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Social Security: Who Is Covered Under the Program?

Social Security pays cash benefits to over 65 million people each month. In all cases, a Social Security beneficiary becomes eligible for benefits either by working in a job that is covered by Social Security (a covered worker), by having a close family relationship to a covered worker, or both (among other requirements). For people who work in jobs that are covered by Social Security, participation is mandatory. Covered workers and their employers are required to pay Social Security payroll taxes. In 2022, workers pay 6.2% of earnings in covered employment up to a maximum earnings of \$147,000. The maximum is adjusted annually based on average wage growth in the national economy. Employers pay a corresponding amount—6.2% of the worker's covered earnings up to the annual maximum. Self-employed workers pay 12.4% of net earnings up to the annual maximum.

To become eligible for benefits, a worker must have a sufficient connection to covered employment, which is measured in terms of *Quarters of Coverage (QCs)*. In 2022, a worker earns one QC for every \$1,510 in covered earnings up to a maximum of four QCs for the year (based on covered earnings of \$6,040 or more). The amount needed to earn one QC is adjusted annually based on average wage growth in the national economy. When a worker has earned a sufficient number of QCs, he or she is *insured* under the program. The number of QCs needed for insured status varies depending on the circumstances and type of benefit, ranging from a minimum of six QCs to a maximum of 40 QCs. Insured status allows a worker to establish eligibility for retired-worker or disabled-worker benefits and for the worker's family members to establish eligibility for benefits in the event of the worker's retirement, disability, or death. See CRS Report R42035, *Social Security Primer*.

Most jobs in the United States are covered by Social Security. Recent estimates by the Social Security Administration (SSA) show that about 176 million people were expected to work in covered employment in 2021 and that about 94% of workers in paid employment and self-employment are covered under the program. This In Focus discusses Social Security coverage and the major exceptions to mandatory participation in the program.

Nearly Universal System

Social Security began as a compulsory federal old-age benefits program established under Title II of the Social Security Act of 1935 (P.L. 271, 74th Congress). The original program covered employees under the age of 65 in commerce and nonagricultural industry (excluding railroads) in the 48 states that existed at the time, plus Alaska, Hawaii, and the District of Columbia (about 56% of

the workforce at the time). Initially, the program provided monthly pensions for insured workers aged 65 or older.

Over the years, Congress expanded Social Security coverage, bringing most employees and self-employed workers into the system. Today, most jobs in the United States are covered by Social Security, whether the work is performed by U.S. citizens or noncitizens, with some exceptions. In this context, the United States is defined as the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the territories of Guam and American Samoa, the U.S. Virgin Islands, and the Northern Mariana Islands. In some cases, work performed outside the United States by U.S. citizens or resident aliens (noncitizens) is covered by Social Security (for example, if the person is employed by an American employer, employed by a foreign affiliate of an American employer that has elected coverage for its employees, or, under certain circumstances, self-employed). See Internal Revenue Service (IRS), *Social Security Tax Consequences of Working Abroad*. Over the years, Congress also expanded the types of benefits available under the program. For example, benefits were provided for the worker's dependents and survivors in 1939 and for disabled workers in 1956.

Major Categories of Work Not Covered

The rules surrounding Social Security coverage and exceptions are extensive. This In Focus provides an overview of the major categories of work that are not covered by Social Security. If the work is not covered, the earnings are not subject to Social Security payroll taxes, and they do not count toward the worker gaining insured status under the program (i.e., they do not count toward establishing benefit eligibility for the worker and his or her family members). For detailed information on the definition of employment for Social Security purposes, see Section 210 of the Social Security Act (42 U.S.C. §410); Title 20, Part 404, of the *Code of Federal Regulations*, Subpart K; and SSA, *Coverage and Exceptions*.

- **Civilian federal employees hired before 1984.** Most civilian federal employees hired before 1984 are covered by the Civil Service Retirement System, which does not have a Social Security component. Civilian federal employees hired in 1984 or later are covered by the Federal Employees' Retirement System, under which participation in Social Security is mandatory. See CRS Report 98-810, *Federal Employees' Retirement System: Benefits and Financing*.
- **Some state and local government employees.** State and local government employees are not required to participate in Social Security if they participate in public retirement systems through their employers that meet certain requirements. (In general, the public retirement

system must provide a retirement benefit that is comparable to Social Security.) However, in all states, they may elect coverage on a group basis through coverage agreements between the state and SSA known as *Section 218 agreements*. Coverage is mandatory only for those state and local government employees who do not participate in public retirement systems that qualify as an alternative to Social Security. SSA data shows that there were 23.2 million state and local government employees in 2018. Of those, 16.6 million (71.5%) were covered by Social Security; 6.6 million (28.5%) were not covered. Across the states, the percentage of state and local government employees with Social Security coverage varied widely, ranging from 3% to 97%. See CRS Report R46961, *Social Security Coverage of State and Local Government Employees*.

