

Enduring economic exclusion: disabled people, income and work

Consecutive governments have implemented policies designed to promote employment opportunities for disabled people and direct more resources to those in greatest need. But what impact have these policies had over the last twenty years? Tania Burchardt used nationally representative surveys to examine the past and present position of disabled people of working age in the income distribution and the labour market. The study found:

- f** Disabled people make up a large and growing proportion of the working-age population: between 12 and 16 per cent, depending on the definition used.
- f** Employment rates among disabled people are low, at around 40 per cent, and have remained stable. In 1999, disabled people made up half of all those who were not employed but said they would like to work, and one-third of those who were available to start in a fortnight.
- f** Of those who become disabled while in work, one in six lose their employment during the first year after becoming disabled. By implication, improving retention could make a substantial difference to overall rates of employment among disabled people.
- f** Getting work is more difficult for disabled than non-disabled jobseekers, and one-third of disabled people who do find work are out of a job again by the following year.
- f** Half of all disabled people have incomes below half the general population mean (often taken as an indicator of poverty), after making an adjustment for extra costs. Even without adjustment, two in five are found to be in poverty - an increase of one-sixth since 1985.
- f** The researcher concludes that many of the factors behind economic exclusion for disabled people - such as low educational qualifications - are common to other groups in society. Inclusion will not be achieved until both the impairment-specific and more general barriers to participation are dismantled.

Context

The Labour Government has committed itself to on-going implementation of the Disability Discrimination Act, and to applying the welfare reform principle, "work for those who can, security for those who cannot", to disabled people. Disability policy under previous administrations has had similar objectives; this study set out to examine what the impact has been on disabled people's employment and standard of living, and what the prospects are for the future.

Definitions of disability used in the research were largely determined by the data sources. Estimates of the proportion of the working-age population who are disabled vary from 12 per cent (OPCS definition) to 16 per cent (work-limiting disability), and all sources indicate the proportion is growing. The OPCS definition uses a scale of severity from 1 to 10 (see Box 1). Broader definitions of disability make problems seem more widespread but tend to understate the barriers faced by those who are more severely impaired.

Box 1: Illustrations of the OPCS severity categories

Only highest-scoring limitation under each type of impairment is listed

Severity category 1 (least severe)

Cannot see well enough to recognise a friend across the road
Difficulty following a conversation against background noise

Severity category 10 (most severe)

Cannot walk at all
Cannot feed self or get to toilet and use toilet without help
Cannot carry out any activities involving holding, gripping and turning
Cannot put either arm up to head to put a hat on
Is very difficult for strangers to understand
Loses control of bladder at least once a month
Cannot see well enough to recognise a friend across the road

Source: adapted from Martin, Meltzer and Elliot (1988) *The prevalence of disability among adults*, London: HMSO

Disabled people's employment

Participation of both disabled and non-disabled women in the labour market has grown since 1985, while for men, employment rates have been static (Figure 1). Overall, disabled employment rates have fluctuated around 40 per cent, about half the level of non-disabled employment.

- In 1999, disabled people made up *half* of those who were not employed but said they would like to work, and one-third of those who were available to start in a fortnight.
- Employed disabled people are disproportionately likely to be in manual occupations and they have lower average hourly earnings than their non-disabled peers - even after taking account of differences in age, education and occupation. This earnings gap appears to have grown substantially since 1985.

Characteristics associated with a greater likelihood of being in employment are similar for disabled and non-disabled people - for example, good educational qualifications - but a smaller proportion of disabled people have these characteristics. In addition, there are barriers relating specifically to impairment, particularly for those with mental health problems or a locomotion impairment.

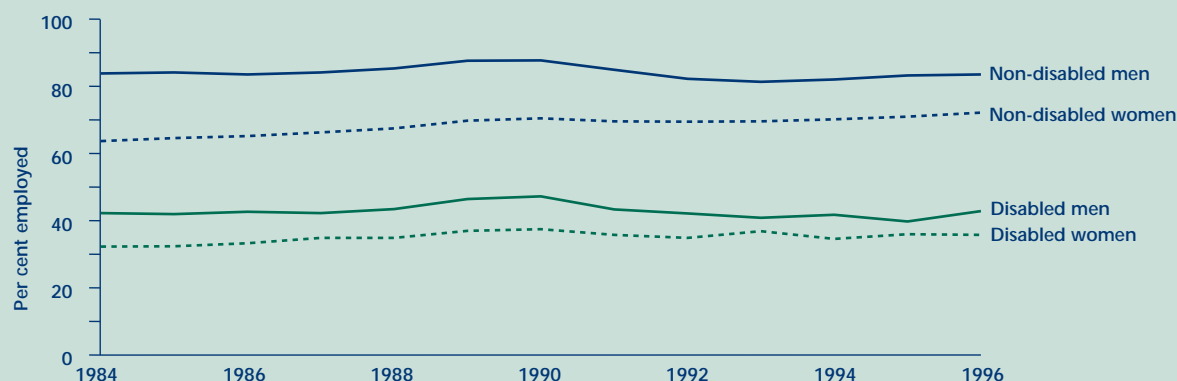
Movements in and out of work

The disadvantage experienced by disabled people is also apparent in movements into and out of work. Employment rates for both disabled and non-disabled people vary with the economic cycle, but are more volatile for disabled people. Analysis of individual movements into and out of work was based on small samples, so results should be treated with caution, but it suggested:

