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HOW DOES MEDIA COVERAGE OF SOCIAL SECURITY AFFECT WORKER BEHAVIOR?

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Introduction

The *2021 Trustees Report* projects that the Social Security Old-Age and Survivors Insurance (OASI) program faces a long-term financing shortfall and that the trust fund will deplete its reserves in little more than a decade, after which payroll tax revenues will cover only about three-quarters of scheduled benefits. Yet, news coverage of the *Trustees Report* often emphasizes the trust fund depletion date and de-emphasizes the importance of the ongoing tax revenues. This emphasis could lead the public to believe that all future benefits are insecure, as many surveys find.

The question is, how do workers respond to their misperceptions? On the one hand, they might claim their benefits earlier than originally planned in the belief that future reforms will spare individuals already on the rolls from benefit reductions – even though, if they claim at age 62 today, their monthly benefit will be reduced by 30 percent for claiming early, and their lifetime benefits will likely be lower as well.[1] On the other hand, workers might insure against future reductions in Social Security benefits by saving more on their own, thereby enhancing their retirement prospects. To answer the question, this *brief* reports on a recent study that used an online experiment to gauge how different headlines about Social Security's finances affected planned claiming age, benefit expectations, and savings intentions.[2]

The discussion proceeds as follows. The first section provides background on Social Security's actuarial projections and how they are communicated to the public, while the second section explains the experiment. The third section presents results showing that headlines about the trust fund lead to a shift in intended claiming ages and expected benefit levels, but not future savings goals. The final section concludes that media coverage makes many workers fear an unrealistically severe cut to their future Social Security benefits, and this fear could lead people to claim early, locking in lower monthly benefits without increased saving to make up the gap.

Press Coverage

To communicate current projections to the public, the beginning of the summary document that accompanies the *2021 Trustees Report* reads:

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> *"Social Security and Medicare both face long-term financing shortfalls under currently scheduled benefits and financing. [...] The Old-Age and Survivors Insurance (OASI) Trust Fund, which pays retirement and survivors benefits, will be able to pay scheduled benefits on a timely basis until 2033, one year earlier than reported last year. At that time, the fund's reserves will become depleted and continuing tax income will be sufficient to pay 76 percent of scheduled benefits."*[3]

Yet, news coverage of the *Trustees Report* often adopts a more alarmist tone.[4] For example, the headline of a *New York Times* article reads, "Social Security and Medicare Funds Face Insolvency, Report Finds," while the implications of reserve depletion are described in vague terms only in the body of the text: "the program's reserve fund is projected to be depleted in 16 years, at which time recipients will get smaller payments than they are scheduled to receive if Congress does not act."[5] Similarly, a Fox Business article ran the headline, "Social Security Shortfall: Trust Fund to Run Dry in 2035, Trustees Predict."[6] The caveat that tax revenues are sufficient to pay three-quarters of scheduled benefits appears in the third paragraph.[7]

Given that readers are far more likely to remember headlines written in large font than information buried in the body of a news article, the alarmist tone of some Social Security reporting could lead the public to a highly pessimistic view of the program's future. Indeed, many workers believe they will ultimately receive far less than 75 percent of scheduled benefits.[8] And prior studies have also shown that workers adjust their labor supply and retirement saving in response to policy uncertainty around future Social Security benefits.[9]

The goal of this project is to link media coverage of the trust fund to workers' intentions about claiming and saving behavior. Specifically, the survey explores how the language and tone of headlines used to describe actuarial projections – the choice to highlight the depletion date for the trust fund, ongoing revenues, or neither – affect expectations about claiming ages, future benefit levels, and retirement saving.

Experimental Design

Participants in the experiment were recruited from the AmeriSpeak panel maintained by NORC at the University of Chicago. The AmeriSpeak panel is nationally representative and sufficiently large to create a sample of future Social Security beneficiaries. The panel contains demographic information such as age, race, household income, education, and geographic region.

