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SUBMINIMUM WAGE PROGRAM

Factors Influencing the Transition of Individuals with Disabilities to Competitive Integrated Employment

Why GAO Did This Study

The Fair Labor Standards Act of 1938 permits, in certain circumstances, the payment of subminimum wages—wages that are below the federal minimum wage—to individuals with disabilities, often those with intellectual or developmental disabilities. To pay such wages, employers must apply for and hold a 14(c) certificate from the U.S. Department of Labor's Wage and Hour Division. As of October 2020, more than 1,200 organizations held or had applied for 14(c) certificates to employ workers with disabilities, often in segregated settings. At the same time, the Rehabilitation Act of 1973, as amended by the Workforce Innovation and Opportunity Act, calls for maximizing opportunities for individuals with disabilities to earn competitive wages in non-segregated settings.

GAO was asked to review the 14(c) program, including how and why individuals transition from 14(c) employment to CIE. This report describes (1) factors that help or hinder transition from 14(c) employment to CIE, and (2) the extent to which the COVID-19 pandemic might affect this transition.

GAO identified an initial list of factors, primarily by reviewing the literature on 14(c)-to-CIE transition and by interviewing 14(c) employers and officials in two states selected, in part, for their number of active 14(c) certificates. GAO refined this list based on input from 17 interviewees: 12 experts, including disability advocates, selected for their professional focus on disability employment, and officials from five additional states in different stages of progress toward increasing CIE opportunities.

View [GAO-21-260](#). For more information, contact Elizabeth Curda at (202) 512-7215 or curdae@gao.gov.

What GAO Found

GAO identified 32 factors that can influence the transition from 14(c) employment to competitive integrated employment (CIE). Generally, CIE is employment that (1) is paid at or above the applicable minimum wage; (2) is performed in integrated settings, among people with and without disabilities; and (3) offers opportunities for advancement. GAO grouped the factors into the four categories depicted below, and experts and state officials GAO interviewed validated them.

Categories of Factors that Influence Transition from 14(c) Employment to Competitive Integrated Employment (CIE)

Employee	Employer	Public Policy	Local Economy
Employee characteristics and views, or views of employee's family	Characteristics and views of 14(c) certificate holders or CIE employers	State or federal policies, programs, or resources	Employment conditions, transportation, and services

Source: GAO analysis of literature and input from interviewees. | GAO-21-260

The 17 interviewees identified the factors in each category they believed to be among the most important for influencing transition from 14(c) employment to CIE, and provided some additional detailed perspectives. Such factors included:

- Concern for Maintaining Benefits (employee):** Eight interviewees considered this factor to be among the most important. They explained that individuals or families may fear that earning higher wages in CIE would make individuals ineligible for certain benefits, but several noted that benefits counseling could mitigate these concerns.
- Sufficiency of CIE Resources for 14(c) Certificate Holder (employer):** Eight interviewees considered this factor to be among the most important. Six interviewees noted that certificate holders may be discouraged from providing CIE-focused services, such as job coaching, when funding for these services is lower than for services provided in 14(c) settings.
- State Resources for CIE (public policy):** Twelve interviewees considered this factor to be among the most important. For example, officials from one state described plans to offer specialized training to 14(c) employer staff, which two interviewees said is key to helping individuals transition to CIE.
- Available Transportation (local economy):** Eight interviewees considered this factor to be among the most important. Two interviewees noted ways to mitigate transportation-related challenges, such as 14(c) employers identifying nearby job openings for potential CIE positions.

Most interviewees said that the COVID-19 pandemic had caused disruptions to either 14(c) employment or CIE and described uncertainties about the future of transitions. For example, many interviewees noted that 14(c) employers have closed their facilities to comply with public health requirements. While some interviewees said that many individuals working in CIE have retained their jobs due to their status as essential workers, other interviewees described a general fear that people with disabilities are first to be fired and last to be rehired.