Thursday, November 19, 1998

THE WHITE HOUSE

WASHINGTON

'98 NOV 18 - 7:57

November 18, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: **KAREN TRAMONTANO**

SUBJECT: **AFL-CIO SOCIAL SECURITY RESEARCH**

Last Thursday, during the Social Security briefing, you asked to see any related AFL-CIO research. Attached is a summary of their most recent survey data on the topic of privatization of Social Security.

At the end of this month or the beginning of next month they will conduct another similar survey. We will forward those results to you as soon as they are available.

To Mark Penn
We need to do more work on
this — your earlier polling showed
huge age gap on privatization
[illegible] but that was before
recent [illegible]
[illegible] analysis of
some of their results
all before [illegible]
BC

Copied
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Penn
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MEMORANDUM

TO: **AFL-CIO**

FROM: **Peter D. Hart Research Associates**

DATE: **November 16, 1998**

SUBJECT: **Public Opinion on Social Security Privatization**

At your request, we have reviewed our recent survey data on the topic of privatization of Social Security. We have drawn from two sources: 1) recent Hart-Teeter surveys for NBC News and *The Wall St. Journal*, and 2) a national survey conducted in July for the 2030 Center and the National Committee to Preserve Social Security and Medicare. We have devoted particular attention to analyzing subgroup data, to determine which groups of Americans are most and least supportive of this policy direction. This memo reviews the key findings.

HART-TEETER SURVEYS FOR NBC NEWS AND THE *WALL ST. JOURNAL*.

Two questions on Social Security privatization have been asked in recent Hart-Teeter surveys conducted for NBC News and *The Wall St. Journal*. In both formulations, a majority of American adults oppose privatization of the system, in one case by a margin of 52% to 43% and in the other by 66% to 31%. As these results illustrate, the response to questions on this issue are highly sensitive to variations in question wording. In our judgment, this reflects the fact that that American public is still largely unfamiliar with the idea of private Social Security accounts. Nonetheless, surveys can provide us with a sense of how people react to this idea when it is first presented to them.

Some public polls have reported majority support for the idea of private accounts. However, when the potential for risk is introduced, as it is in both of these NBC/WSJ questions, support invariably falls below 50% -- in some cases far below. This indicates that support for privatization is – at a minimum – extremely soft.

Hart-Teeter for NBC/WSJ, Sept. 10-13, 1998:

I'm going to read you two proposals to reform Social Security, and then get your reaction. Statement A: Social Security should remain a mandatory government program that guarantees individuals a particular level of retirement benefits without risk, or Statement B: Individuals should be able to invest a portion of their Social Security in the stock market with the possibility of higher or lower returns, which means that there is no guaranteed level of retirement benefits. Having heard this information, which statement do you agree with more, Statement A or Statement B?

Statement A/Social Security remain mandatory government program	66
Statement B/Individuals right to decide how Social Security is invested	31
Neither (VOL)	1
Not sure	2

Hart-Teeter for NBC/WSJ, Oct. 24-27, 1998:

A proposal has been made that would allow or require people to put a portion of their Social Security payroll taxes into personal retirement accounts that would be invested in private stocks and bonds. Some people think that individuals would have more money for retirement if they were allowed to invest and manage some of their Social Security payroll taxes themselves. Others think that it is too risky and could leave some people without adequate money for retirement if the stock market were to decline in value significantly. Do you favor or oppose this proposal?

Favor	43
Oppose	52
Not sure	5

The survey data also allows us to assess which subgroups of Americans are most and least supportive of privatization. For this analysis we have used the September question wording (in which 31% support privatization and 66% are opposed), because it was asked of a very large sample of 2005 adults (compared to n=523 for the October question). The results of the National Committee survey (discussed below) reveal generally similar patterns of subgroup responses. The following tables review the main factors that appear to affect support for privatization: partisanship, age, social class, gender, and race.

What is striking about these results is how *narrow* the current audience for privatization proves to be. This idea has appeal to a few overlapping groups: white males, conservatives, college-educated men, strong Republicans, and the very affluent. On the other side, seniors, women, Clinton voters, African-Americans, Hispanics, and low- and moderate-income Americans voice overwhelming opposition. Significantly, when we look at the key swing segments of the electorate – moderates, suburban women, white collar employees, moderate to conservative Democrats, non-college men, Republican women – they all oppose privatization by substantial margins (often two-to-one).

TABLE 1: Partisanship/Ideology

	Oppose	Favor
All adults	66%	31%
1996 Clinton voters	76	22
1996 Dole voters	52	44
1996 Perot voters	63	35
Democrats	75	23
Independents	64	32
Republicans	56	41
Strong Democrats	82	16
Not Strong Democrats	74	22
Indep./lean Democrat	62	35
Pure independent	65	30
Indep./lean Republican	59	38
Not strong Republican	63	34
Strong Republican	49	46
Democratic Men	69	29
Democratic Women	79	18
Independent Men	56	40
Independent Women	72	24
Republican Men	49	49
Republican Women	64	31
Liberals	71	26
Moderates	70	27
Conservatives	55	41
Lib./mod. Republicans	69	28
Mod./cons. Democrats	76	22

