



COMMENTARY

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FOR IMMEDIATE RELEASE:
Thursday, January 27, 2005

FOR FURTHER INFORMATION
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Social Security Polling:

CROSS-CURRENTS IN OPINION ABOUT PRIVATE ACCOUNTS

As the debate over Social Security heats up, the public is still coming to grips with this complex issue. Attention to the Social Security debate is fairly limited, and public opinion on the various proposals being circulated is fluid and highly dependent on how the options are framed.

Yet it is possible to draw some conclusions from the recent round of national surveys on Social Security. With some exceptions, they show the public to be receptive to the idea of private investment accounts in Social Security. In most cases, however, support declines when the potential downside of private accounts is raised.

Moreover, the polls have consistently shown that while Americans believe the Social Security system faces major problems, it is not in crisis. Recent surveys by the Washington Post/ABC News and CNN/USA Today/Gallup found roughly half saying that Social Security has major problems, with significantly fewer saying that the system is in crisis. Opinions on these measures have shown little change since 1998.

An early January survey by the Pew Research Center found a similar result taking a different approach. Pew asked respondents whether the Social Security program – along with the legal, health care and other major systems – needs to

Social Security: How Big a Problem?			
		Dec <u>1998</u>	Jan <u>2005</u>
		%	%
CNN/USA Today/Gallup			
<i>Which of these statements do you think best describes the Social Security system: it is in a state of crisis, it has major problems, it has minor problems, or it does not have any problems?</i>	State of crisis	15	18
	Major problems	55	53
	Minor problems	23	24
	Does not have any problems	5	3
	Don't know	<u>2</u>	<u>2</u>
		100	100
		Jan <u>1998</u>	Dec <u>2004</u>
		%	%
Washington Post/ABC News			
<i>Which of the following four statements comes closest to your own view of the Social Security program? Would you say the program is in crisis, the program has major problems but is not in crisis, the program has minor problems, or the program has no problems?</i>	Crisis	34	25
	Major problems but not in crisis	46	49
	Minor problems	17	23
	No problems	2	1
	Don't know	<u>2</u>	<u>1</u>
		100	100

be completely rebuilt, requires major changes, or needs only minor changes. Far more Americans said the health care and education systems needed a complete overhaul or major change than said that about Social Security. (See “Public’s Agenda Differs From President’s, Jan. 13, 2005).

But while Americans generally do not see a Social Security crisis, they remain doubtful that their anticipated benefits will still be available for their own retirement down the road. That point of view is mostly unchanged since the early 1980s.

President Bush’s proposal for private Social Security accounts for younger workers has yet to draw much public attention. In Pew’s early January survey, only about a quarter of Americans (23%) said they heard a lot about the proposal; another 43% said they had heard a little, while 33% had heard nothing at all.

Public opinion on private accounts has not solidified, but three recent national surveys, using similar wording, have found majority support for the general idea of private accounts. In a Dec. 14-15 survey, Fox News found 60% in favor of offering people the choice of investing up to five percent of their Social Security contributions in private accounts. Surveys by Pew and the Washington Post/ABC News showed smaller majorities favoring the idea.

Persistent Skepticism on Future Benefits				
Washington Post/ ABC News				
<i>What do you think of the nation’s Social Security system? Do you think that by the time you retire there will be enough money in the system to pay you the benefits you are entitled to, or do you think there will not be enough money left to pay you benefits?</i>		Nov <u>1984</u> %	May <u>1997</u> %	Jan <u>2005</u> %
Will be enough		29	27	36
Will not be enough		59	66	60
Not covered (Vol.)		2	3	1
Don’t know		<u>9</u>	<u>4</u>	<u>4</u>
		100	100	100
New York Times/CBS News (1997 CBS News only)				
<i>Do you think the Social Security system will have the money available to provide the benefits you expect for your retirement?</i>		June <u>1981</u> %	Aug <u>1997</u> %	Jan <u>2005</u> %
Will have the money		30	26	34
Will not		54	58	54
Already get SS (Vol.)		--	9	7
Don’t know		<u>15</u>	<u>7</u>	<u>5</u>
		100	100	100

Other surveys have found lower levels of support for private accounts, but the questions were framed somewhat differently. Just 44% backed private accounts in a Time/SRBI survey, but this question explicitly linked the proposal with President Bush, which produced a more partisan response.

In January, NBC News/Wall Street Journal found half of Americans rejecting private accounts, with just 40% in favor. This question asked specifically whether it was a good or bad idea to change the Social Security system by introducing private accounts. It also does not specify whether workers could contribute all, or just part, of their Social Security contributions to

private accounts. The three questions in which majorities backed private accounts made clear that workers would not contribute all of their Social Security payments – “five percent” in the Fox poll, “some” in the Washington Post/ABC News poll, and “a portion” in the Pew poll – to private accounts.

