

The Importance of Federally Funding Vocational Rehabilitation Programs

Policy Summary

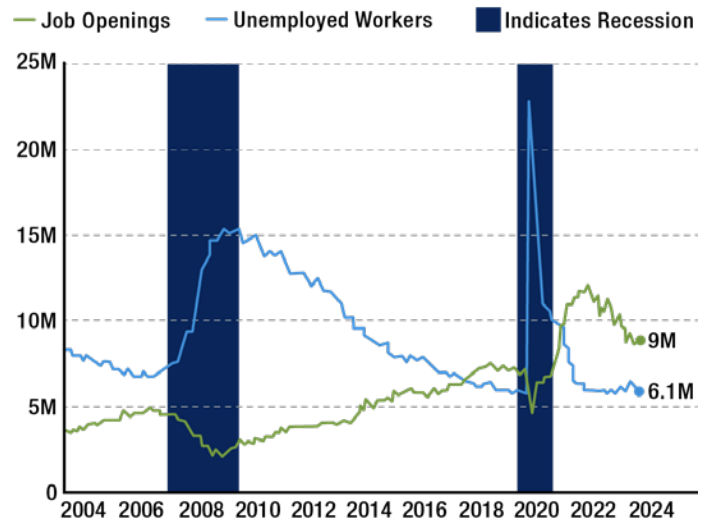
The U.S. labor market is facing a major worker shortage—fully funding Vocational Rehabilitation (“VR”) programs can, and should, be a priority to increase the number of qualified employees in competitive, integrated employment.

Background

Workforce Shortage

Currently, the U.S. has 9.5 million job openings with only 6.5 million unemployed workers. Compared to pre-pandemic workforce participation, the U.S. workforce is missing 1.7 million Americans. The McKinsey Quarterly summarized it this way, “What we are seeing is a fundamental mismatch between companies’ demand for talent and the number of workers willing to supply it.”¹ The crisis is universal—nearly every state and every industry are still struggling to find qualified workers to fill open jobs. Figure 1 illustrates the disparity between unemployed workers and job openings, and Figure 2 breaks down the unemployment rates by industry.

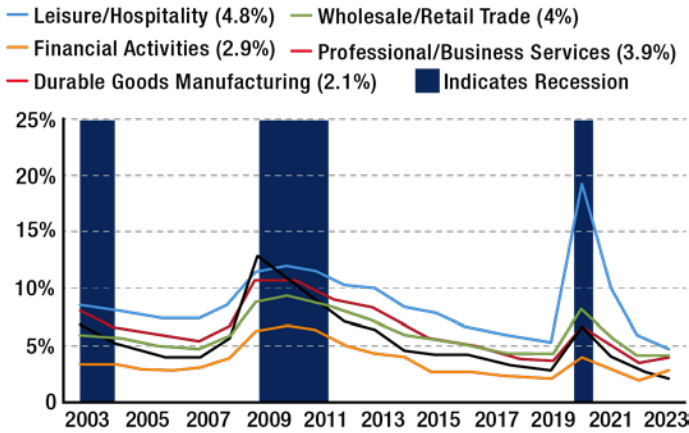
Figure 1
National Job Openings vs. Number of Unemployed Workers



Source: Stephanie Ferguson, Understanding America’s Labor Shortage, U.S. Chamber of Com.

¹Aaron De Smet, et al., The Great Attrition is making hiring harder. Are you searching right talent pools?, McKinsey Quarterly (July 2022)

Figure 2
Unemployment Rates by Industry



Source: Stephanie Ferguson, Understanding America’s Labor Shortage, U.S. Chamber of Com.

“As a result, there is now a structural gap in the labor supply because there simply aren’t enough traditional employees to fill all the openings. Even when employers successfully woo these workers from rivals, they are just reshuffling talent and contributing to wage escalation while failing to solve the underlying structural imbalance.”² -McKinsey Quarterly, July 2022

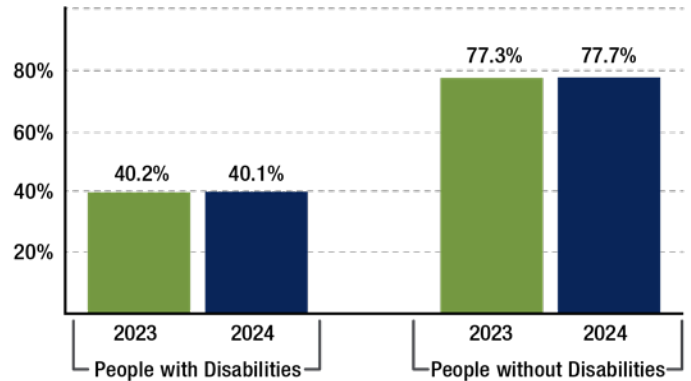
The way to address the workforce crisis is then to entice new workers—not continue playing the same zero-sum game of reshuffling the same workers. Introducing new talent into the workforce is exactly what VR was meant for.

