



**Testimony of Dallas L. Salisbury
President, Employee Benefit Research Institute (EBRI)
Chairman, American Savings Education Council (ASEC)**

**Before
The House Ways and Means Subcommittee on Social Security
Hearing on
“The Future of Social Security for This Generation and the Next”**

**Washington, D.C.
October 23, 1997**

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TESTIMONY SUMMARY

Social Security, UFOs, and Aliens

EBRI recently completed a new survey with Matthew Greenwald and Associates that looks at Social Security, UFOs, and aliens.

First, 58 percent of the public believes that they will receive some benefits from Social Security. This ranges from 83 percent of those about to retire down to 44 percent of those younger than the baby boomers. This is consistent with a 1995 Luntz survey of generation X.

Second, we asked, "Do you believe that living beings from other planets have piloted space craft to or near earth, which have been seen by human beings?"

- 30 percent said yes
- 60 percent said no

Third, because of the attention given to the 1995 Luntz survey for Third Millenium that was publicized as comparing faith in Social Security to belief in UFOs, we asked the public: "Which one comes closest to your definition of UFO?"

- 77 percent said an "object in the sky that cannot be identified," and
- 19 percent said a "spacecraft that is controlled by an alien."

Fourth, we asked people, "Which do you have greater confidence in?":

- 71 percent said "receiving Social Security benefits after retirement," and
- 26 percent said that "alien life from outer space exists."

For generation X'ers, these responses were 63 percent and 33 percent.

The Gallup organization has undertaken surveys since the 1950s that have found that a consistent 40 plus percent of the population thinks that UFOs exist. The 1995 Luntz survey found that 46 percent of those ages 18–34 believed that there were UFOs. Separate from that question, Luntz found that 63 percent (+/- 4.4 percent) of those ages 18–34 "did not think Social Security will still exist by the time you retire." Fifty-six percent (+/- 4.4 percent) favored being allowed to put part of their payroll taxes into an individual retirement account (IRA) while taking a lower Social Security benefit. Seventy percent opposed raising the retirement age to 70; 51 percent favored means testing the benefits; 51 percent favored taxing 100 percent of the benefits paid to upper middle income taxpayers.

The Public and Social Security

First, our surveys have consistently found that the public views Social Security as one of the most important programs maintained by the nation—68 percent view it as second only to Medicare.

Second, two-thirds of the public believe that people now receiving Social Security really need the assistance it provides.

Third, over 80 percent of the public has lost some faith in the future of the program. This number has risen over time as media and public attention has focused on the program.

Fourth, in terms of reform, over 63 percent of workers and retirees favor payroll tax increases over benefit reductions, including 57 percent of generation X'ers and 67 percent of women.

Fifth, generation X'ers look to Social Security as a secondary source of retirement income, with their own savings and continued work as primary sources. This represents a substantial change from the past, but given the relatively small benefits paid by Social Security, it says that the young are more realistic about what it will take to have an adequate income in retirement.

Sixth, the public does not have a good understanding of the Social Security program. Asked what trust fund exhaustion meant to them:

- 68 percent said the system will have fewer assets and will have to pay out benefits at a lower level,
- 42 percent either said the system would be completely broke and unable to pay any benefits (30 percent) or did not know (12 percent), and
- 48 percent among generation X'ers thought there would be no money to pay any benefits, compared with 18 percent of pre-boomers.

This exceedingly low level of accurate understanding may help explain why the young have such low confidence in receiving any Social Security benefits. At the same time, it underlines the need for public officials to undertake a campaign to assure that the public has the facts on Social Security.

TESTIMONY

Mr. Chairman and members of the committee: I am Dallas L. Salisbury, President of the Employee Benefit Research Institute (EBRI) and Chairman of the American Savings Education Council (ASEC), both located in Washington, DC. I take full responsibility for my statement today, and my thoughts should not be attributed to the organizations for which I work.

