



HOW MARYLANDERS WOULD FIX SOCIAL SECURITY



**A survey of the
Maryland Citizen Cabinet**

**Conducted by the Program for Public Consultation,
School of Public Policy, University of Maryland**

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OVERVIEW

Since it was established in 1935, the Social Security program has been very popular among the American people. However, for some time the program has been in jeopardy. According to the Social Security Trustees' Report, if no steps are taken by Congress to reform Social Security, its trust fund will be exhausted in 2033, and after that the program will only be able to deliver benefits based on current receipts—which would result in a 23% benefit cut to retirees.

A major reason that Social Security has not been addressed is a widespread assumption that the American public is not willing or able to face the issue and thus bringing it up is too politically risky. Social Security has been called a 'third rail,' implying that it is political suicide to address it.

Much of the existing polling data tends to reinforce the belief that the public's attitudes toward Social Security are too conflicted and anxious to support any kind of constructive action. While majorities believe that Social Security is headed for a crisis, when asked, in separate questions, about raising the retirement age, cutting benefits, or raising taxes, majorities often say they do not find these options appealing.

Citizen Cabinet surveys take a different approach that goes beyond initial reactions. They take respondents through a policymaking simulation that gives respondents a background briefing, present arguments for and against policy options, and then asks the respondent to go into a problem-solving mode.

Another unique feature is that the content is fully vetted for accuracy and balance. The current survey on Social Security was vetted with the lead majority and minority staffers of the House Ways and Means Subcommittee on Social Security and staffers who deal with Social Security on the

Senate Finance Committee. Also consulted were experts from the National Academy of Social Insurance and the American Enterprise Institute.

In the survey respondents first went through a briefing about the Social Security program which included:

- how the program is structured
- the nature and extent of the Social Security shortfall, along with its multiple causes
- the options for reforming Social Security including its scoring, i.e. the impact of the option on the shortfall.

Respondents then:

- evaluated arguments for and against a series of reform options, including ones that mitigated the shortfall and ones that increased benefits for certain populations
- evaluated each option separately in terms of how tolerable it would be.

Finally, respondents were presented all the reform options in a spreadsheet enabling respondents to make their own comprehensive and integrated set of recommendations, with an interactive feature that gave respondents feedback on the impact of their choices on the shortfall

Recruitment and Fielding of the Maryland Citizen Cabinet Survey

The Program for Public Consultation managed the recruitment of the Maryland Citizen Cabinet in conjunction with the research firm Communications for Research. A representative sample of Maryland registered voters (supplied by Survey Sampling International) was recruited using a combination of telephone, mail, and Internet. The sampling and recruitment process was stratified to make the sample demographically representative. Recruits who did not have Internet access were provided a tablet and a device for Internet access.



A total of 906 registered voters completed the survey from November 4, 2014 – April 8, 2015. This included a sample of 535 for the state as a whole. In addition the Maryland 7 Congressional district (primarily the city of Baltimore and surrounding areas) was oversampled to bring the total for that district up to 438. The final sample was weighted according to the demographics of registered voters for Maryland and for Maryland 7. The margin of error for the state was 4.2% and for Maryland 7 was 4.7%.

KEY RECOMMENDATIONS

Addressing the Social Security Shortfall:

Large majorities—overall and for both parties—agreed on recommendations that would cover at least two-thirds of the Social Security shortfall. A more modest majority made recommendations that would completely eliminate the shortfall. Views in the MD-7 district were essentially identical to the state as a whole. More specifically:

- Three-fourths lowered monthly benefits for at least the top 25 percent of earners. Only one in four lowered monthly benefits for the top 40 percent, and only one in ten lowered them for the top 50 percent.

- Eight in ten—overall and for both parties—raised the age at least to 68. Just under half (46%) raised the age to 69, and one in four to age 70. However, a slight majority of Republicans raised the age to 69.

- Overwhelming majorities in both parties raised the cap on income subject to the Social Security Payroll tax. Eliminating the cap entirely was recommended by a more modest majority (55%). Another three in ten raised the cap to \$215,000.

- Three quarters of Maryland voters raised the payroll tax rate to at least 6.6%. Four in ten—Democrats and Republicans—raised it to 6.9%. Only one in seven in all categories raised it to 7.2%.

Raising Benefits

A majority (57%) selected the option of raising the minimum benefit, including six in ten Democrats, but only four in ten Republicans. Just under half chose to raise benefits for seniors in their eighties. However, 7 in 10 chose one of these increases as part of their final package of reforms.

