

## Vocational Rehabilitation Outcomes and General Economic Trends

*by Dana Scott Gilmore and John Butterworth*

## Introduction

Over the past decade there have been crucial amendments to the Rehabilitation Act of 1973 that have increased the employment opportunities for people with disabilities. The 1992 Amendments placed an emphasis on employment of people with more severe disabilities and streamlining the rehabilitation process. With passage of the Workforce Investment Act in 1998 the Rehabilitation Act has again been amended with continuing emphasis on employment as an outcome for all people receiving services and increased access to services for people with the most severe disabilities.

A fundamental goal of the Rehabilitation Act is "to empower individuals with disabilities to maximize employment, economic self-sufficiency, independence, and inclusion and integration into society." This brief will focus on individual and agency outcomes in the areas of access to employment and income, and will discuss these VR outcomes in relationship to the general United States economy over the same period of time. Vocational Rehabilitation (VR) agency outcomes spanning the period between 1985 and 1998 will be presented.

## Vocational Rehabilitation Services

The data for this study have been compiled from the Rehabilitation Services Administration national data collection system, the RSA-911 database. This database contains demographic and employment information on each individual whose case was closed by VR each year, across the nation. Closures can be separated into **3 general categories**:

- 1) Those who attained rehabilitation goals (successful closure/rehabilitated). This does not have to be employment; the categories for work status are competitive labor market, extended employment (formerly sheltered workshop), self-employed, business enterprise program, homemaker, and unpaid family worker;

- 2) Determinations were made that persons would not become employed through VR services (unsuccessful closure/not rehabilitated); or
- 3) Those found not eligible for services (unsuccessful closure/not accepted for services). This brief will focus on trends in employment outcome data only for successful competitive labor market closures.

## In 1998:

- Over 222,000 successful closures represented more than 37% of all VR closures.
- 88% of all successful closures, or 196,096 individuals, were into the competitive labor market.
- The average income for successful closures was \$268 per week, or about \$13,961 per year.

## U.S Economic Trends between 1985 and 1998

The performance of the United States economy can be measured in many different ways. For the purpose of this brief, two economic indicators will be considered: **unemployment rate** and **individual earnings data**.

These two indicators are good measures of how individuals are faring in the United States. Unemployment data addresses how many people are out of work and seeking employment at any given time and is a good measure of labor demand; i.e., how easy it is to get a job. Earnings data addresses the issue of living status attained from work income, such as; is a person earning above poverty threshold income? To examine changes in income over time Consumer Price Index (CPI) data will be used to adjust incomes to 1985 dollars. Adjusted income will be referred to as real income as opposed to the actual earnings of a given year, or nominal income. The data used to measure these indicators come from the Bureau of Labor Statistics (BLS) and Bureau of Economic Analysis (BEA). The unemployment data comes from seasonally adjusted unemployment statistics from the BLS. The earnings data are from the BEA for workers defined as production workers in mining and

manufacturing; construction workers in construction; and nonsupervisory workers in transportation and public utilities, wholesale and retail trade, finance, insurance and real estate, and services. This group was chosen as being a close representation of VR closures, including production workers, service sector laborers, and non-supervisory positions.

How the economy is performing at any given time is an issue that can cause much debate; however, the two indicators used here display straightforward trends. The period from 1985 through 1998 is interesting because it spans two economic cycles. A peak in the US economy rising through the mid-eighties and peaking around 1988 was characterized by falling unemployment rates and rising real incomes. In the early nineties the economy had a slow-down, noted by increasing unemployment and falling real incomes. Then in the early to mid-nineties, the economy began improving with unemployment falling steadily to 1998. Real incomes also started to increase for some segments of the population in the late nineties.

