
Notes and Brief Reports

State and Local Government Employees Covered Under Social Security, 1984*

In 1984, approximately 10.0 million, or about 69 percent, of the 14.5 million State and local government employees in the United States were covered under the Social Security Old-Age, Survivors, and Disability Insurance (OASDI) program. State and local government workers are covered by Social Security by means of State voluntary agreements entered into with the Secretary of Health and Human Services. Before legislation enacted in 1983, States could terminate their agreements and withdraw coverage for their workers. The termination, once in effect, was irrevocable and the same group could not be covered again. Since passage of the 1983 Amendments to the Social Security Act (Public Law 98-21), States can no longer terminate coverage and may now reinstate it for those workers whose coverage had been previously terminated.

This note presents the latest data available on the Social Security coverage of workers whose major job was in State and local government.¹ Data are shown on the extent of coverage and on the characteristics of covered workers.

Extent of Coverage

In 1984, one-fourth of the total number of State and local government workers were located in California, New York, and Texas. Another fourth were in Illinois, Ohio, Pennsylvania, Michigan, Florida, and New Jersey (table 1).

New York, with the second highest number of State and local workers, had the highest number of covered workers—1.1 million. California was second with 572,000 covered workers. Two other States had more than 500,000 covered workers—Pennsylvania (554,000) and Michigan (515,000). Ohio, one of the States with the highest number of State and local

workers (595,000), had no covered workers.

The proportion of workers who were in covered employment varied among the States. In 19 States, those covered represented at least 90 percent of all State and local employees (chart 1). Among the nine States with the highest number of State and local workers, only three—Pennsylvania, Michigan, and New Jersey—had more than 90 percent of their employees covered. In New York, 88 percent were covered; in California, the proportion was 37 percent. Eight States had coverage rates of less than 50 percent. In two of these States—Ohio and Massachusetts—none of the workers were covered. At the other extreme, Idaho was the only State in which all of the workers were covered.

Characteristics of Covered Workers

Among workers whose major OASDI-covered job was in State or local government, 55 percent were women. The corresponding proportion was 44 percent among other covered workers (table 2). By race, 15 percent were black, compared with 11 percent among other covered employees not in State or local government.

Covered State and local government workers tended to be older than other covered workers. Only 25 percent were under age 30, compared with 43 percent of the other workers. Consequently, the median age of State and local government employees was higher—about 37, compared with 32 among all other covered workers.