Vocational Rehabilitation to Bridge the Worker Gap

VR is uniquely positioned to help fill the workforce void. According to the CDC, more than one in four Americans have a disability—and the population is only expected to grow in the coming years. Most of those Americans with disabilities want to work. Yet, they are still unemployed and underemployed at a disproportionately higher rate than individuals without disabilities. Even though individuals with disabilities are participating in the workforce at a historic rate, their participation in the workforce is almost half the rate of individuals without disabilities. This participation rate is shown in Figure 3.

²Aaron De Smet, et al., The Great Attrition is making hiring harder. Are you searching right talent pools?, McKinsey Quarterly (July 2022)

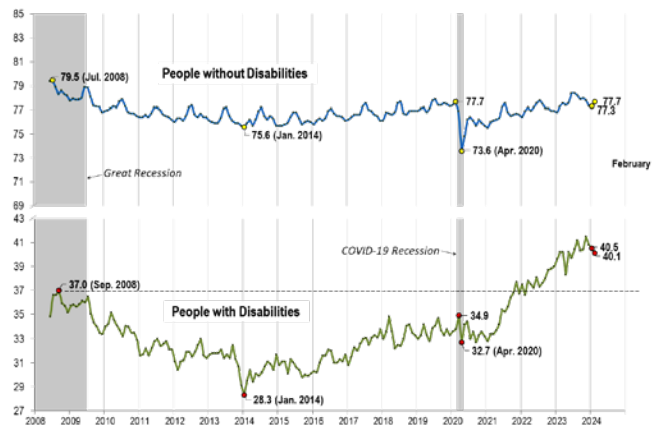
Figure 3
Labor Force Participation Rate
(Real year-over-year change in revenue from major state taxes)



Source: nTIDE February 2024 Jobs Report, Kessler Found.

The Kessler Foundation reports data on these labor market indicators back to 2008—and the disparity between individuals with disabilities and those without is not a new phenomenon, as depicted in Figure 4.

Figure 4
Labor Force Participation Rate



Source: Kessler Found.

The U.S. Bureau of Labor Statistics reports nearly 10 million Americans with disabilities, aged 16-64, are not in the workforce in February 2024—compared to the 6.75 million Americans with disabilities who are in the workforce. Figure 5 shows a breakdown of this disparity from January 2024.

Figure 5
Individuals Aged 16-64 Labor Force Participation January 2024

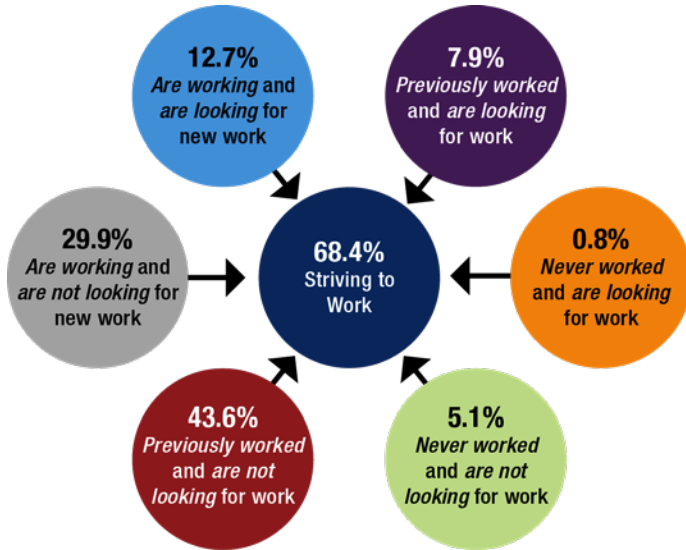
	With Disability	Without Disability
Civilian Labor Force	6,750,000	148,414,000
Not in Labor Force	9,782,000	43,544,000
Participation Rate	41%	77%

Source: U.S. Dep’t of Lab., Bureau of Lab. Statistics

If individuals with disabilities participated in the workforce at a rate commensurate with individuals without disabilities there would be an additional 6 million workers in the labor force.

