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

Individuals with intellectual disabilities (ID) account for about 14% of the working-age population (1.3 out of 9.7 million) of individuals who receive benefits under the federal Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) programs (Livermore, Bardos & Katz 2017). Riley and Rupp (2015) estimated that 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.

Most individuals with ID have been disabled from childhood and receive benefits for a much longer period of time compared to other disability recipients (Livermore, Bardos & Katz 2017); that is, most individuals with ID are disabled for life and have little chance of a change in disability status due to a medical intervention or recovery. 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 work (Livermore, Bardos & Katz 2017).

Recent efforts to raise the minimum wage have gained momentum. For example, the National Council of State Legislatures (2020) reported that 21 states began 2020 with a higher minimum wage than in 2019. Theoretically, increases in the minimum wage would lead to reductions in employment or hours of employment, and therefore earnings, among individuals with intellectual disabilities because it increases the likelihood that the value of their productivity will fall short of the higher wage. However, minimum wage increases could increase employment or hours of individuals with ID due to potential eligibility of individuals with significant impairments for a sub-minimum wage under section 14(c) of the Fair Labor Standards Act. In July of 2018, over 150,000 workers with disabilities in the U.S. received a sub-minimum wage (Maurer 2019). However, the 14(c) program is a target of reform. The Raise the Wage Act, which provides a gradual phase out of the sub-minimum wage for workers with disabilities, has passed in the House of Representatives (but is currently stalled in the Senate) and states have started to pass their own laws to eliminate sub-minimum wages (Cesario 2019). Overall, higher minimum wages with no allowable sub-minimum wages would have negative effects on employment of individuals with ID.

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) merged with state-level data on minimum wages and other state-level variables. The NBS is a cross-sectional survey administered in 2004, 2005, 2006, 2010, 2015, and 2017 that contains rich sociodemographic and health information, as well as administrative data on employment and earnings of recipients of the SSDI and SSI programs. The NBS data are well-suited for investigating effects of changes in the minimum wage on employment and earnings of working-age individuals with ID and also allows for a comparison of the effects of wage changes of recipients with IDs versus those with other categories of disabilities such as physical and sensory impairments. We will exploit the considerable increases in the minimum wage across states over the sample period as well as the increase in the federal minimum wage (which impacted states that had indexed their minimum wage to the federal

level but not states that had minimum wages higher than the federal level), within a difference-in-differences (DD) research design, to estimate the effects on employment and earnings of persons with ID. The baseline DD model will be extended to a triple-difference framework, in order to assess whether the effects of the minimum wage differed across states that allow sub-minimum wages and across persons with ID vs. other forms of disability. The analyses will draw on prior work by the research team on the effects of the minimum wage and the most recent advances in this literature to assess and construct appropriate counterfactuals within the DD context (e.g.,, accounting for confounding trends; synthetic controls with multiple treatments; accounting for the "bite" of the minimum wage).

This project will require access to the NBS restricted data in order to have access to state identifiers, which are needed for the analyses. The proposed research will provide the first evidence on how minimum wage increases affect labor market outcomes for individuals with disabilities—in particular, individuals with ID—and provide valuable policy guidance for states with respect to the spillovers of the minimum wage legislation on these sub-populations and the merits of having a sub-minimum wage.

Focal Program Areas:

Focal Area #1: Trends in Disability.

References

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