In 1998:

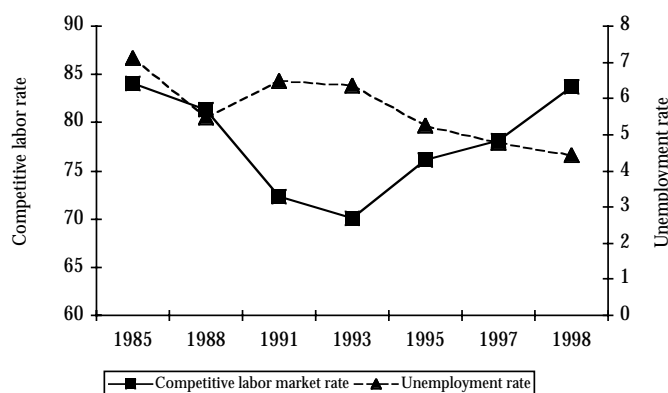
- The average unemployment rate was 4.43%
- The average annual nominal income per person was \$29,319

### Employment Outcomes: Successful VR closures

The rate of competitive closures varies inversely with the national unemployment rate.

Figure 1 compares data on VR's competitive labor market closures with the national unemployment rate. The number of successful closures per 100,000 state population is measured on the left hand axis. There was a slow decline in closures from 1985 to 1988 with a sharp drop through 1993, then steadily rising through 1998. On the right hand axis the national

Figure 1



unemployment rate is shown. As noted earlier, unemployment falls in the late eighties, slowly rises peaking in the early nineties and then falls through 1998. Except for the late eighties these trends appear to be mirror images, with competitive labor market closures rates increasing while the unemployment rate falls. This suggests some relationship between the general economy's performance and successful VR closures. As unemployment falls there are more successful competitive labor market closures, and vice-versa.

Annual income for individuals successfully completing VR services has declined between 1985 and 1998 after adjusting for inflation. Adjusted earnings for the general population has also declined during this period, but not as significantly.

The VR earnings data is reported as weekly earnings at closure. These data are used to make yearly estimates. At the time of closure, annualized income for individuals completing VR services rose from \$10,027/year in 1985 to \$13,961/year in 1998 (see Figure 2). This represents a 39% increase in nominal income. It is important to note that this represents earnings from employment only. Government transfers such as TANF or SSI and other sources of income are not included. Over the same period, nominal income for the general population rose from \$17,950/year in 1985 to \$29,319/year in 1998, a 63% increase.

Figure 2

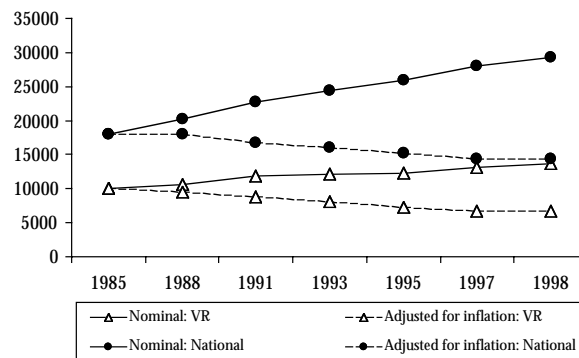


Figure 2 also depicts the adjusted for inflation income of both the general population and VR closures. There has been a decline in real income overtime for both groups. However, the general population has fared somewhat better, retaining about 80% of their 1985 purchasing power versus only 68% for the VR population. When compared with the general population's earnings, people in the VR system are not doing as well.

Annual income for individuals successfully completing VR services closely approximate but exceeds U.S. poverty guidelines for a one person household and income from a full time job at the federal minimum wage.

A better comparison for VR outcomes is minimum wage incomes and poverty thresholds. Figure 3 depicts four different income levels. The lowest line, marked with circle markers, shows the Department of Health and Human Services (HHS) poverty guidelines for a one person household, increasing from \$5,250/year in 1985 to \$8,050/year in 1998. The highest line, also dashed with circle markers, displays the poverty threshold for a four person household increasing from

**Figure 3**



\$10,650/year in 1985 to \$16,450 year in 1998. The solid line with triangle markers depicts VR yearly income, the same as in Figure 2. The fourth line, with square markers, shows projected income from a 40 hour per week minimum wage job, increasing from \$6,968/year in 1985 to \$10,712/year in 1998. As is clear from the close proximity of the income lines, poverty level and minimum wage incomes more closely approximate VR incomes. These are also better comparisons as people at these income levels are eligible for income and living supports such as SSI, food stamps, or subsidized housing.