TABLE 2: Age

	Oppose	Favor
All adults	66%	31%
18-34	63	35
35-49	61	35
50-64	67	29
65 and over	81	15
Men 18-49	53	45
Men 50 and over	66	30
Women 18-49	70	26
Women 50 and over	77	19

TABLE 3: Education/Income/Occupation/Union

	Oppose	Favor
All adults	66%	31%
High school or less	75	22
Some college	68	28
College grads	56	42
Non-college men	64	32
College men	49	49
Non-college women	77	19
College women	65	32
Under $30,000	78	19
$30-50,000	68	29
$50-100,000	60	38
Over $100,000	48	48
Professionals/managers	54	43
White collar	66	31
Blue collar	67	30
Retired	78	17
Union members	79	19
Union household (non-members)	70	23
Non-union household	63	34

TABLE 4: Gender and Race

	Oppose	Favor
All adults	66%	31%
Men	58	39
Women	73	23
Whites	63	33
Blacks	78	21
Hispanics	74	24
White Men	55	42
White Women	71	25
Suburban men	56	40
Suburban women	73	23

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SURVEY FOR NATIONAL COMMITTEE TO PRESERVE S.S. AND MEDICARE/2030 CENTER

In July, Hart Research conducted a national survey on Social Security on behalf of the National Committee to Preserve Social Security and Medicare and the 2030 Center. The survey was conducted by telephone from July 6 to 13, 1998, among a national sample of 1,090 adults, including an oversample of adults age 18 to 34. The survey had two core findings: 1) while the public is initially attracted to the notion of "private accounts," this support is weak and quickly dissipates when a full privatization plan is considered; and 2) voluntary private accounts, not funded from payroll taxes, are much more popular than mandatory accounts.

1) The public initially is attracted to the idea of establishing private retirement accounts, but rejects privatization when it considers the costs of an actual plan in its entirety – in this case, the NCRP private accounts plan.

Recent poll results have shown public interest in the idea of establishing private retirement accounts within Social Security, and this survey confirms that interest. However, these polls generally have looked only at the narrow question of private accounts, without measuring public response to an actual partial privatization plan. This survey takes that crucial next step, asking the American public for the first time to evaluate the plan advanced by the National Commission on Retirement Policy, widely considered to be the most credible and politically realistic privatization plan yet developed.

By a decisive two to one, 62% to 31%, the public *rejects* the NCRP plan (in the survey the plan is not identified as the "NCRP plan"). Moreover, a mere 7% voice strong support for the plan while five times as many (35%) are strongly opposed. As the following table shows, there is strong opposition to each of the main NCRP provisions other than the private accounts – reducing the COLA, reducing guaranteed monthly benefits, and raising the retirement age.

PROVISIONS OF NCRP PLAN

	Favor %	Oppose %
Place one-sixth of employed people's Social Security taxes in private investment accounts	62	33
Reduce the annual cost-of-living increase for all retirees	30	63
Raise the eligibility age for receiving Social Security retirement benefits to 70	19	78
Reduce the average guaranteed monthly benefit for future retirees by about 30%	11	87

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In short, the public appears to believe that private retirement accounts are intriguing, but conclude that they aren't worth the price that has to be paid. The contrast between support for private accounts in the abstract (62%) and that for the actual private accounts plan (31%) is striking, as support is cut exactly in half when people understand the full proposal. Those who initially favor accounts actually oppose the plan by a solid 56% to 38%. In fact, the NCRP plan falls short of majority support even among the 29% of adults who *strongly* favor the private accounts idea (44% in favor, 51% opposed). The subgroups who are most likely to initially favor accounts but then reject the full plan are adults age 50 to 64, Republican, and middle-income people ($30-50,000).

There is some evidence that increasing the retirement age to 70 is especially unpopular and may well be a "poison pill" for any privatization plan. When we ask adults in an open-ended question why they support or oppose the NCRP plan, objection to the higher retirement age is by far the most frequently volunteered response from those opposing the plan (47%). When posed as an individual proposal, fully six in ten (62%) strongly oppose a retirement age of 70. Opposition is particularly strong among the seven in ten Americans without a college degree – who tend to work in more physically demanding occupations – but is more muted among the college educated. We would also note that Pew Center surveys reveal that only one-in-five Americans are aware that current law will soon begin raising the retirement age to 67. There is every reason to expect a substantial public backlash to higher retirement eligibility ages as the media draws attention to this impending change.

2) Voluntary accounts are far more popular than mandatory accounts funded by the payroll tax.

The survey results also suggest that the public is troubled by the idea of *compulsory* private accounts (as in the NCRP plan). Eight in ten Americans agree that Congress should not require anyone to put their Social Security taxes at risk in mandatory private accounts, with 61% voicing strong agreement.

By contrast, support for the idea of *voluntary* accounts, established as an add-on to Social Security, is overwhelming. This is a nearly consensual proposal for the public (86% in favor, 11% opposed), and twice as many offer strong approval for voluntary accounts (58%) as for accounts funded through payroll taxes (29%). And when we ask people to choose between the two approaches, 58% say they prefer voluntary accounts while just 24% say using payroll taxes is better.

Voluntary add-on retirement accounts – supported overwhelmingly by both NCRP plan supporters (89%) and opponents (84%) – may prove to be an important point of common ground in the contentious Social Security reform debate.