Recalculating Cost of Living Adjustment (COLA)

Two (mutually exclusive) options were offered for modifying the methods for calculating COLAs, but neither was chosen by a majority, overall and for either party. Four in ten chose the chained CPI and one in four chose basing the CPI on what the elderly tend to buy. Partisan differences were slight.

Choices Made By Affected Subpopulations

Overwhelming majorities of those with higher incomes recommended lowering benefits for those with higher incomes.

Though they were specifically told that it would only affect the retirement age for those age 47 and younger, eight in ten respondents in that age group elected to raise the retirement age to 68.

Among those with incomes over \$100,000 nearly eight in ten raised the cap on taxable earnings, with a modest majority even completely eliminating it.



Lowering Monthly Benefits for People Who Had Higher Earnings

FINAL RECOMMENDATION:

Three quarters lowered monthly benefits for at least the top 25 percent of earners, including two-thirds of Republicans, and 8 in 10 Democrats. Only 1 in 4 lowered monthly benefits for the top 40 percent, and only one in ten lowered them for the top 50 percent.

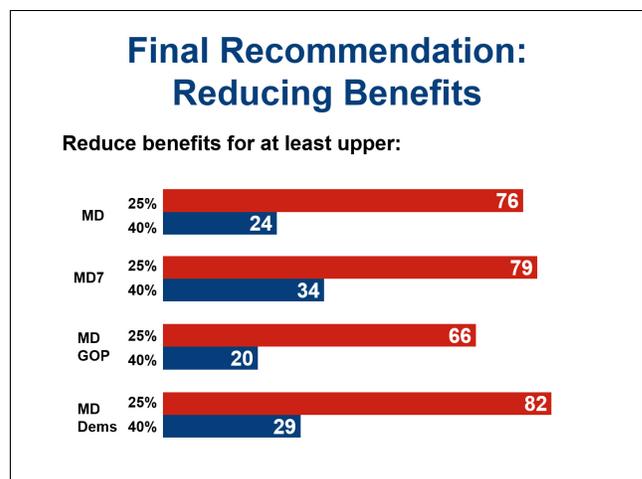
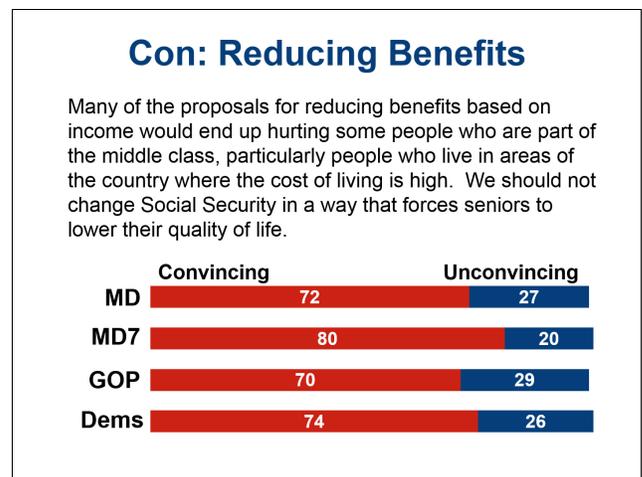
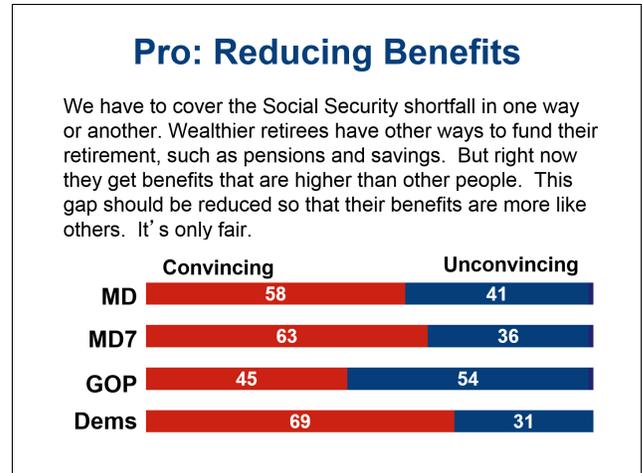
Respondents were told that one option for reducing benefits is to reduce the amount of benefits for people who had higher earnings when they were working.

Two pro and two con arguments were presented. Overall, majorities found all arguments convincing. However, a majority of Republicans found the arguments in favor unconvincing. In addition to the arguments shown in the next column, respondents were presented the pro argument that Social Security was meant to prevent poverty so that it makes no sense for people with higher incomes to get more (54% convincing, 60% Republicans unconvincing); and the con argument that reducing benefits was a violation of an the understanding with workers who had put money into the program their working lives (72% convincing).

