Oppose</i>
<i>Popular social security reforms</i>				
Cut future benefits for retirees with income over \$50,000	30	31	16	19
Fully tax all social security benefits of retirees with income over \$50,000	30	31	17	18
Invest some of the social security trust fund into private sector stock market	25	39	13	16
<i>Social security reforms opposed by a majority</i>				
Reduce automatic increases in benefits	12	22	28	34
Raise retirement age to 70	10	21	23	45
Increase the existing payroll tax on workers	6	22	25	43
Cut future benefits payments for all future recipients	4	16	20	56

Source: EBRI (1996).

Not surprisingly, seniors were relatively more willing to entertain this proposed reform (Table 3).

## **Conclusion**

Americans' views about the social security program appear relatively stable and supportive, and somewhat slow to change. Attitudes towards specific reform proposals, however, are not consistent. The public is generally opposed to cuts in social security benefits, is not convinced they are needed, and is not willing to endure much "pain" to achieve long-term solvency. The only clearly popular reforms involve reducing social security benefits or fully taxing all social security benefits of retirees with annual incomes over \$50,000. Investing some of the social security trust fund in the stock market is popular "in the abstract," but decidedly less so when risk is introduced.

In overview, public opinion has not yet coalesced around reforms needed to bring about system solvency. Important differences along income and gender lines remain significant. It is perhaps more striking that age differences are not a more salient important predictor of attitudes towards social security. Jacobs and Shapiro (1998) confirm this when they state: "Although

seniors are more sensitive to threats to social security, younger Americans are consistently just as supportive (if not more so) of the overall program.”

Americans will apparently require more time and information to reconcile their views on these policy trade-offs. The danger, as Jacobs and Shapiro (1998) point out, is that “instead of public opinion research driving policy decisions, policy decisions will drive public opinion research toward identifying the best language and policy arguments for presenting the preferred policy.” This is an even greater danger of this happening, Jacobs and Shapiro contend, if the media continue “by-pass[ing] substance in favor [of] disproportionate coverage of conflict and crisis [instead of substantive coverage of the social security debate].”

Should substantive issues regarding social security reform be covered, it might be expected that this debate will have a “centering effect” of a shift towards the moderate “middle” from the positions on both extremes, no change and radical change. This accords with experience from the 1994 health care reform debate: as people were exposed to the pro and con arguments, they retreated to a moderate middle position, rather than one of radical change.

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