

Strengthening Social Security: *What Do Americans Want?*

Views Among African Americans, Hispanic Americans, and White Americans

by Jasmine V. Tucker
May 2013

Summary

Americans value Social Security and want to strengthen the program by increasing revenues and improving the adequacy of benefits, rather than by reducing benefits. Support for Social Security is particularly strong among African Americans and Hispanics.

Introduction

Social Security is the foundation of retirement security for almost all Americans. While monthly benefits are modest — about \$1,260 on average¹ — they are the main source of income for most seniors. Two-thirds of elderly beneficiaries count on Social Security for more than half of their income, including a third who rely on it for almost all (90% or more) of their income.² Seniors of color are particularly reliant on Social Security income in retirement. About three in four African American (74%) and Hispanic (77%) seniors rely on Social Security for more than half of their income, including 49% of African American and 55% of Hispanic seniors who rely on it for almost all (90% or more) of their income.³

Social Security has sufficient funds to pay all scheduled benefits for the next two decades. Reserves are projected to grow to \$3.1 trillion by the end of 2020.⁴ After that, if projections do not change and Congress does not act to strengthen the program's finances, the reserves would be drawn down to pay benefits. In the unlikely event that Congress does not act before 2033, the reserves would be depleted, and revenue continuing to come into the system from workers' and employers' payroll taxes and from taxation of benefits would cover about 75 percent of scheduled benefits. The projected financing gap can be closed by raising revenues, reducing benefits, or some combination of both. Steps could also be taken to improve the adequacy of benefits.

To better understand Americans' views on Social Security and ways to strengthen the program for the future, the National Academy of Social Insurance partnered with Mathew Greenwald & Associates to

conduct a public opinion study, *Strengthening Social Security: What Do Americans Want?*, released in February 2013.⁵ The study included an online survey of 2,000 Americans ages 21 and older to explore working and retired Americans' attitudes toward Social Security and the importance of benefits to beneficiaries' incomes. The study also included an innovative application of trade-off analysis — a technique widely used in market research — to learn which package of Social Security policy changes Americans prefer. The survey results were weighted to match the 2010 U.S. Census.

This fact sheet builds on the original report by examining the similarities and differences in views on Social Security among African American, Hispanic, and white American adults; 3.5% of poll respondents reported other racial or ethnic groups or did not report their race or ethnicity and are not included in this analysis.⁶

Americans Value Social Security and Want to Improve Benefits

Large majorities of Americans have favorable views of Social Security. Nearly 3 in 4 Americans (72%) report having a favorable view of Social Security, including 80% of African Americans, 77% of Hispanics, and 70% of whites.

Vast majorities of Americans of all racial and ethnic groups (87%) state that Social Security will be important to their monthly income when they retire. While most Americans (72%) think of Social Security as the foundation upon which they can build for their retirement, African Americans (82%) and Hispanics (81%) are somewhat more likely than whites (70%) to think so.

Among current beneficiaries, 96% of respondents say that Social Security is important to their monthly income. This includes 99% of African Americans, 97% of Hispanics, and 96% of whites.

Across racial and ethnic groups, 89% of Americans say that Social Security is more important than ever to ensure that retirees have a dependable income. But a majority of Americans (84%) say that Social Security does not provide enough income to retirees. Three in four Americans (75%) say we should consider increasing Social Security benefits to provide a more secure retirement for working Americans. Those agreeing include 84% of African Americans, 80% of Hispanics, and 72% of whites.

Americans Don't Mind Paying For Social Security

A more compelling test of Americans' support for Social Security is whether they are willing to pay for it. Large majorities of Americans, both working and retired, say they do not (or did not) mind paying Social Security taxes because the program helps millions of people (84%) and because they (80%) or their families (78%) benefit from it (Table 1). Those findings are consistent across racial and ethnic groups.



Table 1. Willingness to Pay for Social Security

[Please tell me if you agree or disagree with the following statements. Do you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with the statement?]

- I don't mind paying Social Security taxes because it provides security and stability to millions of retired Americans, the disabled, and children and widowed spouses of deceased workers.
- I don't mind paying Social Security taxes because I know that if my parents, grandparents, or other family members did not receive Social Security, I would have to support them in retirement.
- I don't mind paying Social Security taxes because I know I will be receiving benefits when I retire.