Asked to evaluate more specific proposals, a majority found it at least tolerable to reduce benefits for the top 25 percent of earners (average lifetime earnings of \$65,500 or more); this would reduce the shortfall 7%. Three in ten found tolerable reducing benefits to the top 40 percent of earners. Reducing benefits to the top 50 percent was found tolerable by only two in ten, with little difference among the parties.

In making their final recommendations, 76% selected reducing benefits for the top 25% of earners. This included 66% of Republicans and

82% of Democrats. Only small minorities recommended reducing benefits to the top 40 or 50%.





Raising the Full Retirement Age

FINAL RECOMMENDATION:

Eight in ten—overall and for both parties—raised the age at least to 68. Just under half raised the age to 69, though a slight majority of Republicans did so. One in four raised the age to 70.

Respondents were given a briefing, including a chart with a timeline, that explained that currently the retirement age is being gradually raised to 67 by 2027. They were then told that it would be an option to continue to raise the age on the same trajectory to 68, 69, or 70 and shown timelines to clarify how this would occur.

Large majorities found arguments both for and against raising the full retirement age convincing (see boxes in next column).

Asked to rate the tolerability of raising the age to 68 (reduces the shortfall 15%) six in ten found it at least tolerable. Just under half (48%) found tolerable raising it to 69 (reduces shortfall 21%), with two-thirds of Republicans finding it tolerable and a majority of Democrats (55%) saying it would be unacceptable. Raising the age to 70 (reduces shortfall 29%) was found unacceptable by 57%, though 54% of Republicans found it tolerable.

When making their final recommendations an overwhelming and remarkably similar majority in all categories—82-85% raised the full retirement age to 68. Just under half (46%) overall, and a slight majority of Republicans raised it to 69. Less than three in ten raised the age to 70.

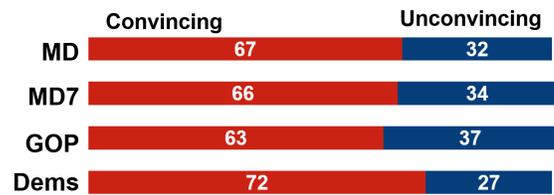
Pro: Raising Retirement Age

People at 66 are now much healthier than in the past and most of the work people do is much less physically demanding, so it is appropriate for people to work a little bit longer before retiring. Raising the retirement age is a common-sense response to how life has changed in the modern era.



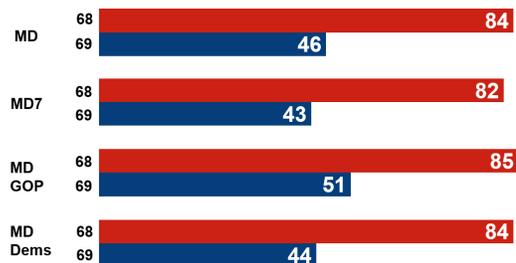
Con: Raising Retirement Age

Raising the retirement age is unfair because many workers in their 60s still hold physically demanding jobs—blue-collar jobs, or retail jobs where they are on their feet all day. For them, it is already a stretch for the retirement age to rise to 67 as planned; it should not rise any further.



Final Recommendation: Raising Retirement Age

Gradually raise at least to:





Raising the Cap on Taxable Earnings

FINAL RECOMMENDATION:

Overwhelming majorities in both parties raised the cap on income subject to the payroll tax to at least to \$215,000. Eliminating the cap entirely was recommended by a more modest majority, though by a bit less than half among Republicans.

Respondents were told:

One option is to raise the maximum amount of salary and wages subject to the Social Security payroll tax (also known as raising the cap).

Currently, the amount of salary and wages that is subject to the Social Security payroll tax includes up to \$113,700 per year. By this plan, the cap on salary and wages would rise, thus increasing the amount of taxes paid, but the corresponding benefits would also rise.

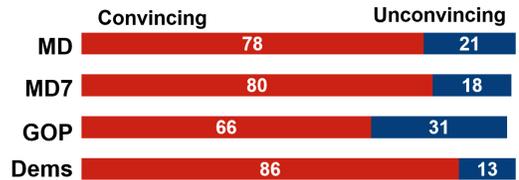
Very large majorities—overall and for both parties—found convincing the arguments for raising the cap. Just over half found the argument against it convincing, except that seven in ten Republicans found it convincing (see boxes). In addition to those arguments shown, an additional pro argument for eliminating the cap that pointed out the differential between various income groups’ salary increases over the last few decades was found convincing by 78%, including 66% of Republicans. A con argument pointed out that those who would be affected are the people who had a recent tax increase and play a pivotal role in economic activity and was found convincing by just 36%, 58% among Republicans.