68.4% of all people with disabilities are striving for work, as detailed in Figure 6. Enabling even a fraction of the individuals currently not in the labor force to obtain employment would go a long way towards addressing the worker shortage.

Figure 6
Striving to Work



Source: 2015 Kessler Foundation National Employment and Disability Survey Executive Summary, Kessler Found.

While the disparity in unemployment rate between individuals with disabilities and those without is exacerbated by the disparity in workforce participation (to be counted in the unemployment rate an individual must be in the workforce), Americans with disabilities still report a significantly higher unemployment rate, as shown in Figure 7. If the unemployment rate for individuals with disabilities was even just commensurate with individuals without disabilities there would be over 150,000 additional workers in the labor force.

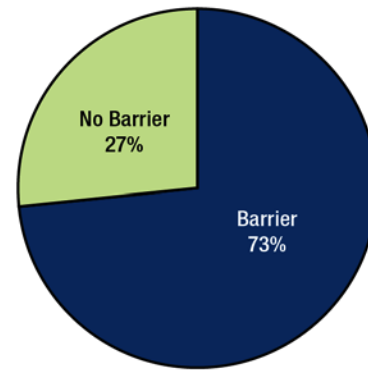
Figure 7
Unemployment Rate, Age 16-64, January 2024

	Persons Without Disabilities	Persons With Disabilities
Labor Force	148,414,000	6,750,000
Unemployment Rate	4%	6.5%

Source: U.S. Dep't of Lab., Bureau of Lab. Statistics

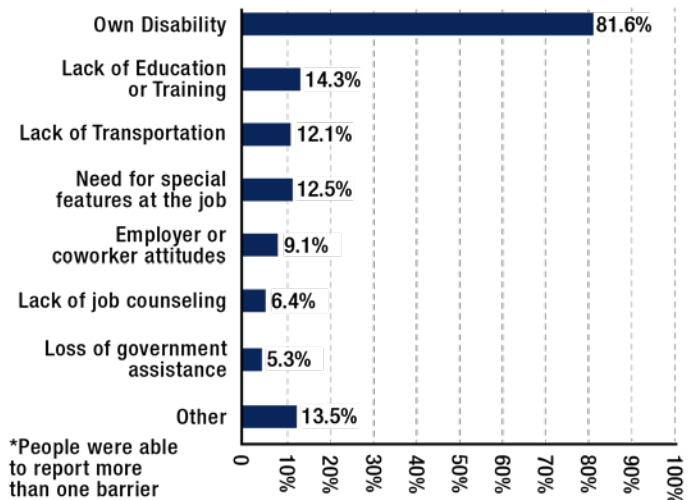
Almost three-quarters of unemployed Americans with disabilities have a barrier to employment—and overwhelmingly these barriers include the disability itself. Figures 8 and 9 highlight these barriers to employment.

Figure 8
Barriers to Employment for People with a Disability- Ages 16-64



Source: U.S. Dep't of Lab., Bureau of Lab. Statistics

Figure 9
Type of Barrier to Employment- Ages 16 to 64



Source: U.S. Dep't of Lab., Bureau of Lab. Statistics

The Rehabilitation Act was meant to help eliminate or ease these barriers to employment. The purpose of VR is to “help eligible people with disabilities pursue post-secondary education, employment, and independent living.”³ VR services help individuals with disabilities obtain competitive, integrated employment.

VR Services:

- Career Exploration
- Job Search and Placement Assistance
- Training, Education, and Skill Building
- Vocational Counseling
- Post-employment Support
- Private Sector Engagement
- Disability Innovation Fund
- Self-Employment/Business Ownership
- Assistive Technology and assistive supports
- Supported Employment/Customized Employment

³Rehabilitation Act of 1973, Nat'l Assoc. of the Deaf

Further, with increased access and availability to assistive technology and telecommuting, companies are hiring individuals with disabilities at an increased rate. The employment rate of people with disabilities increased from 19.1% in 2021 to 21.3% in 2022. Employers are increasingly embracing nontraditional hiring approaches to attract new employees to the workforce. Several of the major ways employers are shifting their hiring practices include a focus on personalized approaches, including a focus on “flexibility, mental- and behavioral-health benefits.”⁴ They are also broadening their search pools in nontraditional ways and seeking new employee sourcing pools. VR programs regularly assist the private sector in achieving these goals.