Questions	Percent who strongly or somewhat agree			
	Total	White	African American	Hispanic
Don't mind paying Social Security taxes because it provides security and stability to millions	84%	84%	91%	84%
Don't mind paying Social Security taxes because otherwise would have to support family members	78	78	80	81
Don't mind paying Social Security taxes because I know I will be receiving benefits when I retire	80	78	87	83

Source: National Academy of Social Insurance Survey, September 2012

Americans Are Willing to Pay More to Strengthen Social Security

Social Security is financed mainly by taxes deducted from workers' paychecks and matched by their employers. Only earnings up to a cap (\$113,700 in 2013) are taxed and counted toward benefits. About 5% of all workers earn more than the cap; they and their employers stop paying into Social Security when they reach the cap. Some proposals call for raising or eliminating the taxable earnings cap, which would affect the approximately 5% of workers whose earnings exceed the cap. Other proposals would increase the 6.2% tax rate that workers and employers each pay, which would affect all workers who pay into Social Security.

Americans want to pay to strengthen Social Security for the future. When given a choice between raising taxes or cutting benefits, more than three in four Americans (77%) – including 84% of African Americans, 70% of Hispanics, and 76% of whites – say we should ensure that Social Security benefits are not reduced, even if it means raising taxes on some or all Americans.



In fact, large majorities of Americans believe that all workers could contribute somewhat more to Social Security if necessary, and that better-off Americans could pay more because they have higher earnings:

- 82% of Americans agree it is critical to preserve Social Security for future generations even if it means increasing Social Security taxes paid by *working* Americans; those agreeing include 90% of African Americans, 84% of Hispanics, and 81% of whites.
- 87% of Americans want to preserve Social Security for future generations even if it means increasing taxes paid by *wealthy* Americans; those agreeing include 97% of African Americans, 91% of Hispanics, and 85% of whites (Table 2).

Table 2. Views on Paying More to Preserve Social Security

It is critical that we preserve Social Security even if it means raising taxes paid by...

	Percent who strongly or somewhat agree			
	Total	White	African American	Hispanic
Working Americans	82%	81%	90%	84%
Wealthy Americans	87	85	97	91

Source: National Academy of Social Insurance Survey, September 2012

Trade-Off Analysis: Americans' Preferred Package of Policy Changes

This study went beyond simply asking participants whether they would favor particular changes to Social Security. They also participated in a trade-off exercise. Trade-off analysis is widely used in market research to determine consumer preferences when choosing among product features. This study is a new application of trade-off analysis to assess public opinion about Social Security policy changes. The findings from the complex trade-off exercise are consistent with the findings yielded by asking simple attitudinal questions, reinforcing a conclusion that Americans do in fact have clear preferences about strengthening Social Security.

In the trade-off exercise, survey participants were assigned 10 different screens each with three packages of Social Security policy changes (including an estimate of how much each package would reduce or increase Social Security's financing gap) and a fourth package with no change to Social Security, which would maintain the status quo. On each of their 10 assigned screens, participants chose the package they considered most appealing.

For inclusion in the trade-off exercise, NASI selected 12 policy options (Table 3), all of which are or have been topics of active discussion among policymakers. The 12 options included:

- Four revenue increases: two that increase payroll taxes and two that lift the taxable earnings cap;



- Four benefit cuts: raising the full retirement age in two ways, reducing the cost-of-living adjustment (COLA), and means-testing benefits; and
- Four benefit increases: increasing the COLA, increasing benefits across the board, increasing benefits for long-service low-paid workers, and reinstating student benefits for children of disabled or deceased workers up to age 22.

What Kind of Inflation Protection Do Americans Want?

The purpose of Social Security's annual cost-of-living adjustment (COLA) is to increase benefits to keep up with inflation. Policymakers are considering whether to change the COLA by basing it on an inflation measure that rises more slowly than the current measure. Americans would prefer to base the COLA on inflation that seniors actually experience. This change would increase Social Security benefits at a slightly faster rate than the current measure. Americans of all races and ethnicities favor, rather than oppose, increasing the COLA and do so by a margin of 6 to 1.