Asked to assess the specific proposal of raising the cap from \$113,000 to \$215,000 over ten years (reduces shortfall by 27%), over seven in ten, in both parties and overall, found this tolerable. Eliminating the cap entirely, which would reduce the shortfall 66% was tolerable to over seven in ten—overall and in both parties.

In making their final recommendations, 87% raised the cap at least to \$215,000, with 55% eliminating it. Eight in ten Republicans at least raised the cap as well, but less than half—47%—eliminated it.

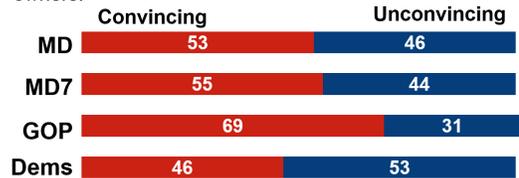
Pro: Raising or Eliminating Cap

The incomes of the wealthy have been growing by leaps and bounds, while the incomes of the middle class have been stagnating. It is time for the wealthy to step up and do their part by helping to make Social Security secure. Besides, all it means is that they pay the payroll tax all year (like everybody else), not just the first part of the year.



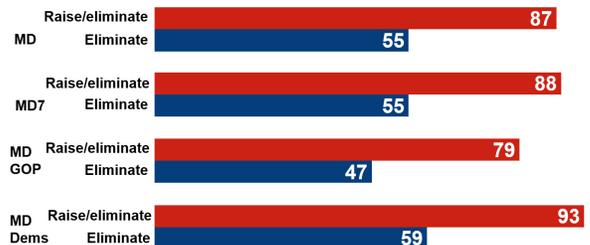
Con: Raising or Eliminating Cap

In general, increasing taxes is a serious mistake. It reduces the amount that Americans have to spend on their family’s food, housing, clothes, education, etc. Over time this would cause a hefty tax increase for some taxpayers, many of whom are not really wealthy. It would especially hurt the self-employed and certain smaller business owners.



Final Recommendation: Raising or Eliminating Cap

Gradually raise the cap or eliminate it:





Raising Payroll Tax Rate

FINAL RECOMMENDATION:

Three quarters raised the payroll tax rate to at least 6.6%, including two thirds of Republicans and 8 in 10 Democrats. Less than half raised it to 6.9% or higher.

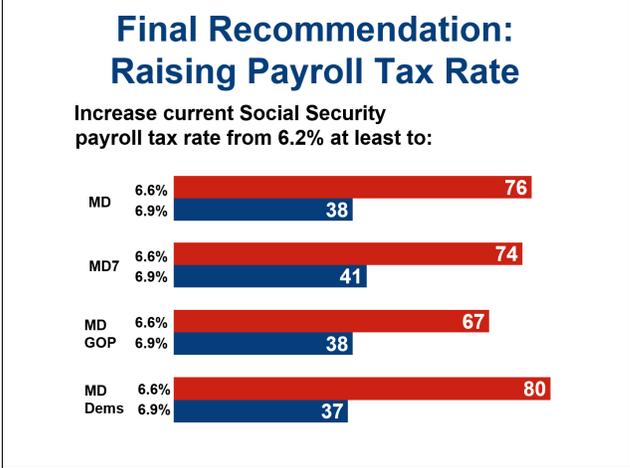
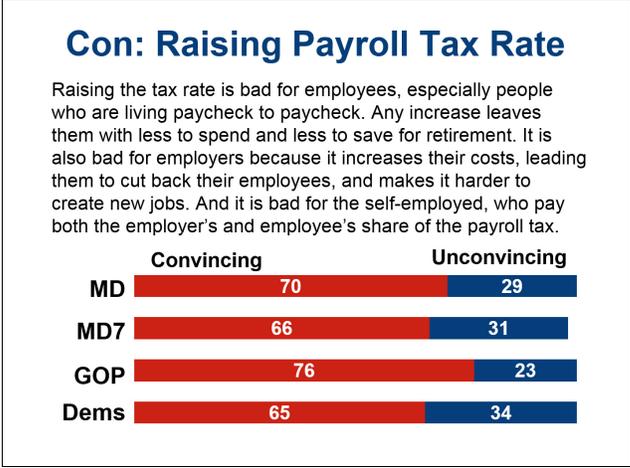
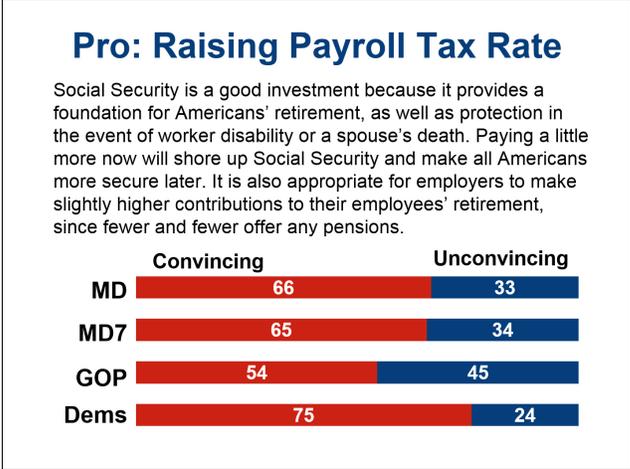
Respondents were first reminded that:
At present both workers and employers pay a tax of 6.2% on the amount of an employee’s salary and wages subject to the payroll tax. Self-employed people pay both the employer and employee share.