Our Survey Work

EBRI began doing public opinion research on Social Security in 1990. This research has been conducted by two different organizations in different years: the Gallup Organization from 1990 to 1996, and Matthew Greenwald and Associates with an annual Retirement Confidence Survey (RCS) from 1990 to 1997. These surveys have explored a wide range of economic security topics. In 1998, EBRI will initiate an annual Health Confidence Survey.

I have made extensive material available to the Committee, which has been submitted as part of the full statement. This morning, I want to highlight findings that relate to the debate over Social Security reform.

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Third, over 80 percent of the public has lost some faith in the future of the program. This number has risen over time as media and public attention has focused on the program.

Fourth, in terms of reform, over 63 percent of workers and retirees favor payroll tax increases over benefit reductions, including 57 percent of generation X'ers and 67 percent of women.

Fifth, generation X'ers look to Social Security as a secondary source of retirement income, with their own savings and continued work as primary sources. This represents a substantial change from the past, but given the relatively small benefits paid by Social Security, it says that the young are more realistic about what it will take to have an adequate income in retirement.

Sixth, the public does not have a good understanding of the Social Security program. Asked what trust fund exhaustion meant to them:

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- 42 percent either said the system would be completely broke and unable to pay any benefits (30 percent) or did not know (12 percent), and
- 48 percent among generation X'ers thought there would be no money to pay any benefits, compared with 18 percent of pre-boomers.

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Conclusion

A full review of public opinion on Social Security underlines workers' and retirees' hope that the program will continue to exist and the fact that they do not have a good understanding of the program. This suggests that the first step for policymakers is to educate the public on this "pay-as-you-go program," and then move to a discussion of reform. Today, the public does not have a clear enough understanding of the program to make informed judgments on reform alternatives.

Public Attitudes on Social Security Reform

Surveys conducted by the Employee Benefit Research Institute and the Gallup Organization, Inc. from February 1990 to March 1995 examined public attitudes on Social Security.¹ Time trends and direct comparison among the surveys are problematic due to changes in question wording or response options. However, the survey results do provide some insights into attitudes toward Social Security and how these attitudes have shifted over the years.

The Current System

In the early 1990s, Americans were evenly split in their beliefs about the likelihood that the Social Security system will be able to pay benefits to them when they retire; in 1990 and 1991, 49 percent believed they would receive benefits. However, in 1990, 92 percent of survey respondents did not believe that the Social Security benefits alone would allow them to meet all of their financial needs during retirement. In recent years, most Americans have become aware of the financing issues

¹ See Employee Benefit Research Institute/The Gallup Organization, Inc., "Public Attitudes on Social Security, 1990," *EBRI Report G-7* (Washington, DC: Employee Benefit Research Institute, 1990); "Public Attitudes on Social Security Benefits, 1991," *EBRI Report G-23* (Washington, DC: Employee Benefit Research Institute, 1991); "Public Attitudes on Social Security, Part I," *EBRI Report G-56* (Washington, DC: Employee Benefit Research Institute, 1993); "Public Attitudes on Social Security, Part II," *EBRI Report G-57* (Washington, DC: Employee Benefit Research Institute, 1994); and "Public Attitudes on Social Security, 1995," *EBRI Report G-62* (Washington, DC: Employee Benefit Research Institute, 1995).

facing today's Social Security system. By 1995, 82 percent agreed or strongly agreed with the statement that working Americans are beginning to lose faith concerning whether Social Security benefits will be available when they retire (chart 1).

Is the current Social Security system a good program for today's younger workers? Only one-third of respondents in 1995 either agreed or strongly agreed that it is, while nearly one-half (47 percent) disagreed or disagreed strongly that this is a good program for today's younger workers.

Reform Proposals

Several of the reform proposals put forth today advocate contributions to individual retirement accounts. In 1991, when asked if Social Security taxes, or a portion of these taxes, should go to individual retirement accounts in the worker's own name, or if the system should remain as it is, 61 percent thought the money should go to individual accounts, while 32 percent believed the system should stay as it is. The March 1995 survey found that 53 percent agreed or strongly agreed that most people could make more money by investing their retirement funds in the private sector than they could from Social Security. This has been a hot topic recently, with regard to individuals' ability to invest wisely and at an appropriate risk level. These concerns translate into a concern for overall retirement income adequacy.