The income lines show that VR incomes are well above one person household poverty levels and also above minimum wage outcomes. However, the VR outcomes do fall below the poverty level for a four person household at an increasing rate over time. The RSA-911 data contain information on total amount of public assistance dollars received in the month of closure. The average amount of public assistance received by people closed successfully into competitive labor in 1998 was \$66.65. This may seem low, but only 17% of these people are receiving any public

assistance. For those who do receive assistance the average is \$400. When this amount is added in to recalculate total income for VR clients, average incomes rise from \$10,026/year to \$10,289/year in 1985, increasing to \$14,784/year in 1998 up from \$13,961/year. These increased total income figures do not change where the VR outcomes lie in relationship to the other incomes, remaining above one person poverty levels and minimum wage incomes, but still below four person household poverty level incomes.

## Implications

These data indicate that access to employment through the VR system has a meaningful relationship with the overall performance of the U.S. economy. While not surprising, these data do vary from trend data reported on the general population of individuals with disabilities in a recent study from Cornell University (2000). An analysis of Current Population Survey data showed the employment rate for people with disabilities to be at a 20 year low, with no improvement in employment rates for people with disabilities during the latest economic expansion. The VR data examined here show a more pro-cyclical employment picture, with more successful closures during periods of low unemployment. The impact of the economy is also evident in the trend in adjusted income, with adjusted income declining except for the interval between 1997 and 1998. Significant change in VR wages is also tied closely to changes in the federal minimum wage, with significant changes implemented starting in 1995 through 1998. The continuation of minimum wage increases, along with maintaining non-inflationary policies are important tools for the improvement of the standard of living for people with disabilities.

Of more concern is the ability of individuals completing VR services to achieve “economic self-sufficiency” and to make a meaningful impact on their overall quality of life. Real income for individuals successfully completing VR services has declined. In addition to low individual wages, individuals with disabilities are often reliant on government transfers for their living status, and disproportionately live in households with low incomes. The declining real wage raises concerns about a group of individuals who may already be struggling to maintain a decent quality of life.

These wage trends for individuals with disabilities who have participated in the VR system also reflect

larger concerns that have been expressed about declining real wages for low and middle income workers. It is commonly accepted that only high wage workers have benefited in real terms from the economic boom of the 1990s. The wage data reflects declining real wages throughout the 1980's and 1990's.

A sign of opportunity is the increasing federal investment in employment and training resources. The implementation of the Workforce Investment Act strengthens and focuses the many federal job training and job placement programs into a coordinated effort based in local and regional one-stop career centers. WIA embraces universal access, with an emphasis on accommodating all members of the labor force in their service delivery. The challenge is to establish both a welcoming and accommodating array of services that is fully inclusive of individuals with disabilities and other groups that require more intensive employment supports. WIA will hopefully result in expansion of service options and choices for people with disabilities, not only as a result of the mandated partnership of VR as part of the One-Stop system, but through the availability of a wide range of other non-disability specific services that are part of WIA and the One-Stop system.

## Reference

Burkhauser, R. V., Daly, M. C., & Houtenville, A. J. C. (2000). *How Working Age People With Disabilities Fared Over the 1990's Business Cycle*. Ithaca, NY: Cornell University, Rehabilitation Research and Training Center for Economic Research on Employment Policy for Persons with Disabilities. Online at: [www.ilr.cornell.edu/rrtc/papers.html](http://www.ilr.cornell.edu/rrtc/papers.html)

## Acknowledgements

This brief reflects the contributions of Sheila Fesko, Robert Schalock, William Kiernan, and Hal Kemp.

### For more information about this study, contact:

Dana Scott Gilmore  
Institute for Community Inclusion  
300 Longwood Avenue  
Boston, Massachusetts 02115  
(617) 355-6506 (v); (617) 355-6956 (TTY)  
[dana.gilmore@tch.harvard.edu](mailto:dana.gilmore@tch.harvard.edu)

*This is a publication of the Center on State Systems & Employment (RRTC) at the Institute for Community Inclusion which is funded, in part, by the National Institute on Disability and Rehabilitation Research of the US Dept. of Education under grant no. H133B980037. The opinions in this publication are those of the grantee and do not necessarily reflect those of the US Dept. of Education.*



Institute for Community Inclusion/UAP  
300 Longwood Avenue  
Boston, Massachusetts 02115

NON PROFIT  
US POSTAGE  
PAID  
BOSTON, MA  
PERMIT NO. 59240