



Vermont Developmental Disabilities Council

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Senator Alison Clarkson, Chair
Senate Committee on Economic Development, Housing and General Affairs
Via electronic submission: AClarkson@leg.state.vt.us

Dear Senator Clarkson,

I write as Executive Director of the [Vermont Developmental Disabilities Council](http://www.vtddc.org) (VTDDC) to highlight the importance of S. 6, which proposes to repeal the Vermont Commissioner of Labor's authority to recommend a subminimum wage for individuals with a disability. I would also like to thank you, along with Senators Major and White who are copied here, for sponsoring this bill.

The VTDDC is a statewide board created by the federal Developmental Disabilities Assistance and Bill of Rights Act (the "DD Act") and funded by Congress. There is a developmental disabilities council in every state and territory across the US, 56 in total. We are charged with engaging in policy advocacy and system change activities that will ensure Vermonters with intellectual and developmental disabilities can live, learn, work, and thrive in our communities.

The VTDDC has long opposed sheltered workshops. These are isolated settings where groups of individuals with developmental disabilities engage in repetitive, low-skill tasks like sorting and paper-shredding for an hourly rate well below the federal minimum wage. Sheltered workshops double as what service providers might characterize as "day programs." These are structured environments where people with developmental disabilities are supervised and supported, away from the providers or parents with whom they live. Sheltered workshops have been popular with some families because they provide much needed respite in what are perceived as "safe" settings.

Operators of sheltered workshops are permitted to pay very low wages because of a loophole codified in Section 14(c) of the Fair Labor Standards Act. This outdated provision, enacted in 1938, allows employers to pay workers with disabilities less than the federal minimum wage, on the theory that their productivity is too low to justify typical wages. This perpetuates a system of segregation, exploitation, and limited opportunity. Approximately 96% of 14(c) employees are at sheltered workshops, which are often run as profit-generating businesses.

As you know, Vermont closed its last sheltered workshop in 2002, the first state in the nation to do so. The move toward competitive, integrated employment has been tremendously successful in Vermont.

From 2002 to 2019, the number of people with disabilities working increased by 88%.¹ In 2024, about 55% of working-age adults with disabilities in Vermont were employed.²

The reasons for eliminating 14(c) exemptions for people with disabilities are numerous. These are well summarized in the attached position statement from the National Association of Councils on Developmental Disabilities (NACDD). NACDD collectively represents our 56 state and territorial councils. I should note that I am currently the President of NACDD's Board of Directors.

But why, lawmakers may ask, do we need to rescind the Commissioner of Labor's authority to permit an exception to minimum wage rule for people with disabilities if this practice has not been used in Vermont for many years?

This is an important question.

First, having been early out-of-the-gate in eliminating sheltered workshops, Vermont deserves to join the 15 states that have fully enacted legislation to rescind authority to allow subminimum wage for people with disabilities. This strategy would have been too aggressive in 2002. Now it is the option that most closely aligns with Vermont's values, which center on treating all citizens with dignity and equality.

Second, S. 6 ensures that sheltered workshops and the subminimum wage exemption for people with disabilities cannot return to Vermont. As lawmakers, you are likely aware of the challenges facing programs like Developmental Disabilities Services (DDS) and Choices for Care. These include workforce shortages and ever-tightening agency budgets. The pressure to control costs, while at the same time finding structured, daytime activities for people with disabilities, is considerable. Changes under consideration at the federal level, especially potential changes to Medicaid, will only increase these pressures. In service of finding "creative solutions," an entity may well seek permission to create a segregated workplace in Vermont that pays below the federal minimum wage. Because support to create competitive, integrated employment is hard to find, individuals and families/guardians may agree to these conditions.

The VTDDC would be happy to provide testimony or answer questions that your committee may have.