The idea of a voluntary Social Security system has also arisen in the reform proposals. In 1990 and 1991, among survey respondents, 45 percent and 50 percent, respectively, were in favor of voluntary participation. While some advocates of reform favor a voluntary program, this idea has raised concern among others regarding the adequacy of individuals' incomes in retirement.

When respondents were asked in the 1991 survey if they thought higher taxes would be required in order for Social Security benefits to be paid in the next century, 73 percent responded affirmatively. Forty-two percent of individuals surveyed in 1995 disagreed or strongly disagreed with the statement that taxes will have to be raised dramatically to pay for Social Security benefits in the future. In comparison, one-third agreed or strongly agreed with the preceding statement.

Contrary to the notion that individuals do not welcome immediate change, in the March 1995 survey, Americans indicated a preference for some immediate tax increases in order to lessen the tax burden on future workers (62 percent in favor) (chart 2). Interviewees were informed that, in order to maintain present levels of Social Security benefits for baby boomers, the Social Security payroll tax would have to increase approximately 27 percent to 33 percent for both employers and employees by 2030. Twenty-eight percent said they preferred to postpone taxes until after 2010.

Changes in the Level of Benefits Received

Twenty-four percent of surveyed individuals in April 1994 expected the level of Social Security benefits to increase in the future, while 40 percent expected benefits to decrease and 31 percent believed they would be eliminated. Benefits would remain the same, according to 4 percent of respondents. A similar question was asked in March 1995; however, direct comparison of the responses is not possible because the questions were phrased differently² and the response options differed as well. In March 1995, 21 percent of respondents expected that benefits would be reduced for all people, whereas 25 percent expected they would be reduced at a greater rate for higher income people than for lower income people. Additionally, 26 percent thought the benefits would stay the same, and one-fifth thought they would be eliminated.

Interestingly, when individuals were asked what they believed *should* happen to the level of benefits (as opposed to what they *expect* to happen), their responses were quite different. Not surprisingly, a greater percentage would prefer to see

² The April 1994 question read, "Do you expect the level of Social Security benefits to increase, decrease, or be eliminated in the future?" while the March 1995 question read, "In the future, do you expect that Social Security benefits will: (a) be reduced for all people, (b) be reduced at a greater rate for high income people than for low income people, (c) stay the same, (d) be eliminated, or (e) don't know."

only some people affected by reform. Five percent believed that Social Security benefits should be reduced for everyone, but 45 percent believed that benefits should be reduced more for higher income people than for lower income people. Another 40 percent thought benefits should stay the same, and 4 percent thought the benefits should be eliminated.

Expected Returns

In the March 1995 survey, 60 percent of respondents supported the fact that a part of every working person's income goes to support the Social Security program, which is the basic premise of a social insurance program. However, 17 percent of individuals were opposed to this arrangement. Although a majority believe that everyone should pay into Social Security, some believe that not everyone should receive benefits from the program. Thirty-two percent agreed or strongly agreed that retirees with earnings over \$100,000 should not get Social Security, even if they paid into the system. However, nearly one-half (47 percent) either disagreed or strongly disagreed with the previous statement.

Sixty percent of those surveyed in 1995 expected to receive less money from Social Security than they contributed. Interestingly, age differences existed for this question. Among those ages 18–34 and 35–54, 72 percent and 67 percent, respectively, expected to contribute more money than they would receive from Social Security. In comparison, 34 percent of those ages 55 and older expected to receive less money than they contributed.

In general, Americans believe Social Security to be a good program and, in 1995, 67 percent of survey respondents agreed or strongly agreed that most people receiving Social Security really need the assistance it provides. Most people are now aware of the upcoming issues facing the program and are conscious of the need for some type of reform.