The Post/ABC News survey suggests that opinion on private accounts has not changed in recent years. Currently, a narrow majority (53%) favor a plan allowing people to invest some contributions in private accounts; that is the same result the Post/ABC poll found in March 2001.

Opinion on Private Accounts			
<i>Do you think people should have the choice to invest privately up to five percent of their Social Security contributions, or not?</i> Source: Fox News/Opinion Dynamics Dec. 14-15, 2004 N=900 RV	<u>Should</u> 60%	<u>Should not</u> 27%	<u>DK</u> 13%
<i>Generally, do you favor or oppose this proposal (which would allow younger workers to invest a portion of their Social Security taxes in private retirement accounts, which might include stocks or mutual funds)?</i> Source: Pew Research Center Dec. 1-16, 2004 N=2,000	<u>Favor</u> 54%	<u>Oppose</u> 30%	<u>DK</u> 16%
<i>Would you support or oppose a plan in which people who chose to could invest some of their Social Security contributions in the stock market?</i> Source: Washington Post/ABC News Dec. 16-19, 2004 N=1,004	<u>Support</u> 53%	<u>Oppose</u> 44%	<u>DK</u> 3%
<i>President Bush favors changing the Social Security system to allow people to invest part of their Social Security payroll tax in stocks and bonds. Do you favor or oppose this proposed change to Social Security?</i> Source: Time/SRBI Jan. 12-13, 2005 N=1,002	<u>Favor</u> 44%	<u>Oppose</u> 47%	<u>DK</u> 9%
<i>In general, do you think that it is a good idea or a bad idea to change the Social Security system to allow workers to invest their Social Security contributions in the stock market?</i> Source: NBC News/Wall Street Journal Jan. 13-17, 2005 N=1,007	<u>Good idea</u> 40%	<u>Bad idea</u> 50%	<u>DK</u> 10%

Surveys that mention possible tradeoffs involved in the creation of private accounts – market risk or potentially lower guaranteed benefits in Social Security – yield divergent results. The Washington Post/ABC News survey, which raised the possibility that benefits could rise or fall with changes in the market, found a 55% majority in support of private accounts. But other polls, with different wording, show significantly less support. Pew asked respondents whether it was more important to retain a Social Security program with a guaranteed monthly benefit or to let younger workers invest in private accounts, possibly raising or lowering benefits. Under that scenario, just 29% said they preferred private accounts.

Private Social Security Accounts – Possible Risks and Rewards

Another idea to help keep the Social Security system funded would let workers put some of their Social Security savings into stocks or bonds if they wanted to. That could produce higher or lower benefits depending on how the investments perform. Would you support or oppose this stock-market option for Social Security?

<u>Support</u>	<u>Oppose</u>	<u>DK</u>
55%	41%	4%

Source: Washington Post/ABC News Jan. 12-16, 2005 N=1,007

Some people have suggested allowing individuals to invest portions of their Social Security taxes on their own, which might allow them to make more money for their retirement, but would involve greater risk. Do you think allowing individuals to invest a portion of their Social Security taxes on their own is a good idea or a bad idea?

<u>Good idea</u>	<u>Bad idea</u>	<u>DK</u>
45%	50%	5%

Source: New York Times/CBS News Jan. 14-18, 2005 N=1,118

As you may know, one idea to address concerns with the Social Security system would allow people who retire in future decades to invest some of their Social Security taxes in the stock market and bonds, but would reduce the guaranteed benefits they get when they retire. Do you think this is a good idea or a bad idea?

<u>Good idea</u>	<u>Bad idea</u>	<u>DK</u>
40%	55%	5%

Source: CNN/USA Today/Gallup, Jan. 7-9, 2005 N=1,008

As you may have heard, there has been some talk about allowing younger workers to divert payroll tax money from Social Security into private investment accounts which they can manage themselves. Some people say this is a good thing because it is possible to earn a higher rate of return in the stock market. Others say the stock market is too unpredictable to trust it with Social Security funds. What do you think? Do you approve or disapprove of allowing younger workers to divert their payroll tax money from Social Security into private investment accounts?

<u>Approve</u>	<u>Disapprove</u>	<u>DK</u>
42%	52%	6%

Source: L.A. Times, Jan 15-17, 2005 N=1,033

People have different opinions about how the Social Security system might be changed for the future. When decisions about Social Security's future are being made, which do you think is MORE important... (READ AND ROTATE) keeping Social Security as a program with a GUARANTEED monthly benefit based on a person's earnings during their working life OR letting younger workers DECIDE for THEMSELVES how some of their own contributions to Social Security are invested, which would cause their future benefits to be higher or lower depending on how well their investments perform?