Yours Sincerely,



Kirsten Murphy
Executive Director

Att. Position Statement on 14(c) by NACDD

cc. Sen. Randy Brock, Vice Chair
Sen. Kesha Ram Hinsdale
Sen. Thomas Chittenden
Sen. David Weeks, Clerk

Heidi Wilson Parker, Committee Assistant
Sen. Joseph Major, co-sponsor of S. 6
Sen. Becca White, co-sponsor of S. 6
Commissioner Michael Harrington

¹ UVM Center for Disability and Community Inclusion. See <https://cdci.w3.uvm.edu/blog/research/cdci-research-projects/supported-employment-in-vermont-is-competitive-and-integrated/>

² Public Assets, State of Working Vermont 2024. See <https://publicassets.org/research-publications/state-of-working-vermont-2024>

Sheltered Workshops for People with Developmental Disabilities and Transition to Integrated, Inclusive Employment

Position Statement

by the National Association of Councils on Developmental Disabilities

See: <https://nacdd.org/14cstatement/>

The time has come to end the practice of paying sub-minimum wages to people with developmental disabilities under Section 14(c) of the Fair Labor Standards Act (FLSA). This outdated provision, enacted in 1938, allows employers to pay workers with disabilities less than the federal minimum wage, perpetuating a system of segregation, exploitation, and limited opportunity. Sheltered workshops, which primarily employ people with developmental disabilities in isolated, non-competitive environments, further reinforce this inequity. Approximately 96% of 14(c) employees are at sheltered workshops.

Transitioning from 14(c) programs and sheltered workshops to integrated and inclusive employment is a matter of human rights and a crucial step toward fostering a more just and equitable society.

1. Dignity and Equality in the Workplace

Regardless of their ability, every individual deserves the right to be treated with dignity, respect, and fairness in the workplace. Sheltered workshops, which often provide menial tasks for far below minimum wage, deny people with disabilities the opportunity to fully participate in society.

By contrast, inclusive and integrated employment offers the chance to work alongside non-disabled peers, earn competitive wages, and contribute meaningfully to the economy.

- Employment is a core aspect of adult life, not just a source of income, but also of self-worth, purpose, and community engagement.
- The current system under 14(c) perpetuates the stereotype that people with disabilities are less capable of contributing to society, reinforcing stigma and social isolation.

2. Aligning with Modern Disability Rights Principles

The movement to end 14(c) aligns with the broader principles of the Developmental Disabilities Assistance and Bill of Rights Act (DD Act), the Rehabilitation Act of 1973, and the Americans with Disabilities Act (ADA), all of which emphasize equal access and inclusion. The continuation of subminimum wage practices contradicts these principles, undermining the progress made toward disability rights and integration.

- The DD Act calls for access to services to ensure that people with developmental disabilities have access to community services, individualized support, and other forms of assistance; and promotes the integration and inclusion of people with developmental disabilities in all aspects of community life, which includes employment.

- The Rehabilitation Act of 1973 oversees federal vocational rehabilitation services for people with disabilities. The law's regulations and reauthorization still hold key relevance to employment policy for people with developmental disabilities. The Rehabilitation Act was the first federal law to create and extend civil rights to people with disabilities and became the foundation for creating the Americans with Disabilities Act of 1990.
- The ADA mandates reasonable accommodations in the workplace to allow for equal participation, whereas 14(c) undermines this goal by segregating workers into separate environments with fewer protections.

3. Economic Self-Sufficiency and Independence

Integrated employment not only empowers individuals with disabilities but also leads to greater economic self-sufficiency. Sheltered workshops often limit workers to repetitive, low-skill tasks with little opportunity for advancement, effectively trapping individuals in a cycle of poverty. According to the National Disability Institute, eliminating subminimum wages, which allows employers to pay individuals with disabilities below the federal minimum wage, could lead to a substantial increase in consumer spending and subsequent economic growth, as people with disabilities would have more disposable income to spend on goods and services

- People who earn less than minimum wage are more likely to live in poverty, even with help from government programs. Many people with disabilities who work still struggle with poverty, with nearly half earning less than \$30,000 per year. In fact, working-age people with disabilities living in the community have a poverty rate that's twice as high as people without disabilities. Raising the minimum wage for disabled workers could help them improve their financial situation.
- Workers in integrated settings can develop valuable skills, access better job training, and experience career growth, all of which contribute to their long-term financial independence.
- Across the country, there are numerous examples of people with developmental disabilities who spent large portions of their lives in sheltered workshops, and have now successfully found work and become integrated and included in the community through their participation in CIE.
- Moreover, there are many examples of nonprofits and non-governmental organizations (NGO) that have successfully changed their business model from 14c to CIE, ensuring choice, competition, and equity for the people with disabilities they serve and support.
- Studies consistently show that individuals with developmental disabilities are capable of contributing productively in competitive employment when given appropriate support and accommodations.