Social Security Finances

It is apparent that many Americans do not understand the debate over the Social Security's long-term financial condition. Thirty-six percent reported in the RCS that they are not confident that they have a good understanding of how the Social Security system works (chart 3). While this number is at its lowest point since the question was first asked in 1992, it is still only slightly below the 38 percent figure reported in 1992. Respondents were asked what they believe the term "trust fund exhaustion" means and were given two choices—(1) the system will be completely broke and unable to pay any benefits or (2) the system will have fewer assets and will have to pay out benefits at a reduced level. Thirty percent incorrectly believe that it means the system will be completely broke and unable to pay any benefits (in addition, 12 percent responded that they do not know) (chart 4). The younger the individual, the more likely this response. Nearly one-half (48 percent) of generation X'ers believe trust fund exhaustion means system bankruptcy, compared with 18 percent of pre-boomers. This is not surprising, given that 52 percent of generation X'ers are not confident in their understanding of how the system works, compared with 23 percent of pre-boomers.

Sixty-eight percent of Americans are not confident that Social Security will continue to provide benefits of equal value to the benefits received by retirees today (chart 3). This figure is down from its peak of 73 percent in 1995, but is still higher than the 65 percent first reported in 1992. Among workers, only 12 percent expect it to be their most important source of retirement income, while 22 percent do not expect it to be an income source at all in retirement.

Other Surveys Find: The Public Agenda/Fidelity study found that 22 percent expect to get nothing from Social Security.

Assuming that adjustments or changes must be made to the Social Security system to ensure its financial viability in the future, RCS survey respondents were forced to express a preference between increased payroll taxes on workers or reduced benefit levels for retirees. When forced to choose, 63 percent chose increased payroll taxes and 32 percent chose decreased benefit levels (chart 5). The majority of each generation chose increased payroll taxes, although generation X'ers were the least likely to favor it (57 percent). Sixty-seven percent of women chose increased payroll taxes, compared with 58 percent of men. Among those favoring benefit cuts, there was a fairly even split when forced to express a preference for how to make the cut. Thirty-three percent favored raising the age for retirement with full benefits to 70, 37 percent favored decreasing cost-of-living-adjustments (COLAs) that occur with inflation, and 26 percent favored cutting benefits for all recipients.

As regards Medicare, 67 percent of Americans are not confident that the system will continue to provide benefits of equal value to the benefits received by retirees today (chart 3). In fact, 46 percent of workers do not believe that the Medicare program will still be providing health insurance when they retire (chart 6). Women are more likely to feel this way than men (51 percent, compared with 41 percent). Sixty-four percent of generation X'ers feel this way, compared with 55 percent of late boomers, 42 percent of early boomers, and 21 percent of pre-boomers. This may help explain why 36 percent of workers are not confident that they will have enough money to take care of medical expenses when they retire.