Increasing Social Security's COLA

	Total	White	African American	Hispanic
Favor	64%	64%	68%	66%
Oppose	10	11	7	6
Not Sure	26	25	25	28

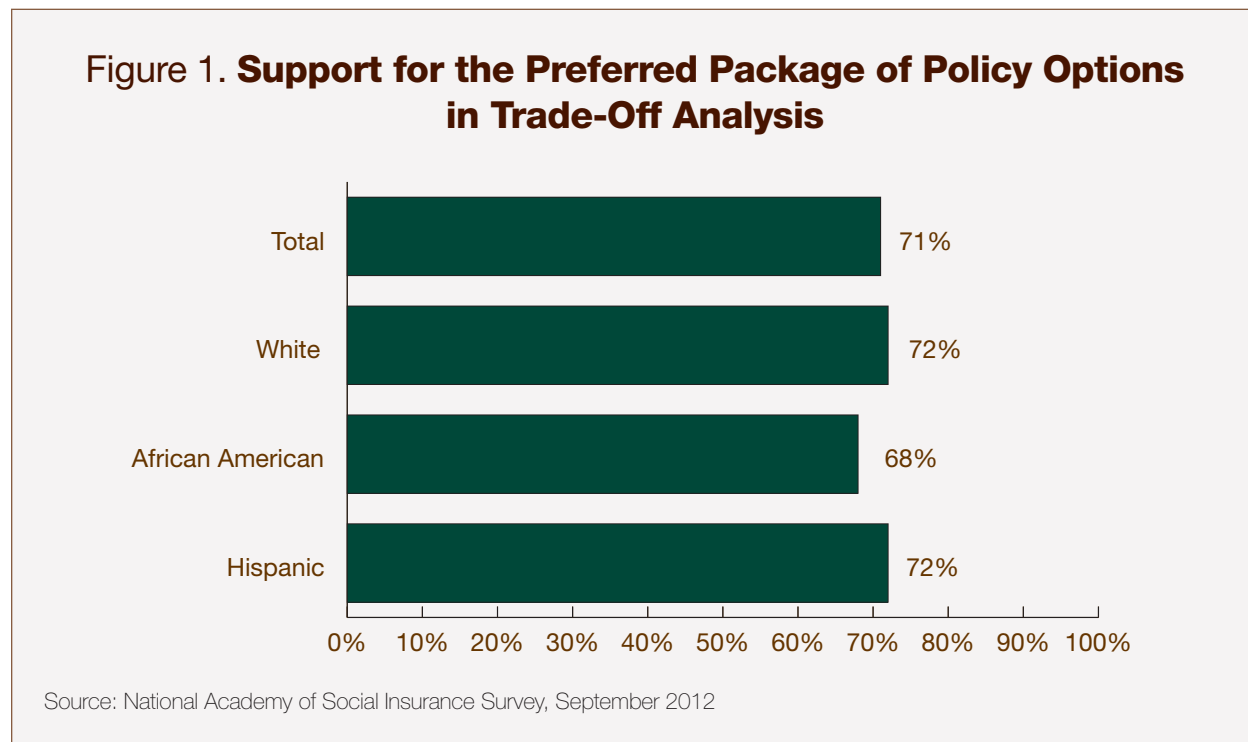
Source: National Academy of Social Insurance Survey, September 2012

The most favored package of changes is preferred over the status quo by seven in 10 Americans. It would:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security. This would mean that the roughly 5% of workers who earn more than the cap (now \$113,700) would pay into Social Security all year, as other workers do.
- Gradually, over 20 years, raise the Social Security tax that workers and employers each pay from 6.2% of earnings to 7.2%. The increase would be so gradual that someone earning \$50,000 a year would pay about 50 cents a week more each year.
- Increase Social Security's cost-of-living adjustment (COLA) to more accurately reflect the inflation actually experienced by seniors, who typically pay more out-of-pocket for medical care than other households.
- Raise Social Security's minimum benefit so that a worker who pays into Social Security for 30 years can retire at 62 or later and have benefits above the federal poverty line (\$10,788 for one person aged 65 or older in 2011). Currently, lifetime low-wage workers are at risk of falling into poverty in old age, even after paying Social Security taxes throughout their working lives.



These changes would eliminate the long-term financing gap projected by Social Security’s trustees in 2012, and provide a margin of safety. Seven in 10 African American, Hispanic, and white respondents favored this package (Figure 1).