Younger workers <u>decide</u>	Guaranteed <u>Benefit</u>	<u>DK/Both</u>
29%	65%	6%

Source: Pew Research Center Jan. 5-9, 2005 N=1,503

Another approach used by pollsters is to ask a general question about private accounts and then follow up by asking supporters of that idea about possible negative consequences that might arise from such a program. In this month's Los Angeles Times survey, the number favoring private accounts dropped from 42% to 23% when supporters were asked if they still backed the program if it meant a reduction in the guaranteed Social Security benefit. The New York Times/CBS News survey showed an even bigger drop-off in support with a follow-up suggesting that guaranteed benefits could be reduced by as much as a third. And none of the recent polls on Social Security have probed opponents of private accounts with arguments in favor of the proposal.

Pushing Support for Private Accounts					
	“Approve” on initial Q (42%)				
<i>Would you still support this proposal if it meant a reduction in the guaranteed benefit retirees receive through the Social Security system, or would you be opposed to it?</i>	Support even with reduced benefits	Oppose if reduced benefits	DK if reduced benefits	Disapprove	DK
	23%	17%	2%	52%	6%
Source: L.A. Times, Jan. 15-17, 2005 N=1,033					
	“Good idea” on initial Q (45%)				
<i>What if establishing personal accounts meant that the guaranteed benefit paid to retirees by the government would be reduced by as much as a third – then do you think it's a good idea or a bad idea?</i>	Good idea even with reduced benefits	Bad idea if reduced benefits	DK if reduced benefits	Bad idea	DK
	22%	20%	3%	50%	5%
Source: NYT/CBS News Jan. 14-18, 2005 N=1,118					
See Table on page 4 for wording of initial question.					

In addition, because the debate over Social Security has been driven by the president's proposal for private accounts, most recent polls have focused more on this alternative than on other options for bolstering Social Security. In past years, pollsters have asked about private accounts as one of many possible changes in Social Security. In May 2002, Bloomberg News found that private accounts drew more support (48% in favor) than increasing the payroll tax (39%), investing funds from the Social Security trust fund in stocks (33%), and raising the retirement age for full Social Security benefits (21%).

<i>Bloomberg News/PSRA May 2002</i>	<u>Favor</u> %	<u>Oppose</u> %	<u>DK</u> <u>Neither</u> %
Changing Social Security from a system where the GOVERNMENT collects the taxes that workers and their employers contribute, to a system where INDIVIDUALS invest some of their payroll tax contributions THEMSELVES	48	42	10
INCREASING the payroll tax that workers and employers each pay into the Social Security system from 6.2% to 6.7%	39	53	8
Changing Social Security from a system where the money in the trust fund is invested in GOVERNMENT BONDS, to a system where some of the money is invested in the STOCK MARKET	33	58	9
Gradually RAISING the age when a person can collect full Social Security benefits to age 70	21	76	3
<i>Question wording: Social Security affects just about every American in some way. But the issues involved in changing the program are complicated. I'd like your opinion of some specific proposals for how Social Security might be changed in the future. If I ask you anything you feel you can't answer, just tell me. (First,) do you favor or oppose the following proposal... (INSERT AND ROTATE) Do you strongly (favor/oppose) this proposal, or moderately (favor/oppose) it?</i>			

A 1999 survey on Social Security, conducted jointly by National Public Radio, the Kaiser Family Foundation and the Kennedy School of Government, asked about 10 different options for dealing with the program's future financial problems. The leading alternatives were allowing people to set up individual investment accounts with a portion of their Social Security payments (65% support), and increasing taxes on Social Security benefits for those earning more than \$75,000 a year (64%).

<i>NPR/Kaiser/Harvard Survey March 1999</i>	<u>Favor</u> %	<u>Oppose</u> %	<u>DK</u> %
People having individual accounts and making their own investments with a portion of their Social Security payments	65	33	3
Increasing taxes on Social Security benefits for those earning more than \$75,000*	64	36	1
Reducing Social Security benefits for seniors whose income is more than \$40,000 a year*	57	42	1
Eliminating the current Social Security payroll tax cut-off that exempts income over \$68,400 a year from being taxed for Social Security	45	51	4
Allowing workers to take all of their Social Security taxes out of the Social Security system and invest them on their own	42	57	1
Limiting cost-of-living increases in Social Security benefits	39	59	1
Increasing the amount employers and employees pay in taxes to Social Security	37	61	1
Raising the amount of taxes higher-income retirees pay on their Social Security benefits*	35	63	2
Gradually raising the retirement age for Social Security to age 70 over the next 20 years	31	67	2
Reducing Social Security benefits*	10	90	1
<i>Question wording: I am going to read you a list of some ways that have been suggested to deal with the future financial problems of Social Security. For each one, please tell me if you would favor or oppose such a proposal. How about...(READ ITEMS)? Do you (favor/oppose) this proposal STRONGLY, or not strongly?</i>			
<i>* Asked of half sample.</i>			

Finally, while public attention to the Social Security debate has been modest, there is no doubt of the importance the public places on the long-term health of the system. Securing Social Security trailed only defending the U.S. against terrorism and improving the economy, and was comparable to education, jobs and Medicare, in Pew's January poll on public policy priorities.