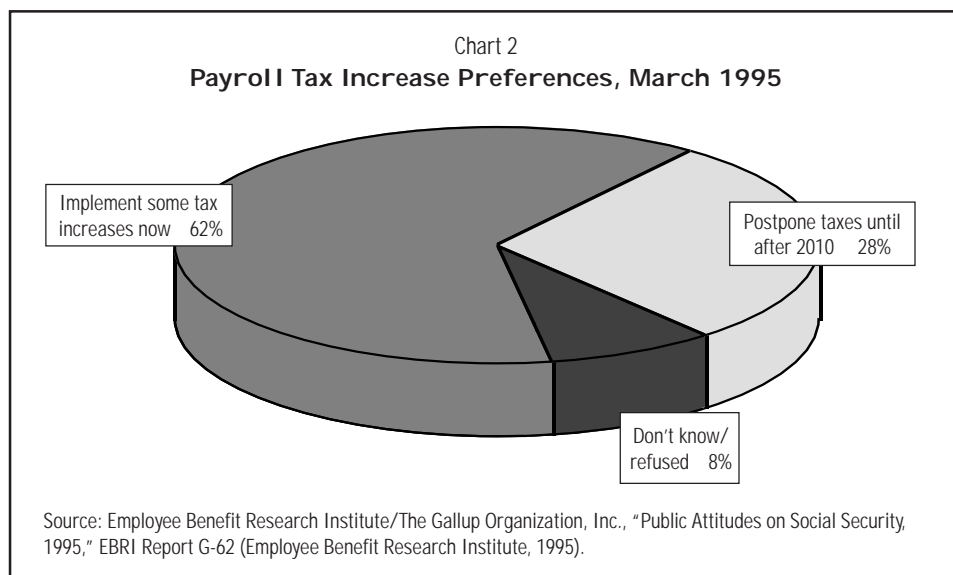
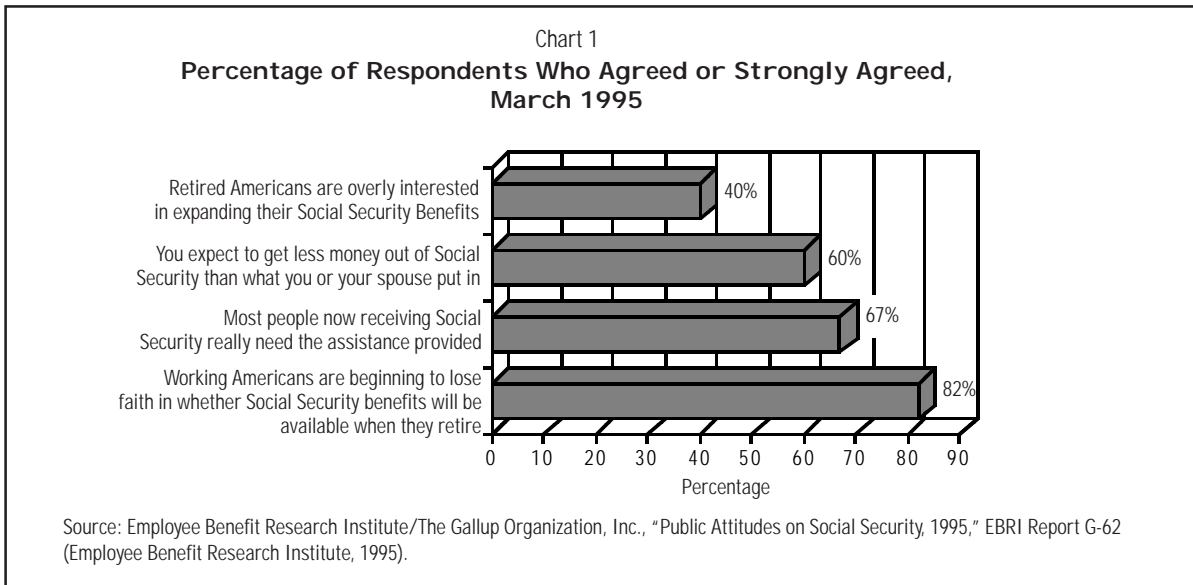