The U.S. needs workers, Americans with disabilities want to work, and employers want to hire people with disabilities—maximizing the services VR programs can provide to make this happens is a win for everyone.

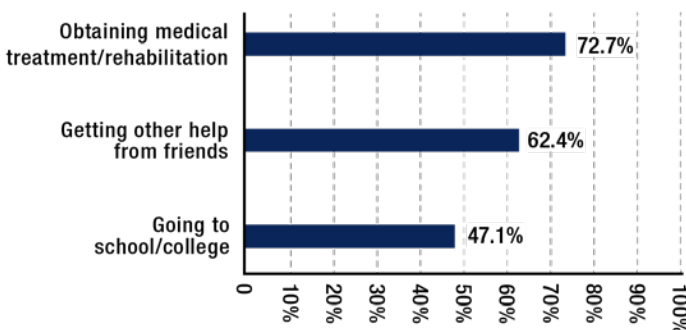
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Striving to Work and Overcoming Barriers

In 2015, the Kessler Foundation conducted the first comprehensive, in-depth survey of Americans with disabilities to better understand their workplace experiences. According to Kessler Foundation CEO Robert DeRose, “The survey provides key information that will aid the development of targeted strategies and programs that ignite long-term increases in workforce participation among Americans with disabilities.”

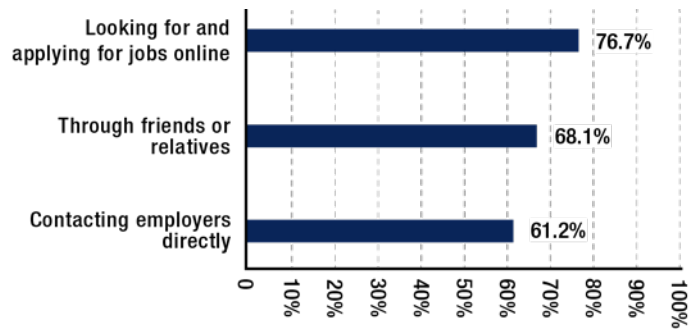
The survey found the majority of Americans with disabilities are striving to work—as well as actively preparing for work (Figure 10), searching for jobs (Figure 11), and overcoming barriers both in their job search and workplaces (Figure 12). VR programs actively assist in all of these areas.

Figure 10
Preparing for Work



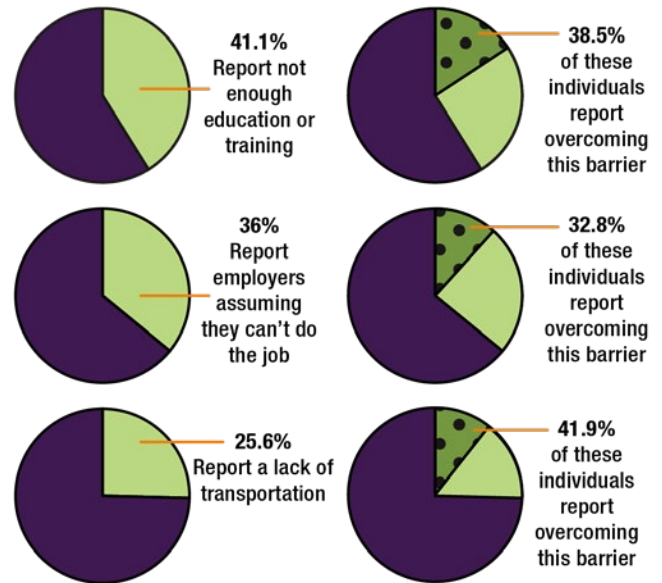
Source: 2015 Kessler Foundation National Employment and Disability Survey Executive Summary, Kessler Found.

Figure 11
Searching for Jobs



Source: 2015 Kessler Foundation National Employment and Disability Survey Executive Summary, Kessler Found.

Figure 12
Job-Search Barriers



Source: 2015 Kessler Foundation National Employment and Disability Survey Executive Summary, Kessler Found.

Future Outcomes

Fully funding VR programs is an economic advantage. Ultimately, investing federal money up front to help people with disabilities find employment saves federal money in the long run. More importantly, VR programs help introduce qualified individuals into competitive, integrated employment in industries facing an employee shortage.

⁴Aaron De Smet, et al., The Great Attrition is making hiring harder. Are you searching right talent pools?, McKinsey Quarterly (July 2022)

⁵2015 Kessler Foundation National Employment and Disability Survey, Kessler Found.