Effects of Minimum Wage on Employment and Earnings of Individuals with Intellectual Disabilities

Individuals with intellectual disabilities (ID) account for about 14% of the 9.7 million working-age people in the U.S. who receive benefits under the federal Supplemental Security Income and Social Security Disability Insurance programs. The average lifetime expenditures for SSI, SSDI, Medicare and Medicaid for individuals with ID were about $500,000 (in 2012 dollars) compared to about $300,000 for individuals with other types of disabilities, in large part because most individuals with ID are disabled from childhood and receive benefits for a much longer period of time compared to other disabilities. Federal and state programs, including the "Ticket to Work" program of the Social Security Administration, provide support for individuals with intellectual disabilities to help them gain and maintain employment. Despite these efforts, less than one quarter of working-age individuals with ID are employed. The National Council of State Legislatures reported that 21 states began 2020 with a higher minimum wage than in 2019; these increases would be expected to lead to reductions in employment, hours, and earnings of individuals with ID because it increases the likelihood that the value of their productivity will fall short of the higher wage—at least in the absence of sub-minimum wages for workers with disabilities that are allowable in some states.

In this study, we will estimate the effects of state and federal minimum wages on employment and earnings of individuals with ID using restricted data from the National Beneficiary Survey (NBS), a cross-sectional survey administered in 2004, 2005, 2006, 2010, 2015, and 2017. The project requires access to the restricted NBS data in order to have access to state identifiers, which are needed to incorporate data on federal and state minimum wages and other state-level variables. We will estimate the effects of minimum wages on employment and earnings of recipients with IDs overall, across states that allow sub-minimum wages, and compared to recipients with other types of disabilities. The proposed research will provide the first evidence on how increases in minimum wages affect labor market outcomes for individuals with ID and provide valuable policy information for states with respect to the spillovers of the minimum wage legislation and merits of having a sub-minimum wage.

Focal Program Areas:

Focal Area #1: Trends in Disability.