

**Committee on Education and Workforce  
Hearing on “Work, Dignity, and Choice in Disability Employment”  
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Representative Grothman and Members of the Committee. Thank you for the opportunity to submit testimony on the continued use of subminimum wage under Section 14(c) of the Fair Labor Standards Act.

I want to begin by reframing this issue clearly and plainly:

**Subminimum wage is not just a disability policy issue.**

**It is an economic issue.**

**And it is a choice issue.**

Section 14(c) of the Fair Labor Standards Act was created in 1938. It allows employers to pay workers with disabilities far below minimum wage - sometimes just pennies per hour - based on subjective productivity measures. While it was once framed as a pathway to employment, the evidence is now overwhelming: this policy no longer reflects our workforce, our economy, or our values.

**This Policy Distorts the Labor Market**

As of January 1, 2025, nearly 36,000 workers were paid subminimum wages by 736 employers across thirty-six states. Most earned between \$0.25 and \$4.15 an hour, with more than half earning under \$3.50 (U.S. Department of Labor, 2025).

This is not a functioning labor market. Rather, a wage exemption based on disability, and it produces predictable outcomes: poverty, segregation, and lost economic potential (Taylor et al., 2022).

When people with disabilities are paid competitive wages, the economic impact is immediate and local:

- Higher take-home pay
- Increased consumer spending
- Greater local economic activity
- Reduced reliance on public systems

Each additional dollar earned is largely spent in the worker’s own community, generating an estimated \$1.20 to \$1.50 in local economic activity (American Independent Business Alliance). This is not theoretical. It is basic economics.

## **The Real Issue Is Not “Ability” — It Is Informed Choice**

Supporters of subminimum wage often argue that some people “cannot succeed elsewhere.” However, the data does not support that claim.

What subminimum wage environments actually limit is informed choice.

Informed choice requires:

- Exposure to real jobs
- Experience in community settings
- Supports aligned with a person’s skills, interests, and conditions for success

In subminimum wage settings, that choice rarely exists. Workers are often placed - early and permanently - into segregated environments without meaningful opportunities to explore different types of work, build transferable skills, or discover their own strengths.

Research consistently shows that when people with disabilities are given real options, they overwhelmingly choose competitive, integrated employment over segregated settings. (e.g., Taylor et al., 2023).

That is informed choice.

## **Subminimum Wage Does Not Lead to Competitive Integrated Employment**

If subminimum wage worked as intended - if it truly built skills and opened doors - we would see people regularly transitioning into competitive employment. But we do not.

In fact, decades of research shows the opposite: participation in segregated, subminimum wage settings reduces the likelihood that an individual will ever move into competitive integrated employment. (e.g., Cimera, 2011; Taylor et al., 2023).

By contrast, states that eliminated subminimum wage experienced meaningful employment gains. Across eight states, employment among adults with intellectual disabilities increased by 14 percent, and in Vermont - the first state to fully phase out 14(c) - employment increased by 38 percent (Alemany et al., 2024; Dague et al., 2023).

When the wage floor is restored, expectations rise and outcomes improve.

## **Listen to Workers Who Lived It**

David Pinno, a former subminimum wage worker from Wisconsin, described earning \$48 for two weeks of work doing what he called “made-up jobs.” After leaving that setting, he received seven raises in seven years and ultimately purchased his own home.

Cindy Bentley, now a national disability leader, recalls earning \$40 to \$50 every two weeks labeling cookbooks in a subminimum wage setting. Her first paycheck in competitive

employment was \$375 for one week's work. As she said, *"I want to pay taxes. I want to contribute. People with disabilities want to work."*

These stories are not exceptions. They are representative of what happens when individuals are allowed to choose competitive, integrated employment based on opportunity and experience (Dague, 2012).

### **Momentum Is Already Underway**

As of 2024, fifteen states and the District of Columbia have eliminated subminimum wage for workers with disabilities.

On January 21, 2025, Illinois enacted the Dignity in Pay Act (HB 793), which establishes a structured phase-out and complete elimination of subminimum wage authorizations for workers with disabilities by December 31, 2029. Minnesota has also proposed legislation that would prohibit new subminimum wage placements beginning August 1, 2026, with a full phase-out for all existing workers by August 1, 2028.

In December 2024, the U.S. Department of Labor formally proposed phasing out 14(c) certificates within three years, recognizing that this policy no longer aligns with modern workforce or disability policy. (U.S. Department of Labor, 2024).

The question before us is not whether people with disabilities can work. They can.

The question is whether we will continue to limit their choices or invest in systems that match people with jobs that reflect their skills, interests, and potential.

### **Federal Policy Is Pointing in This Direction**

Congress has already signaled, through bipartisan legislation, that subminimum wage should be the exception, not the expectation.

The Workforce Innovation and Opportunity Act (WIOA) strengthened federal expectations that individuals with disabilities have meaningful access to competitive, integrated employment, and it placed clear limits on the use of subminimum wage under Section 14(c).

Under Section 511 of the Rehabilitation Act, added by WIOA, employers generally may not pay subminimum wages to youth with disabilities unless those individuals have had real opportunities to pursue competitive employment. That includes receiving transition or pre-employment transition services, applying for vocational rehabilitation, and making a genuine attempt to achieve competitive, integrated employment before subminimum wage can even be considered (U.S. Department of Labor, 2025; U.S. Department of Education, RSA, 2021).

WIOA also requires ongoing career counseling, information and referral services, documentation, and oversight for individuals already working under subminimum wage arrangements.

Federal law already recognizes a core principle: people with disabilities should not be routed into subminimum wage without first having access to real jobs, real experience, and real choice (U.S. Department of Labor, 2025).

Further, the proposed Transformation to Competitive Integrated Employment Act builds on WIOA's emphasis on competitive, integrated employment by phasing out the payment of subminimum wages under Section 14(c) of the Fair Labor Standards Act over a five-year period. The legislation is intentionally structured to support states, service providers, current 14(c) certificate holders, and partner agencies through this transition by providing resources to redesign service delivery systems around competitive integrated employment, while also expanding the wraparound supports that some individuals with disabilities may require to succeed in the competitive integrated employment. In doing so, the Act brings federal wage policy into alignment with existing WIOA and Rehabilitation Act expectations that employment for people with disabilities be competitive, integrated, and person-centered.

### **Medicaid Policy Reinforces Subminimum Wage Limitation**

While Medicaid does not authorize subminimum wage - that authority comes from the Fair Labor Standards Act - it does fund many of the employment and day services delivered by the same provider systems that historically relied on segregated, facility-based models.

Through Home and Community-Based Services waivers (including 1915(c) waivers and 1915 (i) state plan services, states can and do reimburse supported employment and related services that help people obtain and maintain integrated jobs in the community (Center for Medicare & Medicaid Services [CMS], 2011; Medicaid.gov, n.d.). Federal guidance from CMS has been clear: employment-related services should be designed to build pathways to integrated, community-based employment at or above minimum wage (CMS, 2011).

This alignment creates a powerful alignment opportunity. When Medicaid-funded employment supports are structured around competitive, integrated outcomes, public financing can accelerate the transition away from segregated, subminimum wage models - while improving economic participation and reducing long-term public costs.

### **Conclusion**

Ending subminimum wage is not about removing options. It is about expanding them.

It is about ending poverty wages, ending segregation, and unlocking economic participation for thousands of capable workers.

A labor market that excludes people with disabilities from minimum wage protection is neither efficient nor fair, and it is no longer defensible.

Congress has the opportunity to finish the work that many states have already begun and to affirm a simple principle: Disability should never justify paying someone less for their labor.

Thank you. I look forward to your questions.

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