They were presented options for increasing the tax rate .05% per year for both the employer and the employee, rising ultimately to 6.6%, 6.9% or 7.2%. They were told the impact of these increases on the monthly payroll taxes of an individual with an income of \$39,000--\$13, \$22, and \$32, respectively.

Large majorities found convincing the arguments both for and against raising the payroll tax rate. A more modest majority of Republicans found convincing the argument in favor of raising the payroll tax rate and larger majority had a positive response to the argument against it (see boxes).

Asked to assess gradually raising the payroll tax rate to 6.6% over a period of 8 years (reducing the shortfall by 18%), sixty-six percent found it at least tolerable, though this was true of only 53% of Republicans (74% Democrats). Raising it to 6.9% (covers 35% of shortfall) was tolerable to 58% (Republican 49%, Democrats 63%). Raising it to 7.2% (covers 53% of shortfall) was tolerable to 49% (Republicans 40%, Democrats 56%).

In conclusion 76% recommended raising the payroll tax rate to 6.6%--Republicans 66%, Democrats 81%. Less than half in all categories recommended raising the rate to 6.9% or 7.2%.





Raising Benefits

FINAL RECOMMENDATION:

A majority recommended raising the minimum monthly benefit, including two in three Democrats, but only four in ten Republicans. Less than half recommended increasing benefits to the very old.

Respondents considered two options for increasing benefits. One option was to increase the minimum monthly benefit for those who worked 30 years from \$800 to \$1,216. This would increase the shortfall by 7%.

Majorities found arguments both for and against this option convincing, though Democrats were significantly more positive (see boxes).

Almost seven in ten (64%) found the idea tolerable, though 59% of Republicans said it was unacceptable.

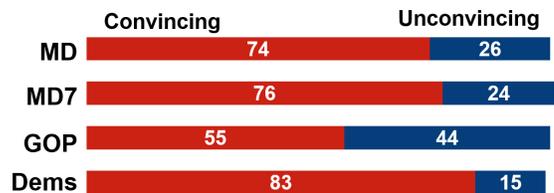
Respondents also considered gradually raising benefits for those reaching age 81 through age 85. This would increase the shortfall by 5%.

The argument in favor of this idea was found convincing by large majorities of all parties, while majorities, except Republican, found the argument against it unconvincing. Large majorities found the idea tolerable, including 6 in 10 Republicans.

In their final recommendations, 57% endorsed raising the minimum benefit (39% Republicans, 64% Democrats). Only 46% endorsed supplementing the benefits of the very old, but over half (53%) of Democrats recommended it.

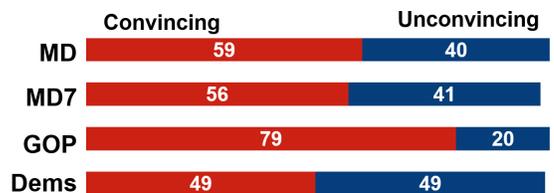
Pro: Raising Minimum Benefit

The current benefit is below the poverty line. It should be a basic principle that if you work for 30 years and pay your Social Security taxes, your benefits should assure that you can retire with dignity and not be condemned to live in poverty.