- **Railroad workers.** Railroad workers have their own federal insurance system that dates back to the 1930s. Today, programs administered by the U.S. Railroad Retirement Board provide retirement, survivor, disability, unemployment, and sickness benefits to workers who have spent substantial portions of their careers in railroad employment and their family members. Although a separate system, it is closely tied to the Social Security program. For example, if a railroad worker does not meet the minimum requirements for a railroad pension, his or her railroad earnings count toward his or her Social Security earnings credits. See *U.S. Railroad Retirement Board*.
- **Certain family employment.** Certain family employment is excluded from Social Security coverage. For example, the service of a child under the age of 18 is not covered if the child works for his or her parent in a trade or business, and the trade or business is a sole proprietorship or a partnership in which each partner is a parent of the child. See IRS, *Family Help*.
- **Certain work performed by students.** Work performed by students who are employed by the schools, colleges, or universities where they are pursuing courses of study is generally not covered if education is predominant in the student's employment relationship with the academic institution. If the institution is operated by a state or local government, the work may be covered under the terms of a Section 218 agreement between the state and SSA. See IRS, *Student Exception to FICA Tax*.
- **Certain members of the clergy and others.** Ministers, members of religious orders who *have not taken* a vow of poverty, Christian Science practitioners, and members of recognized religious sects (such as the Amish and Mennonites) are automatically covered by Social Security, but they may file for an exemption with the IRS on the grounds of conscience or religious principle. Members of religious orders who *have taken* a vow of poverty are not automatically covered, but the religious order may elect coverage for its members by filing a request with the IRS. See IRS, Pub. 517 (2020), *Social Security and Other Information for Members of the Clergy and Religious Workers*.
- **Certain work performed by noncitizens.** In general, work performed by noncitizens in the United States is

covered by Social Security; however, there are exceptions. For example, work performed by a person who is a citizen of a foreign country with which the United States has a totalization agreement is not covered if the person works in the United States for less than five years. See SSA, *International Agreements*. In addition, work performed by noncitizens under certain nonimmigrant (temporary) visas is not covered. For example, work performed by foreign academic students (F-1 visa), foreign vocational students (M-1 visa), foreign exchange visitors (J-1 visa), international cultural exchange visitors (Q visa), and foreign agricultural workers (H-2A visa) is not covered. See SSA, *Coverage of Work Performed by Certain Nonimmigrant Aliens*; and IRS, *Aliens Employed in the U.S.—Social Security Taxes*.

For certain types of work, there are specific coverage thresholds, as described below.

- **Farm work** is excluded from coverage if the employer pays the individual less than \$150 in cash for the year *and* the employer's total expenses for agricultural labor are less than \$2,500 for the year. Work performed by *seasonal* farm workers (hand-harvest laborers) is excluded if the employer pays the individual less than \$150 in cash for the year. See IRS, Pub. 51, Circular A, *Agricultural Employer's Tax Guide* (Section 4).
- **Self-employed workers** with net earnings below \$400 for the year are generally excluded from coverage. See SSA, Pub. No. 05-10022, *If You Are Self-Employed*.
- **Election officials and election workers** with earnings below \$2,000 in 2022 are generally excluded from coverage. The dollar threshold is adjusted annually based on average wage growth in the national economy. See SSA, *Election Officials and Election Workers*.
- **Household employees** with earnings below \$2,400 in 2022 are excluded from coverage. The dollar threshold is adjusted annually based on average wage growth in the national economy. See IRS, *Employment Taxes for Household Employees*.

Social Goals of the Program

Social Security is the nation's largest federal program. As a social insurance system, Social Security is funded primarily with payroll taxes paid by covered workers and employers, and it provides monthly cash benefits to insured workers and their family members when the worker experiences a loss of earnings due to the worker's retirement, disability, or death. Social Security provides benefits to people of all ages, including retired workers, disabled workers, spouses, former spouses, surviving spouses, and dependent children. For many beneficiaries, Social Security represents a sizable share of total income and serves to keep them out of poverty. Given Social Security's role in reducing poverty, which benefits the nation as a whole, some argue that some noncovered workers should be brought into the system to share in the program's broader social goals. For example, the Social Security Advisory Board and others have proposed making Social Security coverage mandatory for all newly hired state and local government employees.

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