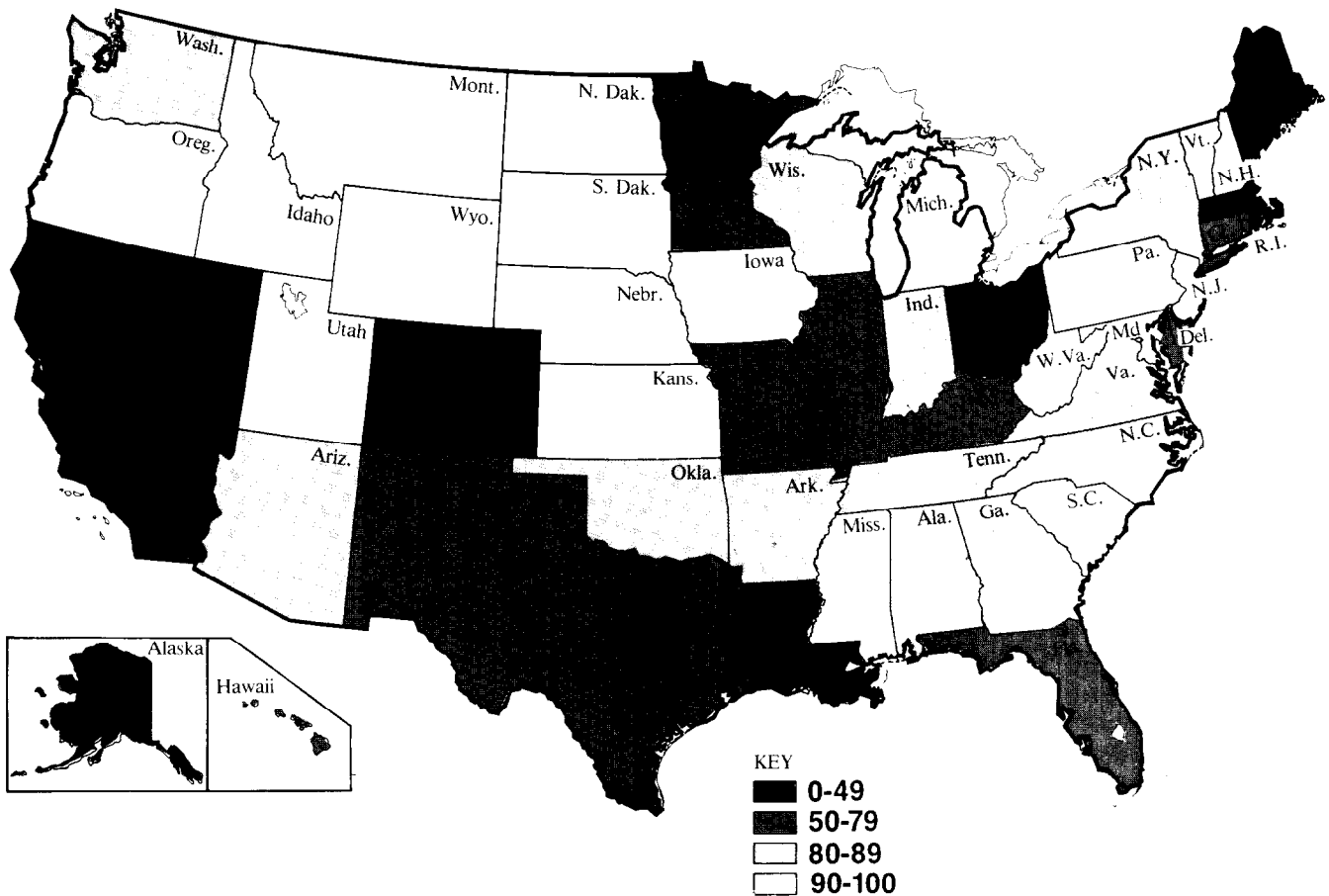
History of State and Local Coverage

Under the Social Security Act of 1935, it was decided that Social Security coverage would be financed primarily by employee and employer tax contributions. State and local government workers were excluded from coverage because of concern that it could be unconstitutional to levy Federal taxes on State and local governments. However, legislation enacted in 1950 provided that employees of State and local governments (other than police and firefighters) could be covered at a State's option provided that they were not covered under a State or local retire-

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

Chart 1.—Percent of State and local government jobs covered by Social Security, 1984



ment system. In 1951, States elected coverage for approximately 600,000 employees who were not under a retirement system.

Social Security coverage of State and local employees gradually expanded until 1979. In 1954, 3.4 million additional employees entered into the Social Security system when the option of coverage was extended to all employees (except police and firefighters) even if they were already covered by a pension plan. Legislation enacted in 1956 permitted designated States to extend coverage to groups of police and firefighters. This legislation also permitted the division of State and local employees in specified States into two groups—those who desired coverage and those who did not. Coverage was required for new members of both groups. In 1967, optional coverage was extended to groups of firefighters in positions under retirement systems in all States.

The percentage of State and local workers in covered employment in 1951, the first year of coverage, was 11 percent (table 3). This percentage continued to increase until it reached a peak of 72 percent in 1972. It remained stable until 1979, then gradually decreased to 69 percent by 1984.

Before enactment of the Social Security Amendments of 1983, a State could terminate a Federal-State coverage agreement by giving 2 years' advance written notice. The coverage had to have been in effect for at least 5 years when the notice was given. From 1959 to 1982, 967 employers terminated coverage for approximately 242,000 employees.² Termination activity peaked in 1982, when 86 State and local employers withdrew coverage for more than 70,000 employees. The 1983 amendments prohibited States from terminating coverage on or after April 20, 1983. An exception is made when an entity is legally dissolved or no longer in existence. Only then can a group be released from the agreement. The initial decision to provide coverage continues to be on a voluntary basis. Since enactment of this amendment, the proportion of covered workers has remained at 69 percent.