Certain Changes Have a Strong Impact on the Appeal of Policy Packages

The trade-off analysis shows that the following specific options *strongly increase* the appeal of a package of policy options – that is, increase the likelihood that a survey participant would choose that particular package:

- Gradually, over 10 years, eliminate the cap on earnings that are taxed for Social Security.
- Gradually, over 20 years, raise the Social Security tax rate that workers and employers each pay from 6.2% of earnings to 7.2%.
- Increase the tax rate that workers and employers each pay in two steps, from 6.2% to 7.2% in 2022 and to 8.2% in 2052.
- Keep Social Security’s current full retirement age at 67.
- Do not means-test eligibility for Social Security benefits.

In contrast, the trade-off analysis shows that the following options *strongly decrease* a package’s appeal:

- Do not increase revenues for Social Security.
- Raise Social Security’s full retirement age to 70.
- Means-test eligibility for Social Security benefits.



Table 3. Individual Policy Changes in Trade-Off Analysis and Impact of Each on Social Security Financing Gap

<i>Policy Option</i>	<i>Percent Change in Financing Gap</i>
Cap on Earnings Taxed for Social Security	
• Eliminate the earnings cap over 10 years so that 100% of earnings are taxed	-71
• Lift the cap over a 5 year period to tax 90% of earnings	-30
• No change	0
Social Security Tax Rate	
• Over 20 years, raise the tax by 1/20th of 1% per year for employees and employers	-53
• Raise the current tax for both employees and employers to 7.2% in 2022 and to 8.2% in 2052	-77
• No change	0
Social Security's Full Retirement Age	
• Gradually raise the full retirement age to 68	-15
• Gradually raise the full retirement age to 70	-25
• No change	0
Means-Test Social Security	
• Require people to prove they need benefits to receive them	-20
• No change	0
Children's Benefits for Students	
• Reinstate student benefits to children whose working parents have died or become disabled, up to 22 years of age	+3
• No change	0
Benefits for All Beneficiaries	
• Increase benefits by \$60 a month for all beneficiaries	+28
• No change	0
Benefits for Lifetime Low-wage Workers	
• Raise Social Security's basic minimum benefit so that someone who paid into Social Security for 30 years can retire at 62 or later and not be poor	+7
• No change	0
Social Security's Cost-of-Living Adjustment (COLA)	
• Increase the Social Security COLA by basing it on inflation for the elderly	+13
• Lower the Social Security COLA	-20
• No change	0

Source: National Academy of Social Insurance, based on information in Appendix E of the full report, *Strengthening Social Security: What Do Americans Want?*, available at www.nasi.org



Americans Are Counting on Social Security – But Are Not Confident About its Future

Of Americans currently receiving Social Security, 96% say it is important to their monthly income, and 72% say that without Social Security they would have to make significant sacrifices or would not be able to afford the basics such as food, clothing, or housing. Of those not currently receiving Social Security, 87% say it will be important to their income when they begin receiving benefits.

Despite strong support for Social Security, Americans lack confidence in the program’s future. Just 43% of Americans report being confident in the future of Social Security (Table 4). African Americans (61%) and Hispanics (52%) are more likely than whites (40%) to be confident in Social Security’s future. When limited to respondents not yet receiving Social Security, just 31% reported confidence that they will receive all their earned benefits when they retire (Table 5). Again, African Americans (49%) were more likely to be confident than were Hispanic Americans (34%) or white Americans (28%).

Table 4. Confidence in the Future of Social Security

How confident are you in the future of Social Security?

Percent	Total	White	African American	Hispanic
Very/somewhat confident	43%	40%	61%	52%
Not very/not at all confident	57	60	39	48

Source: National Academy of Social Insurance Survey, September 2012

Table 5. Confidence in Receiving Earned Social Security Benefits

How confident are you that all of the Social Security benefits you are supposed to receive will be available to you when you begin receiving benefits?