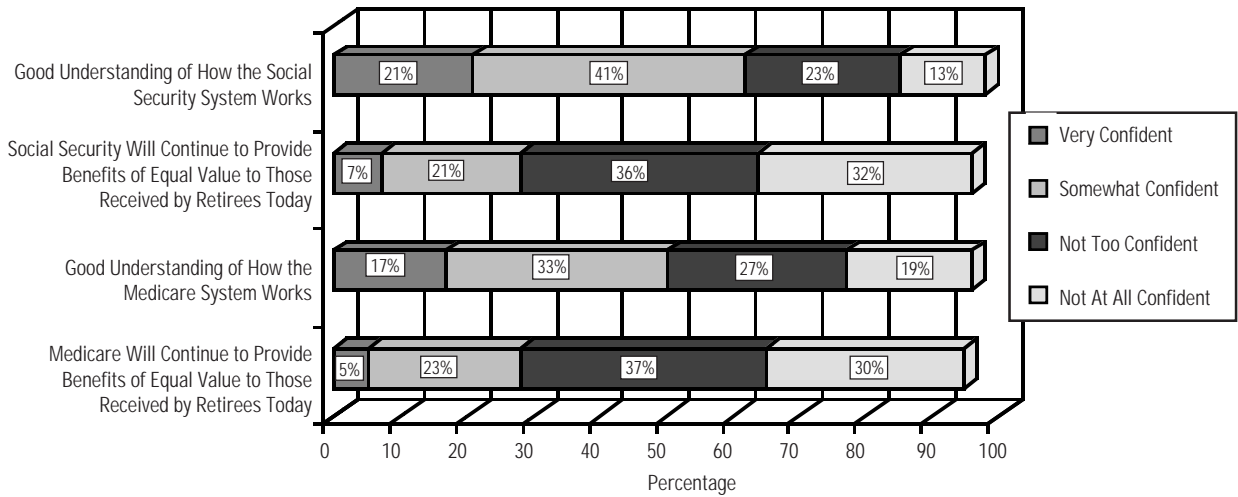
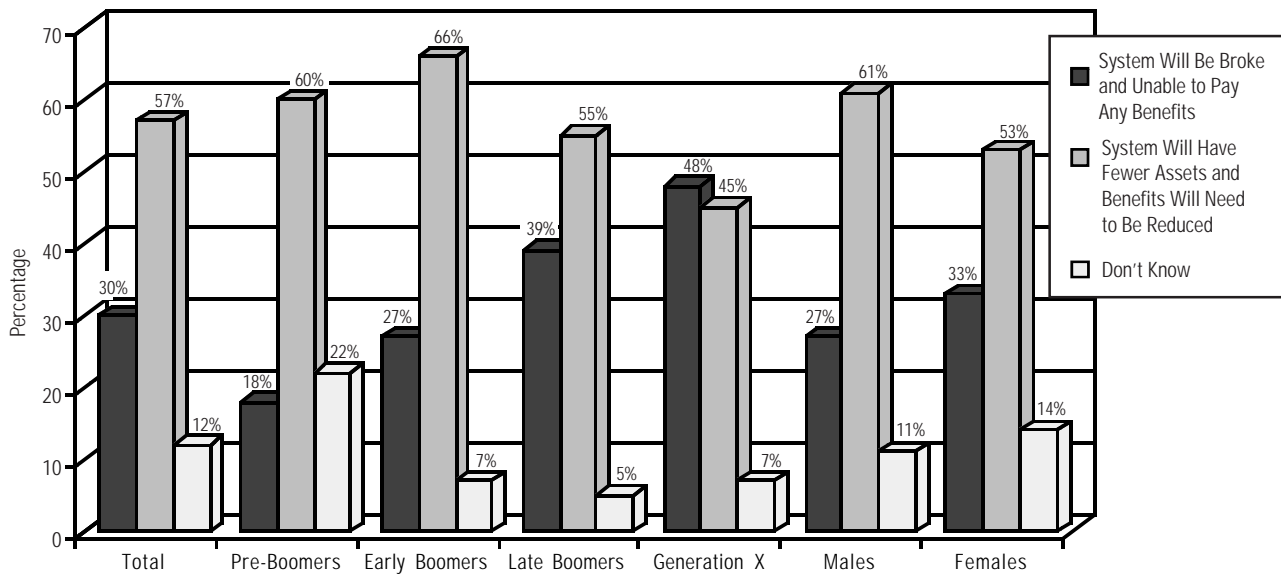