The 1986 Consolidated Omnibus Budget Reconcili-

²See William J. Nelson, Jr., *State and Local Government Employees Covered Under Social Security, 1980* (Research and Statistics Note No. 5), Office of Research and Statistics, Office of Policy, Social Security Administration, 1983, page 2.

ation Act (Public Law 99-272) extended Medicare coverage for Hospital Insurance on a mandatory basis to all newly hired State and local employees. As a result, the number of employees qualified for this coverage will continue to increase as older noncovered workers retire and are replaced. It is estimated

Table 1.—Estimated number of covered workers with State and local government employment as their major job in 1984

[Based on 1-percent sample: numbers in thousands]

State	All workers	Covered workers	Percent covered
Total	14,531	9,985	69
Alabama	245	218	89
Alaska	58	18	31
Arizona	182	161	89
Arkansas	145	127	87
California	1,563	572	37
Colorado	197	47	24
Connecticut	170	107	63
Delaware	41	27	66
Florida	597	470	79
Georgia	351	287	82
Hawaii	72	48	67
Idaho	64	64	100
Illinois	626	327	52
Indiana	320	266	83
Iowa	199	194	98
Kansas	167	165	99
Kentucky	210	154	73
Louisiana	320	49	15
Maine	74	22	29
Maryland	288	259	90
Massachusetts	334	0	0
Michigan	534	515	96
Minnesota	291	195	67
Mississippi	156	154	99
Missouri	286	224	78
Montana	64	59	91
Nebraska	118	116	98
Nevada	52	3	6
New Hampshire	55	49	90
New Jersey	475	445	94
New Mexico	120	87	73
New York	1,278	1,122	88
North Carolina	394	351	89
North Dakota	55	49	90
Ohio	595	0	0
Oklahoma	223	190	85
Oregon	184	170	93
Pennsylvania	590	554	94
Rhode Island	58	33	57
South Carolina	208	202	97
South Dakota	52	50	95
Tennessee	248	219	88
Texas	971	485	50
Utah	102	101	99
Vermont	35	34	98
Virginia	391	319	82
Washington	285	249	87
West Virginia	128	121	94
Wisconsin	309	261	84
Wyoming	51	46	90

that there were 450,000 State and local workers covered with Medicare coverage in 1986 and 850,000 in 1987.

Data Sources

State and local entities converted from quarterly to annual reporting of earnings to the Social Security Administration (SSA) in 1980. This change eliminated the procedure that used quarterly data to estimate the number of covered workers at a point in time during the year.³ The number of covered workers and their characteristics were derived from the assigned segment of the 1984 1-percent employee-employer file of the Continuous Work History Sample maintained by SSA. When an employee works at more than one job during the year, this file assigns that employee a major job based on the position involving the largest amount of earnings. The total number of workers was obtained from the March 1985 Income Supplement of the Current Population Survey (CPS). This annual supplement to the monthly CPS collects data on income from wages and other sources and work experience for the previous year. A major job is defined in the CPS as the job in which the employee worked the most number of weeks during the year.

³The change in the methodology that used point-in-time data instead of over-the-year data may be responsible in part for the decrease in the coverage ratio.

Table 2.—Percentage distribution of State and local government employees and other workers covered under Social Security, by selected characteristics, 1984

[Based on 1-percent sample]

Selected characteristics	Covered State and local government employees	Other workers covered under Social Security
Total number (in thousands)	9,985	108,865
Sex, total percent	100	100
Men	45	56
Women	55	44
Race, total percent	100	100
White	82	85
Black	15	11
Other	3	4
Age, total percent	100	100
Under 20	5	10
20-29	20	33
30-39	29	24
40-49	21	15
50-59	16	11
60 or older	9	7
Median age	37	32

Table 3.—Number and percent of Social Security covered State and local government employees, 1951-84¹

[Numbers in thousands]

Year	All employees	Covered employees	Percent covered	Year	All employees	Covered employees	Percent covered
1951	3,623	414	11	1968	9,185	6,261	68
1952	4,053	622	15	1969	9,463	6,531	69
1953	4,053	782	19	1970	9,824	6,876	70
1954	4,145	944	23	1971	10,265	7,288	71
1955	4,087	1,088	23	1972	10,693	7,699	72
1956	5,004	1,418	28	1973	11,160	8,035	72
1957	5,223	2,047	39	1974	11,481	8,266	72
1958	5,558	3,021	54	1975	11,976	8,623	72
1959	5,841	3,252	56	1976	12,178	8,768	72
1960	6,037	3,561	59	1977	12,252	8,796	72
1961	6,334	3,823	60	1978	12,889	9,230	72
1962	6,668	4,278	64	1979	12,983	9,259	71
1963	6,948	4,495	65	1980	13,364	9,327	70
1964	7,278	4,860	67	1981	14,711	10,297	70
1965	7,688	5,041	66	1982	14,310	10,017	70
1966	8,292	5,528	67	1983	14,724	10,160	69
1967	8,791	5,854	67	1984	14,531	9,985	69

¹Data for 1951-80 are for employment in the first quarter of the year, and data for 1981-84 are for employment during the year.