To participate in the study, panelists needed to be ages 21 to 61 in 2021, be in the labor force, or have accumulated 40 quarters to qualify for future Social Security retirement benefits.[10] Ultimately, the experiment included 3,118 participants, who were divided into four subgroups, each of which saw a different headline.[11] Recognizing that workers cannot be expected to think calmly about Social Security in the midst of an unprecedented public health emergency, the experiment was fielded in June 2021 when the COVID-19 crisis was (at least temporarily) receding. In general, the survey elicited a very high (98+ percent) response rate.

Survey participants were presented with a short news article about the future of Social Security finances, based on the *2020 Trustees Report*, as the *2021 Report* was not yet available. While the main text of the article was identical throughout, the headline, which was also repeated as the first line of the text, varied across groups.

The control group saw a headline similar to the summary document for the *Trustees Report:*

[Control]:
Social Security Faces a Long-Term Financing Shortfall

> *"**Social Security faces a long-term financing shortfall.** The Social Security program provides retirement and survivors insurance benefits to workers and their families. Workers earn these benefits by paying into the system during their working years. The Social Security Trustees Report projects that the trust fund will deplete its reserves in 2034, at which point ongoing program revenues are projected to be sufficient to cover about three-quarters of current-law benefits."*

The first treatment group saw a different headline and first sentence, emphasizing the depletion date:

[1st Treatment]:
The Social Security Trust Fund
Will Deplete its Reserves in 2034

The second treatment group saw a more alarmist headline and first sentence, similar to the news articles discussed above:

[2nd Treatment]:
Social Security Fund Headed toward
Insolvency in 2034, Trustees Find

The final treatment group saw new wording that conveyed more information about depletion in the headline and first sentence:

[3rd Treatment]:
Revenues Projected to Cover Only 75 Percent of Scheduled Social Security Benefits After 2034

The hypothesis is that, relative to the headline shown to the control group, the three headlines emphasizing the trust fund will make respondents think that a policy change is imminent. But the third headline ("revenues cover 75 percent of benefits") will also convey more realistic expectations about the level of future benefits.

To test this hypothesis, the survey asked respondents several follow-up questions:

1. "Do you expect to receive Social Security benefits when you retire?"
2. "At what age do you expect to claim Social Security benefits?"
3. "What percent of the benefits you are supposed to receive under current law do you expect to actually receive?"
4. "What percent of your annual income do you *currently* save" and "What percent of your annual income do you *plan to* save" in retirement accounts?

Results

The first exercise was to assess whether the headlines changed expected claiming ages. Table 1 reports the results from a regression in which the dependent variable is the anticipated claiming age and the independent variables are indicators for being assigned to the three different headlines. The estimates are relative to the control group.[12]

Table 1. Effect of Headlines about the Trust Fund on Anticipated Claiming Age

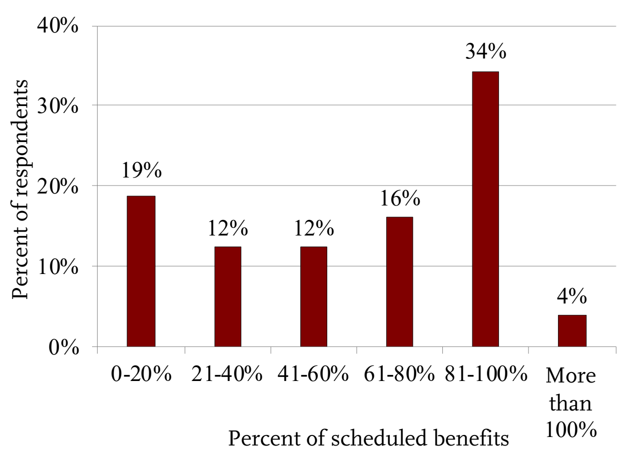
Variables	(1) Claiming age
Headline 1: "Reserves depleted"	-0.53
Headline 2: "Headed toward insolvency"	-1.11***
Headline 3: "Revenues cover 75 percent"	-0.73**

Note: *** p<0.01, ** p<0.05.
Source: Authors' estimates from experimental data provided by NORC.

