
Notes and Brief Reports

Employment Covered Under the Social Security Program, 1985*

In 1985, approximately 114 million workers, or about 91.4 percent of the Nation's workforce were covered under the Old-Age, Survivors, and Disability Insurance (OASDI) program based on employment in their major job.¹ In 1937—the year in which contributions for Social Security first began—only 27.4 million workers, or 56.1 percent of the total workforce² were covered by the newly enacted program, which did not include disability insurance. This note provides data on the coverage status of workers by their major job in 1985, earlier coverage provisions, and other legislative extensions that have been enacted.

Covered Employment

In 1937, coverage was limited to wage and salary workers under age 65 who were employed in industry and commerce within the United States and the then territories of Alaska and Hawaii. Legislation enacted in 1951 extended coverage to the self-employed, employees of nonprofit organizations, and domestic workers. During 1985, about 7.0 million of the 9.2 million workers whose major job was in self-employment were covered under the OASDI provisions. The remaining 2.2 million workers had net earnings from self-employment of less than \$400, thus failing the "cash-pay" test requirement for coverage. The cash-pay test requires a worker to earn a specified amount before coverage can be extended.

Coverage was virtually complete among the 95.2 million wage and salary workers whose major job was in the private sector in 1985. Since 1981, when less than 96 percent of such private-sector workers were covered, the major increase in the number of covered workers was among employees of nonprofit organizations, for whom the coverage ratio increased from 78.8

percent in 1981 to 98.6 percent in 1985. This increase resulted from provisions in the 1983 Social Security amendments (Public Law 98-21) that made coverage mandatory for those hired by nonprofit organizations on or after January 1, 1984. The 1983 amendments provided the first expansion of coverage for employees of nonprofit organizations since their initial coverage in 1951. The 1950 amendments allowed employees to elect coverage if the nonprofit organization for which they worked waived its exemption from Social Security taxes, and if the employee received at least \$100 in pay during the calendar year.

Only about half of the workers whose major job was in farm or domestic employment were covered in 1985. During the period from 1956 to 1987, farm employees were required to meet either a "cash-pay" or "regularity-of-employment" test. Thus, farm employment was covered only if the worker received at least \$150 in cash wages from one employer during the calendar year or if he or she worked at least 20 days for one employer during the calendar year and was paid on a time basis (for example, hourly, daily, or weekly).

As a result of provisions in the Omnibus Budget Reconciliation Act of 1987, changes were made in the coverage of agricultural labor. Effective January 1, 1988, the \$150 cash-pay test applies only in cases where the employer spends less than \$2,500 annually for agricultural services. If the employer's expenditures are \$2,500 or more, all cash remuneration paid to an employee for agricultural services is covered. In addition, the regularity-of-employment provision that had applied to such workers since 1956 has been eliminated.

For domestic workers, the regularity-of-employment test was only in effect for 4 years, 1951-54. Since 1955, domestic employment has been counted for Social Security purposes only if the worker was paid at least \$50 by one employer in a calendar quarter. This cash-pay test applies separately to the wages paid by each employer.

Coverage of Government Employment

The 1983 Social Security amendments extended coverage in the public sector to include Federal executive, legislative, and judicial branch civilian

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¹A major job is defined as the job in which the worker received the most covered earnings during the year.

²See Laura Wendt, "Census Classifications and Social Security Categories," *Social Security Bulletin*, April 1938, pages 3-12.

employees who were hired after December 31, 1983—including those workers with previous periods of Federal service, if the break in service lasted more than 1 year. Before the end of 1983, coverage of Federal Government employees was restricted to those workers not covered by a Federal retirement system (part-time or military service). During 1985, about 28.9 percent of the workers whose major job was in Federal civilian employment were covered under the OASDI program (see table). Effective January 1, 1983, all Federal civilian employees were also covered under the Medicare Hospital Insurance program. In 1986, Congress enacted the Federal Employees Retirement System (FERS), which covers all workers hired on or after January 1, 1984, and any employees previously covered by the Federal retirement system who elected to enroll in the new program. Under FERS, employees

contribute to both the OASDI and the Health Insurance programs on the same basis as other workers in Social Security covered employment. As newly hired employees replace those who were covered only under a Federal retirement system, the proportion (28.9 percent) of individuals covered by the OASDI program will increase annually. The Medicare contribution rate for employees and employers each in 1988 was 1.45 percent of wages up to \$45,000.

Among State and local government workers, 10.7 million (about 72.3 percent) had OASDI program coverage in their major job in 1985, through voluntary agreements entered into by the States. Before April 20, 1983, a State could terminate such Federal-State agreements by giving 2 years advance notice of such intent. The 1983 amendments prohibited further terminations and allowed States to reinstate coverage for those whose coverage had been terminated.

Medicare coverage for State and local government employees was provided in the Consolidated Omnibus Budget Reconciliation Act of 1985. The act covered all State and local government employees hired after December 31, 1985.

Table 1.—Coverage status of workers, by type of employment in major job, 1985

Type of employment	Number of workers (in millions)		Percent covered
	Total	Covered ¹	
Total, all employment.....	125.2	114.4	91.4
Wage and salary.....	116.0	107.4	92.6
Private sector.....	95.2	93.4	98.1
Industry and commerce.....	84.6	84.4	99.8
Farm.....	1.7	1.1	64.7
Domestic.....	1.4	.5	35.7
Nonprofit.....	7.1	7.0	98.6
Railroad.....	.4	.4	100.0
Public sector.....	20.8	14.0	67.3
Federal.....	3.8	1.1	28.9
State and local.....	14.8	10.7	72.3
Military.....	2.2	2.2	100.0
Self-employment.....	9.2	7.0	76.0

¹These data refer to workers reported as having covered wages in their major job.

Data Sources

Data on total employment were obtained from the March 1986 Current Population Survey (CPS) of the Bureau of the Census. This annual supplement to the monthly CPS contains data on type of employment, class of work, industry, and occupation. In the CPS, a major job is defined as the job in which the employee worked the most weeks during the year. The number of covered workers was obtained from the assigned segment of the 1985 1-percent employee-employer file of the Continuous Work History Sample maintained by the Social Security Administration.