Percent	Total	White	African American	Hispanic
Very/somewhat confident	31%	28%	49%	34%
Not very/not at all confident	69	72	51	66

Source: National Academy of Social Insurance Survey, September 2012

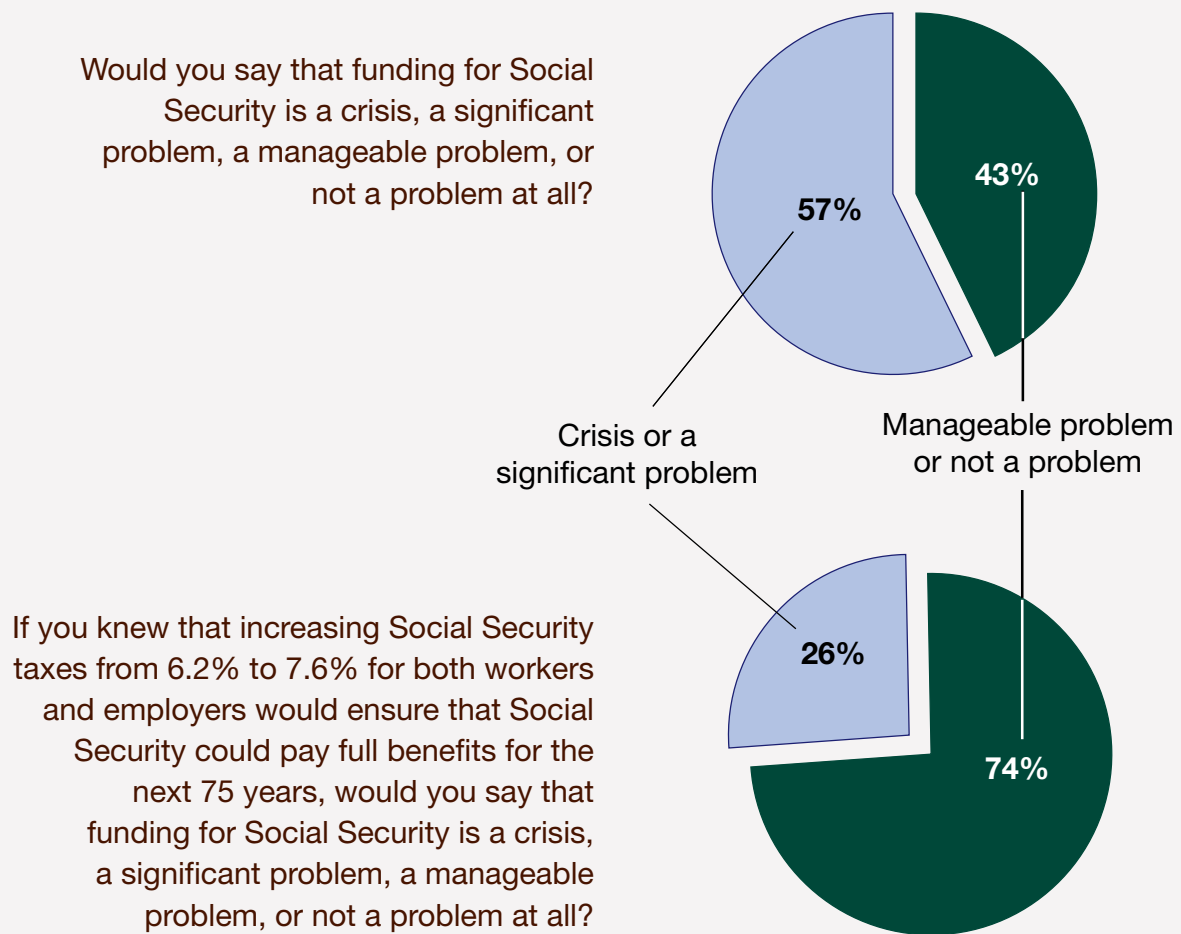


Americans' Views about Social Security Change When They Are Given Accurate Information

Official projections show that Social Security has sufficient funds to pay all benefits until 2033. Just 18% of Americans knew that Social Security would still be able to pay 75% of scheduled benefits after 2033. Most of the rest did not know, or thought Social Security's finances would be in far worse shape.

After learning that raising Social Security payroll taxes from 6.2% to 7.6% for both workers and employers would ensure that the program could pay full benefits for 75 years, Americans who considered Social Security financing to be a crisis or a significant problem dropped from 57% to just 26%, while those who thought it was a manageable problem or not a problem at all increased from 43% to 74% (Figure 2). With this new information, the proportion of African Americans, Hispanics, and whites who considered Social Security to be a crisis or a significant problem dropped substantially (Table 6).