The results show that all of the headlines referencing the trust fund led to earlier claiming. The control group had a mean claiming age of 66. Respondents who saw the first headline ("reserves depleted in 2034") expect to claim half a year earlier (not statistically significant), while those who saw the second headline ("trust fund headed toward insolvency in 2034") expect to claim a full year earlier, and respondents who saw the third headline ("revenues cover 75 percent of benefits") plan to claim 0.7 years earlier.[13]

The second exercise was aimed at how the different headlines change respondents' expectations about their future benefit levels.[14] Recall that the survey asked respondents to estimate what percentage of scheduled benefits they expect to actually receive. For simplicity, they were asked to pick from six options: 0-20 percent; 21-40 percent; 41-60 percent; 61-80 percent; 81-100 percent; or more than 100 percent. For context, Figure 1 shows the distribution of expected benefits among the control group. Around 20 percent of respondents expect to receive almost nothing from Social Security, and 34 percent expect to receive full (or nearly full) benefits; most of the rest have expectations somewhere in the middle.[15]

Figure 1. Distribution of Expected Benefits as a Share of Scheduled Benefits, Control Group



Source: Authors' calculations from experimental data provided by NORC.

Table 2 demonstrates how the different headlines impacted expectations. In general, headlines referencing the trust fund moved expectations away from extreme positions and toward a more realistic view. Specifically, respondents who read the first and second headlines ("reserves depleted in 2034" and "trust fund headed toward insolvency in 2034") were 7 percentage points more likely to expect 41 to 60 percent of scheduled benefits. Respondents who read the third headline ("revenues cover 75 percent of benefits") were more likely to anchor on the answer closest to the Trustees' projections – 61-80 percent of scheduled benefits.[16]

Table 2. Effect of Headlines about the Trust Fund on the Distribution of Expected Relative to Scheduled Benefits

Share of scheduled benefits	Percentage-point difference		
	Headline 1	Headline 2	Headline 3
	"Reserves depleted"	"Headed toward insolvency"	"Revenues cover 75%"
0-40%	-0.03	-0.05*	-0.09***
41-60%	0.07***	0.07***	0.04*
61-80%	0.03	-0.001	0.07***
81+	-0.06**	-0.01	-0.02

Notes: The treatment effects subtract the percentage of respondents expecting a given share of scheduled benefits in the control group from the percentage expecting that share in the treatment group. *** p<0.01, ** p<0.05, * p<0.1.
Source: Authors' estimates from experimental data provided by NORC.

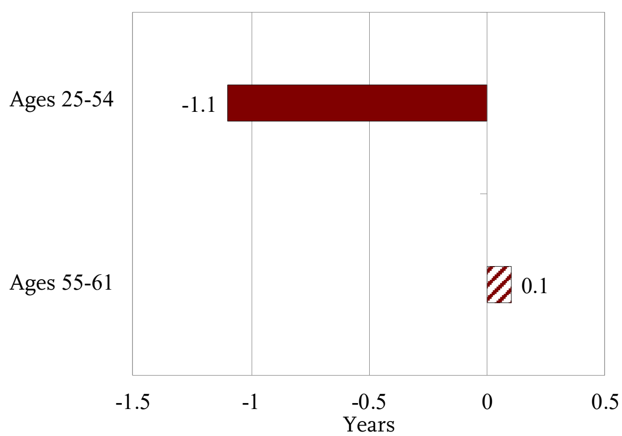
The next exercise involved savings intentions. Despite strong effects on claiming and benefit expectations, the headlines did not alter respondents' intended retirement savings rates going forward. Nearly three-quarters of respondents in the control group intend to make no change to their savings rate, and this rate is similar across all of the headlines. Similarly, only around 7-8 percent of respondents intend to increase their savings in any group, and 20 percent plan to decrease their savings going forward. Testing for statistically significant differences confirmed that the headlines had no effect on respondents' intended retirement saving.

