OVERVIEW

1. A brief history

2. Who is affected?

3. What we learned from Gale, Holmes, and John (2015) about…
   • Pension funding and
   • Pension generosity

4. Would mandatory coverage matter…
   • To Social Security finances?
   • To workers?
A BRIEF HISTORY

1935: Social Security Act signed; it excludes about half of the workforce, including SLGWs

1930s

1940s

1950s
1950: Section 218 enacted, allowing (but not requiring) states to offer coverage to SLGWs

1950s

1960s

1970s
1986: Medicare coverage mandated for all newly-hired SLGWs
1987: Federal govern't employees hired after 12/31/83 begin participating in Social Security

1980s

1990s
1990: Social Security coverage mandated for SLGWs not covered by a Section 218 agreement or qualified retirement program
1994: States allowed to extend Social Security and Medicare to police and firefighters

1990s

2000s
2004: Public employers required to disclose Social Security coverage status to all workers

2004:

SLGWs = state and local government workers
WHO IS AFFECTED?

About one-fourth of the country’s ≈22 million SLGWs
WHO IS AFFECTED?

About one-fourth of the country’s ≈22 million SLGWs
and
All current and future Social Security beneficiaries
WHO IS AFFECTED?

About one-fourth of the country’s ≈22 million SLGWs

and

All current and future Social Security beneficiaries

and

Anyone who has ever paid (or will ever pay) FICA taxes, even if they never claim Social Security
Correlation does not imply causation.

Let me tell you some anecdotes that might convince you otherwise.
UNCOVERED WORKERS AND PENSION FUNDING RATIOS

Source: Data for percentages of uncovered SLGWs from CRS [2011]. Data on funding ratios from SBS [2013].
UNCOVERED WORKERS AND STATE PENSION BENEFITS

Source: Data for percentages of uncovered SLGWs from CRS [2011]. Data on state pension benefits from Biggs [2014].
WOULD MANDATORY COVERAGE MATTER?
TO THE TRUST FUND: 
YES (A LITTLE)

OASDI TRUST FUND ANNUAL BALANCE CHANGE, 1990-2085

Annual balance = Annual income rate minus annual cost rate (see https://www.ssa.gov/oact/TR/2018/IV_B_LRest.html#S4099 for definitions)
TO WORKERS: YES (BUT OPINIONS ARE MIXED)

- Portability = more mobility
- Protects workers from state/local government default, underfunding, or bad investments
- More generous benefits overall (maybe)
- Federal government bonds yield lower returns than private assets
- Doesn’t solve the Trust Fund’s solvency issues
- Could be costly to employers, especially at first