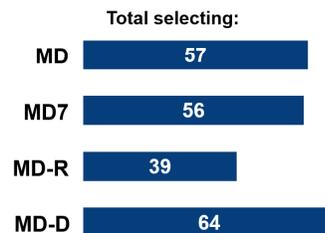
Con: Raising Minimum Benefit

Given the difficulty of reducing the Social Security shortfall, we should not be considering any additional benefits. The main problem of covering the shortfall should be solved first and only then should we consider raising the minimum benefit.



Final Recommendation: Raising Minimum Benefit

Raising the minimum monthly benefit for those who have worked 30 years or more from \$800 to \$1,216





Cost of Living Adjustments (COLAs)

FINAL RECOMMENDATION:

Neither option for modifying COLAs was recommended by a majority. Three in ten recommended the Chained CPI method that would likely slow the rate of increases. One in four recommended basing the COLAs on a new system that would focus on what the elderly tend to buy and which would quicken the rate of increases. Partisan differences were minor.

Respondents were asked to consider two options for recalculating the annual Cost of Living Adjustment for Social Security benefits. One idea—known as ‘chained CPI’—is based on tracking what people tend to buy in response to changing prices, rather than a fixed set of goods. This would likely slow the rate of increase and cover 19% of the shortfall.

Arguments for and against this idea were found convincing by about two-thirds, with Republicans being especially responsive (see box for the pro argument). Seven in ten found the idea tolerable.

Respondents were also asked to consider a method for setting COLAs based on what the elderly actually buy, rather than a standard set of goods. This would quicken the rate of increases and increase the shortfall by 13%.

The argument in favor of this idea was found convincing by a robust 79% (see box), including large majorities of all parties, while the argument against it was found convincing by a smaller 58%. Overall 60% found the idea tolerable, however 51% of Republicans found it unacceptable.

Asked for their final recommendation, neither of the ideas was endorsed by a majority. Chained CPI received the largest support with 39%. Basing COLAs on what the elderly tend to buy was recommended by just 24%.

Pro: Chained CPI

Social Security benefits have been going up at a rate that is faster than the real cost of living. The reason is that the current inflation measure does not reflect changes in what people actually buy, which is based in part on what has become more or less expensive. If the adjustment were to reflect this more accurate measure of the cost of living, it would very slightly slow the rate of growth—thus saving money, while still maintaining seniors’ purchasing power.



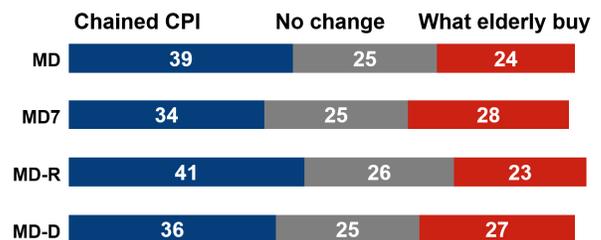
Pro: Basing COLA on What Elderly Buy

The whole idea of making cost of living adjustments is that Social Security recipients should not be hurt by inflation. The current system for calculating inflation does not really keep up with inflation for what seniors actually buy, thus reducing their purchasing power. The only fair thing to do is to change the method to reflect reality.



Final Recommendation: Recalculating COLAs

Basing annual COLAs on:





SUMMARY OF FINAL RECOMMENDATIONS

Overwhelming majorities—overall and for both parties—agreed on recommendations that would cover at least two-thirds of the Social Security shortfall. A more modest majority made recommendations that would completely eliminate the shortfall, though this was not true of Republicans.