4. The Role of Employers and the Business Case for Ending 14(c) and Sheltered Workshops.

Ending 14(c) and transitioning to inclusive employment requires a cultural shift and a commitment from employers to view people with disabilities as valuable contributors to their workforce. With the right supports, including job coaching, assistive technology, and workplace accommodations, people with developmental disabilities can succeed in a wide variety of jobs.

- Many businesses that have embraced inclusive hiring report benefits such as increased productivity, improved workplace morale, and positive public perception.

- A study found that companies that invested in hiring employees with disabilities tend to outperform others. Statistically, profit margins are around 30% higher, net income 200% higher and 28% higher revenues.
- Research shows that workers with disabilities can also help profits due to their high rates of employee retention, reliability and low employee turnover.
- Society as a whole benefits when people with disabilities are given the opportunity to fully participate in the workforce, reducing dependency on social services and promoting community inclusion
- A study published in the *Journal of Vocational Rehabilitation* found that supported employment services are more cost-effective than sheltered workshop services in the long run.
- A meta-analysis suggests that segregated employment settings, like sheltered workshops, do not lead to better outcomes for individuals with disabilities in terms of employment, wages, hours, cost, quality of life, or independence.
- An analysis by *The Washington Post* revealed that states that eliminated their sheltered workshop programs experienced a significant increase in employment rates for adults with cognitive disabilities.

5. A Call to Action: Policy Change and Support Systems

A just transition away from 14(c) and sheltered workshops requires not only the repeal of these outdated policies but also robust investment in support systems that enable people with disabilities to thrive in inclusive work environments. To date, 15 states have fully enacted legislation to eliminate the subminimum wage, three have eliminated it without any legislation or official policy action, and four are actively phasing it out.

Governments, advocacy organizations, and businesses must work together to develop programs that provide job training, workplace accommodations, and ongoing support to ensure success in integrated settings.

- Call for an immediate end to 14(c) and develop timelines to phase out partners and affiliates that support 14(c).
- Phasing out 14(c) must be accompanied by increased funding for vocational rehabilitation, supported employment services, and workforce development programs designed to assist people with disabilities.
- Policymakers must enact laws that incentivize inclusive hiring practices and ensure that businesses have access to the resources they need to accommodate workers with disabilities.

Conclusion

The continuation of subminimum wage programs and sheltered workshops under 14(c) is incompatible with the values of equality, dignity, and inclusion that we strive for in today's society.

Ending 14(c) and shifting towards integrated, competitive employment for people with developmental disabilities is not only the right thing to do, but it is also an investment in the future of a more inclusive and just economy. It is time to recognize the full potential of all

individuals, regardless of ability, and ensure that every person can contribute to and benefit from meaningful employment.

NACDD recommits itself to working with like-minded partners who disavow any association with organizations that benefit financially or otherwise from subminimum wage employers and sheltered workshops.

Sources:

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8. Fifteen states (listed below in order of date of passage) have enacted legislation to eliminate subminimum wage and 14(c). New Hampshire (2015, SB47) Maryland (2016, HB 420/SB 417) Alaska (2018, repeal of 8 AAC 15.120); (2022, SB185) Oregon (2019, SB 494) Maine (2020, LD1874/HP1340) Washington (2021, SB5284), Hawaii (2021, S793), Colorado (2021, SB39), California (2021, SB639), Delaware (2021, HB122), Rhode Island (2022, S2242), South Carolina (2022, S533), Tennessee (2022, SB2042), Virginia (2023, HB1924), Nevada (2023, AB259).