Results by Age

One question is the extent to which responses varied by age, since those closer to retirement could reasonably expect less impact on their benefits from the exhaustion of the trust fund. To test this hypothesis, the analysis was performed separately for two groups of respondents. The first group consists of prime-age workers, ages 25-54, who will not reach their Social Security full retirement age (FRA) before the trust fund is projected to deplete its reserves in 2034. The second group consists of older workers, ages 55-61, who will reach their FRA before the trust fund is projected to deplete its reserves.

As expected, prime-age respondents reacted to the headlines by planning to claim earlier, by one year, while older workers did not respond at all (see Figure 2).

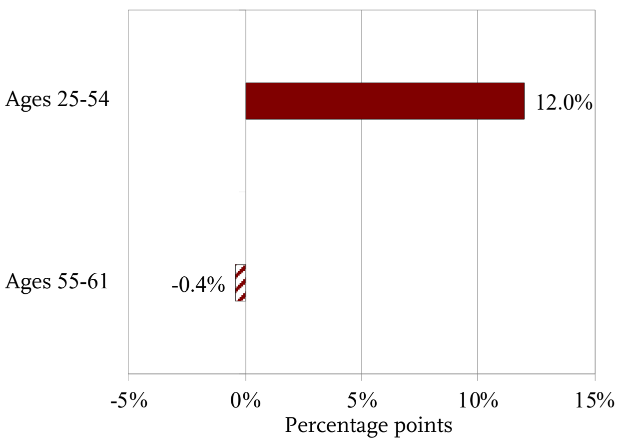
Figure 2. Effect of Headlines about the Trust Fund on Anticipated Claiming Ages, by Current Age



Note: The striped bar is not statistically significant.
Source: Authors' calculations from experimental data provided by NORC.

Similarly, Figure 3 (on the next page) shows that prime-age respondents who read headlines about the trust fund were 12 percentage points more likely to take a view of future benefits that more closely matched Social Security's actuarial estimates, but older respondents did not change their expectations.[17]

Figure 3. Effect of Headlines about the Trust Fund on the Share of Respondents Expecting 40-80 Percent of Scheduled Benefits, by Current Age



Note: The striped bar is not statistically significant.
Source: Authors' calculations from experimental data provided by NORC.

Conclusion

This study explores how media headlines about the Social Security trust fund affect workers' planned claiming ages, benefit expectations, and savings rates. The results show that headlines about the trust fund shifted claiming ages and benefit expectations, but not intended savings rates. Respondents who read one of the three treatment headlines reduced their anticipated claiming ages by around one year, on average. Additionally, they were more likely to express realistic expectations about the level of future benefits, and less likely to hold extreme positions (expecting either very low or very high benefits). In particular, reading about ongoing revenues pushed respondents to the most realistic assessment of future benefits (around three-quarters of current-law levels).

These findings suggest that media coverage of the trust fund makes many workers fear an unrealistically severe cut to their future Social Security benefits. Providing salient information about ongoing program revenues helps align workers' expectations with a more likely scenario. However, adjusting the narrative to include ongoing revenues may not be sufficient to prevent workers from claiming early. If future beneficiaries follow through with their intention to claim a year earlier, they will lock in lower monthly benefits without increasing their saving to make up the gap.

Endnotes

1 The 30-percent reduction is relative to the full retirement age (for those born after 1959). For the potential impact of early claiming on lifetime benefits, see Biggs, Chen, and Munnell (2021).

2 Quinby and Wettstein (2021).

3 Social Security and Medicare Boards of Trustees (2021). Similarly, the *2021 Social Security Statement* – a personalized brochure available online and mailed to workers ages 60+ who lack online accounts – informs workers that benefit levels may change after 2033 because ongoing payroll-tax revenue will not fully cover current-law benefits.