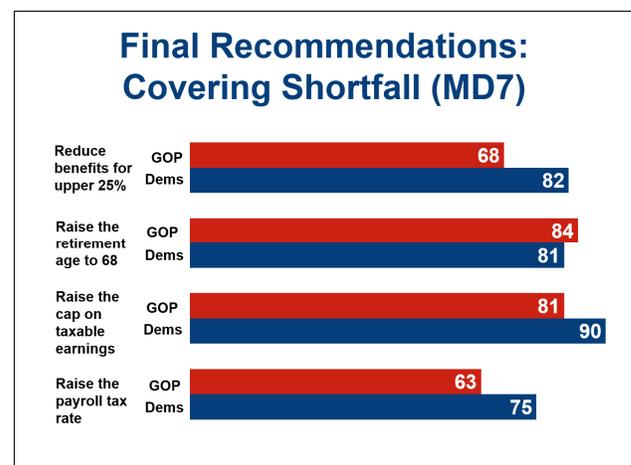
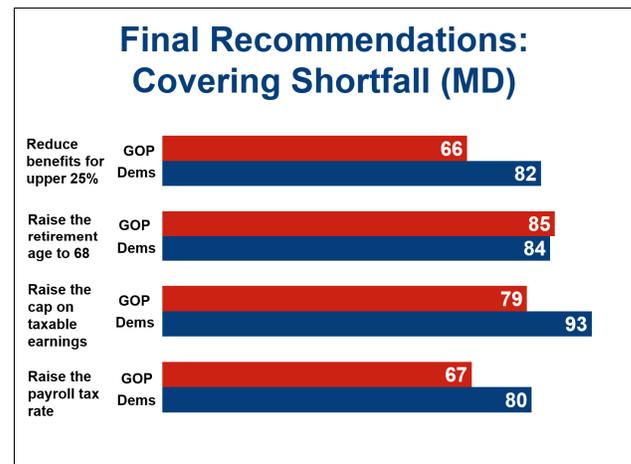
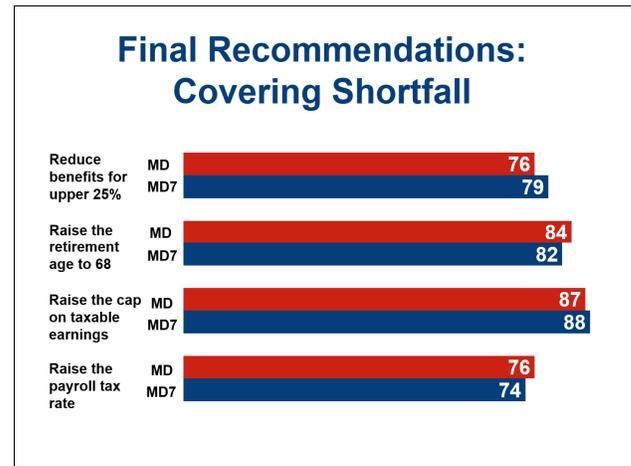
The final recommendations revealed a remarkable level of consensus on steps that would eliminate two-thirds of the Social Security shortfall. Three quarters or more of respondents in Maryland and Maryland 7, and two thirds or more of all Republicans and Democrats recommended the following steps:

- Reducing benefits for the upper 25% of earners (reduces shortfall 7%)
- Raising the full retirement age from 67 to 68 (reduces shortfall 15%)
- Raising the cap on taxable income from the current \$113,700 to \$215,000 (reduces shortfall 27%)
- Raising the payroll tax rate from 6.2% to 6.6% (reduces shortfall 17%)

In addition a modest majority (55%) recommended completely eliminating the cap on income subject to the payroll tax (reduces shortfall 66%), which would, together with the other steps, eliminate 105% of the Social Security shortfall. However, while this more far-reaching step was recommended by 59% of Democrats, it was selected by just 47% of Republicans.

A majority of 57% also recommend raising the minimum benefit which increased the shortfall by 6%. However this too was driven by Democrats who endorsed it by 64% as compared to 39% of Republicans.

Thus the majority positions of Democrats, including eliminating the cap and raising the minimum benefit, covered 98% of the shortfall. The majority positions of Republicans covered 66% of the shortfall.