Chart 3
Americans' Confidence in Social Security and Medicare



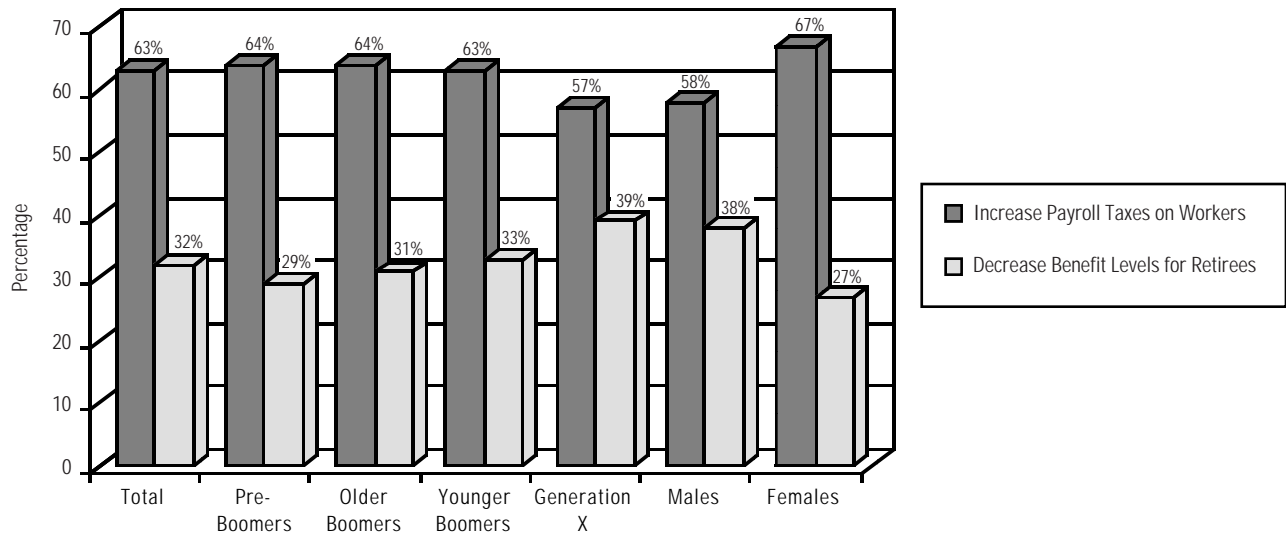
Source: 1997 Retirement Confidence Survey.

Chart 4
Meaning of "Trust Fund Exhaustion" to Americans



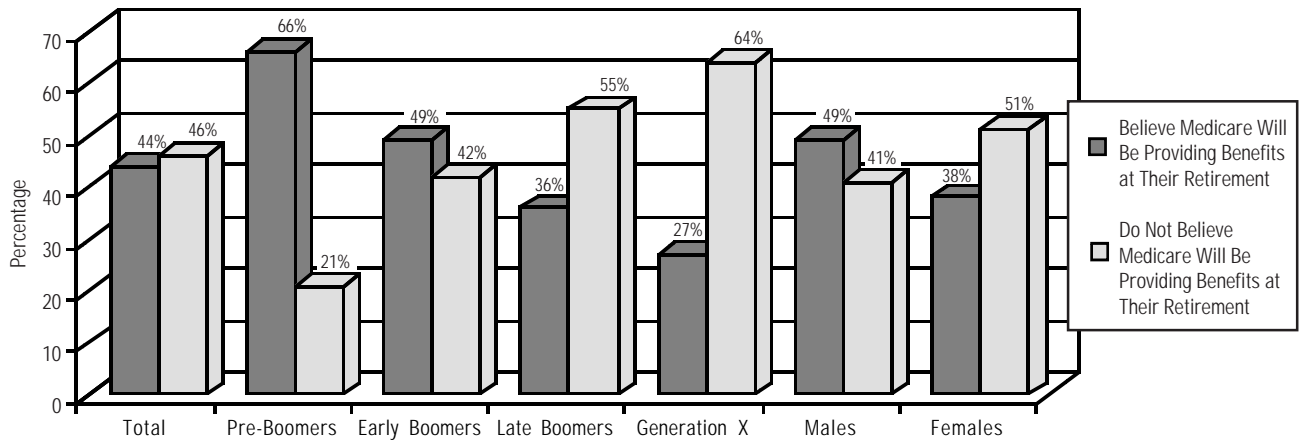
Source: 1997 Retirement Confidence Survey.

Chart 5
If Forced to Chose, Americans' Preference for Social Security Reform



Source: 1997 Retirement Confidence Survey.

Chart 6
Do Workers Believe Medicare Will Be There When They Retire?



Source: 1997 Retirement Confidence Survey.