4 Examples of news articles in this section precede the COVID-19 pandemic. However, the condition of the trust fund did not change notably between the time of these articles and the *2020 Trustees Report*. And even the recently released *2021 Trustees Report* found little change in the trust fund depletion date due to COVID.

5 Rappeport (2019).

6 De Lea (2019).

7 Also see Borak (2017) and Fonda (2019).

8 For example, Luttmer and Samwick (2018) report that 91 percent of respondents to an online survey know that the OASI trust fund is projected to deplete its reserves, but half of respondents believe that future benefits will be 63 percent or less of scheduled benefits. And a recent public opinion survey by the Pew Research Center suggests an even more pessimistic outlook, with 42 percent of respondents expecting to receive nothing from Social Security when they retire (Parker, Morin, and Menasce Horowitz 2019). This public pessimism is not a new phenomenon; Jacobs, Watts, and Shapiro (1995) and Jerit and Barabas (2006) find that extensive negative reporting on Social Security throughout the 1980s and 1990s shook the public's confidence in the program's viability.

9 Benítez-Silva, Dwyer, and Sanderson (2006) show that incorporating benefit uncertainty into a lifecycle model of retirement can explain why many individuals continue to claim before the full retirement age; and Delavande and Rohwedder (2011) find that individuals who are uncertain about future Social Security benefits hold more of their investments in fixed income. Abroad, Jappelli, Marino, and Padula (2019) find that Italian workers respond to pension uncertainty by saving more; Giavazzi and McMahon (2012) find that uncertainty about a German pension reduction increased households' saving and labor supply; and Van der Wiel (2008) finds that workers in the Netherlands are more likely to participate in private pensions when they anticipate cuts to the national pension. Relatedly, a growing literature uses theoretical models of optimal saving and labor supply to document the welfare loss caused by Social Security's long-run shortfall.

10 The sample excludes homemakers, who will not have enough work history to be eligible for Social Security, and individuals already out of the labor force due to disability. It includes individuals who are working or looking for work, as well as individuals out of the labor force who are eligible for benefits because they previously worked 40 quarters.

11 The sample was weighted to represent the national population using the *Current Population Survey* (CPS). Specifically, the weights align the sample with the CPS along the following dimensions: age, gender, Census division, race/ethnicity, education, and homeownership status. The weights also adjust for the fact that not all AmeriSpeak panelists invited to take the survey completed the sample screening questionnaire, and that non-response is more likely in certain demographic groups.

12 The sample for this regression drops respondents who never expect to receive any Social Security benefits because they were not asked to pick a claiming age. To confirm that this sample selection does not bias the results, the regression was also run on the full sample with missing claiming ages coded as either age 62 or age 67. These robustness checks yielded qualitatively similar results to the main findings presented here (results available upon request).

13 We lack statistical power to determine whether the differences in effect size between treatment groups are themselves significant.

14 We interpret these results as a measure of how much respondents expect benefits to be cut; of course, since respondents also claim earlier, the benefit levels could also reflect an anticipated actuarial reduction.

15 Reassuringly, this distribution of expected benefits is broadly consistent with Luttmer and Samwick (2018), although it is more optimistic than Parker, Morin, and Menasce Horowitz (2019).

16 The analysis confirms the statistical significance of these results by running Ordinary Least Squares regressions in which the dependent variables are binary indicators for expecting either: 0-20 percent; 21-40 percent; 41-60 percent; 61-70 percent; 81-100 percent; or more than 100 percent of scheduled benefits. The independent variables are binary indicators for the three headlines. The standard errors are robust to heteroskedasticity. The full regression results are available from the authors upon request.

17 We also looked for treatment effect heterogeneity by other demographic characteristics – including income, gender, education, and current savings rates – but did not see any notable patterns.

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