DIFFERENCES BY AFFECTED SUBPOPULATIONS

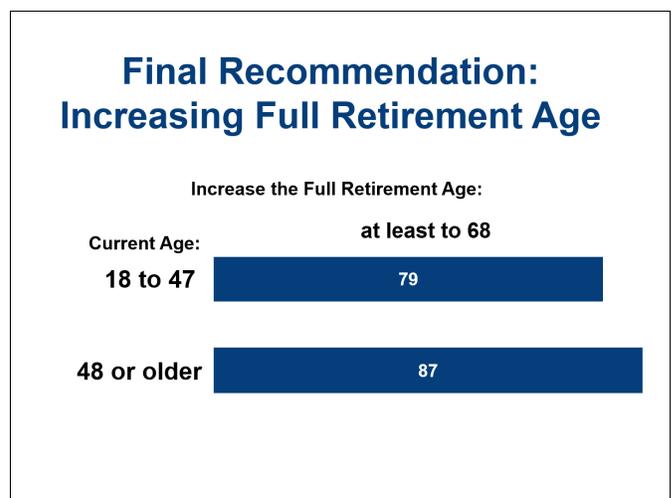
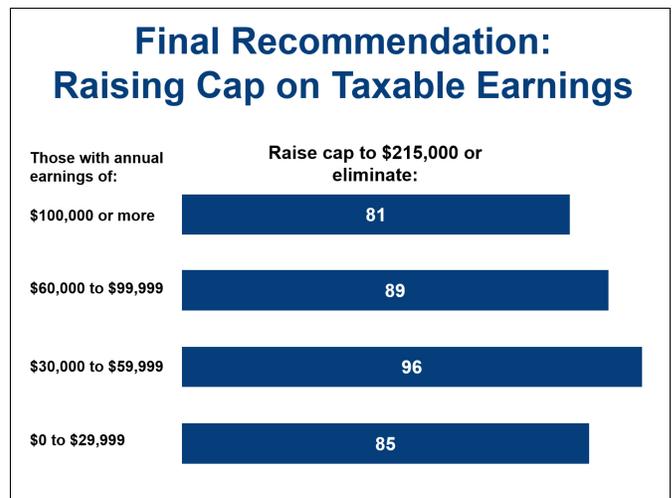
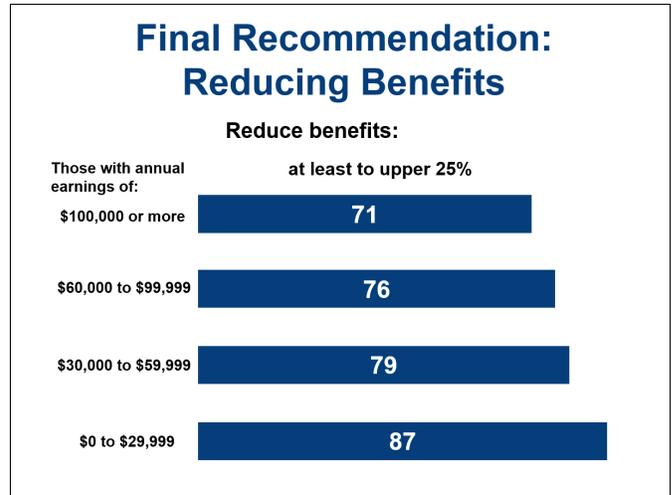
Among subpopulations that would be directly affected by various Social Security reforms, large majorities nonetheless supported them.

Since various options to cover the Social Security shortfall involve burdens that fall onto some groups more than others, it is natural to ask whether those affected would resist them.

One might assume that those in the top quartile of income (approximately \$100,000 and above) would resist reducing benefits for the top 25% of earners. While those with incomes above \$100,000 were a bit lower in their support, the difference was not substantial and 71% of them recommended this benefit cut.

Similarly one might expect that this group would resist raising the income cap subject to the payroll tax, as they would be much more likely to be affected by it, either immediately or at some point in their earning history. However, an extraordinary 81% recommended raising the cap from \$113,000 to \$215,000.

Respondents were told that gradually increasing the full retirement age to age 68 would directly affect those who are now 47 and younger, but not those presently 48 or older. One might reasonably expect that those whose retirement age would be affected would be less likely to select this option for their packages. In fact, among those under 48, a remarkable 79% raised the age to 68, only slightly less than the 87% among those, 48 or older, who would not be personally affected.





Voice Of the People is a non-partisan organization that seeks to re-anchor our democracy in its founding principles by giving ‘We the People’ a greater role in government. VOP furthers the use of innovative methods and technology to give the American people a more effective voice in the policymaking process.

VOP is working to urge Congress to take these new methods to scale so that Members of Congress have a large, scientifically-selected, representative sample of their constituents—called a Citizen Cabinet—to be consulted on current issues and providing a voice that accurately reflects the values and priorities of their district or state.



PROGRAM FOR PUBLIC CONSULTATION

SCHOOL OF PUBLIC POLICY, UNIVERSITY OF MARYLAND

The **Program for Public Consultation** seeks to improve democratic governance by consulting the citizenry on key public policy issues governments face. It has developed innovative survey methods that simulate the process that policymakers go through—getting a briefing, hearing arguments, dealing with tradeoffs—before coming to their conclusion. It also uses surveys to help find common ground between conflicting parties. The Program for Public Consultation is part of the School of Public Policy at the University of Maryland.

ACKNOWLEDGEMENTS

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Communications for Research recruited the members of the Maryland Citizen Cabinet panel, with additional recruitment efforts in Baltimore by OpinionWorks.

Touchstone Research programmed the Citizen Cabinet panel registration intake process and the Social Security policymaking simulation that the panel members completed.

Richard Parsons, VOP’s Executive Director, and Rich Robinson, VOP’s Director of Communications, managed communications with US Congressional offices and the press, and contributed to the writing of the report.

Allison Stettler managed the panel development and the design and production of the report with assistance from Antje Williams, Meaza Getachew and Brandon Juhaish.