Figure 2. **Perception of Social Security Shortfall: Effect of New Information**



Source: National Academy of Social Insurance Survey, September 2012



Table 6. Perception of Social Security Funding Shortfall

	No new information	<i>If you knew that increasing Social Security taxes from 6.2% to 7.6% for both workers and employers would ensure that Social Security could pay full benefits for the next 75 years...</i>
Would you say that funding for Social Security is a crisis, a significant problem, a manageable problem, or not a problem at all?		
Total		
Crisis or significant problem	57%	26%
Manageable problem or not a problem at all	43	74
White		
Crisis or significant problem	60	27
Manageable problem or not a problem at all	40	73
African American		
Crisis or significant problem	43	17
Manageable problem or not a problem at all	57	83
Hispanic		
Crisis or significant problem	47	23
Manageable problem or not a problem at all	53	77

Source: National Academy of Social Insurance Survey, September 2012

Conclusions

Seventy-eight years after Social Security began, Americans maintain strong support for it. Many Americans lack confidence in Social Security’s future but when given accurate information are much more likely to consider Social Security’s financing to be a manageable problem or not a problem at all. Americans of all racial and ethnic groups want to strengthen Social Security’s finances and are willing to contribute more to the program. African Americans and Hispanics, who are more reliant on Social Security benefits in old age, express higher levels of confidence in and particularly strong support for Social Security.

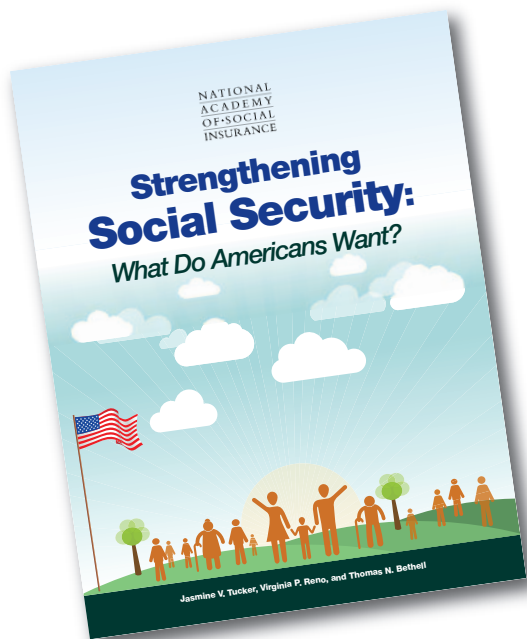
Americans across racial and ethnic lines clearly want to close the system’s projected financing gap and ensure that the program will protect future generations. But rather than doing so in part by reducing benefits, they prefer a package of changes that closes the gap without benefit cuts — *and* pays for benefit improvements. Americans’ willingness to pay more for Social Security shows that they view it as vital insurance that provides essential economic security for themselves, their families and their communities.



Endnotes

- 1 Social Security Administration. 2012. "Beneficiary Data: Number of Social Security recipients at the end of Dec 2012." Baltimore, MD: Social Security Administration, Office of the Chief Actuary. <http://www.socialsecurity.gov/cgi-bin/currentpay.cgi>.
- 2 Social Security Administration. *Income of the Population 55 or Older, 2010*: Table 9.A1. http://www.ssa.gov/policy/docs/statcomps/income_pop55/index.html.
- 3 Social Security Administration. *Income of the Population 55 or Older, 2010*: Table 9.A3. http://www.ssa.gov/policy/docs/statcomps/income_pop55/index.html.
- 4 All projections are based on the 2012 Board of Trustees Report. Board of Trustees. 2012. *Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*. Washington, DC: Social Security Administration.
- 5 Tucker, Jasmine V., Virginia P. Reno, and Thomas N. Bethell. 2013. *Strengthening Social Security: What Do Americans Want?* Washington, DC: National Academy of Social Insurance.
- 6 Respondents of Hispanic origin may be of any race. Thus, persons of Hispanic origin may be counted among African American or white respondents.





The full report
***Strengthening Social Security:
What Do Americans Want?***
is available at www.nasi.org

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1776 Massachusetts Avenue, NW, Suite 400 / Washington, DC 20036-1904

Telephone: 202-452-8097 / Facsimile: 202-452-8111
nasi@nasi.org / www.nasi.org / Twitter: @socialinsurance