- Each year, around three per cent of those in work become 'limited in daily activities', of whom about half also report disability the following or a subsequent year. Of these, one in six lose their employment in the first year after becoming disabled.
- The proportion of unemployed non-disabled people who get work is around six times the proportion of disabled people who do so. Even after allowing for the fact that some disabled people cannot, or do not wish to, move into employment, the proportion of non-disabled people likely to get work is still four times that of disabled people.
- One-third of disabled people who get work are already out of work again by the following year, compared with one-fifth of non-disabled people starting work.

Personal and job characteristics associated with better chances of retaining or getting employment are similar to those identified by research on other marginalised groups, but the differentials - for

Figure 1: Employment rates of disabled and non-disabled men and women



Working age only. Work-limited definition of disability
Source: author's calculations using Labour Force Survey and ONS adjustment.

example between manual and non-manual occupations, or areas of high and low employment - are in many cases sharper for disabled people.

Disabled people and poverty

Many disabled people incur additional expenditure as a result of their impairment. Specific benefits (such as Disability Living Allowance) are designed to help with these costs. Additional tiers of benefit have reached further down the severity scale, although take-up remains low. Around one-half of extra costs for those with impairments in severity categories 7 or 8 may now be covered by these benefits, up from one-third in 1985. This has contributed to a substantial reduction in the proportion of disabled people in the bottom tenth of the income distribution.

Despite these improvements, and real absolute income gains across all severity categories, disabled people remain poor relative to the general population (see Figure 2).

- Greater severity of impairment is generally associated with lower income. The exception are those in the top two severity categories, a greater proportion of whom receive benefits to help towards extra costs. However, the average income of this group has fallen relative to the general population since 1985.
- Overall, half of all disabled people have incomes below half the general population mean (often taken as an indicator of poverty), after making an adjustment for extra costs. Disabled adults in families with children are even more likely to be in poverty: 60 per cent, by this measure.

Positive developments have not been sufficient to counter broader trends towards inequality, both within the disabled population and in society as a whole, fuelled by:

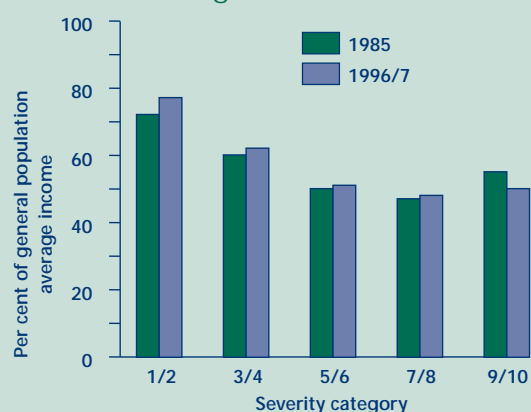
- growing earnings differentials for those in work;
- concentration of work in fewer households;
- widening gap between incomes in and out of work, as benefits are linked to prices rather than earnings.

By 1996/7, disabled people accounted for between one in five and one in six of the working-age population on low income (defined as below half population average).

Conclusions

Three themes emerge from these findings. Firstly, insufficient attention has been paid to transitions, between employment and non-employment, and between being non-disabled and being disabled. Benefit rules need to be sufficiently flexible to accommodate fluctuating conditions (particularly

Figure 2: Disabled people's average income, taking account of extra costs



Adults in non-pensioner family units. Income is equivalised net family income after subtracting estimate of extra costs. OPCS definition of disability
Source: Enduring Economic Exclusion

associated with mental illness and some degenerative diseases), and varying patterns of work. Additional support should be offered to individuals when they become disabled, for example, in order to retain their employment. New Deal for Disabled People pilots on job retention are welcome in this respect, but the schemes will need to recognise that barriers to continuing employment occur at and beyond the workplace, as well as at an individual level. Similarly, those who are already disabled and succeed in getting work need more support in keeping their jobs.

Secondly, disability policy often focuses on barriers specific to impairment. These are important but do not exhaust the disadvantages faced by disabled people, a high proportion of whom lack a connection with the labour market, come from a lower social class background and have fewer educational qualifications. Nor are disabled people immune from trends which affect the rest of society: the economic cycle, regional disparities and growth in earnings inequality, for example. In fact in many cases, disabled people are particularly susceptible to these more general pressures. The result is that more disabled people find themselves at the bottom of the pile or the back of queue.

Thirdly, benefits policy has not addressed the basic question of whether disabled people have enough to secure a standard of living comparable to their non-disabled peers. A higher proportion of extra costs is now being met but take-up remains low. Local authority charges for personal care services have become more widespread and it remains to be seen whether statutory guidance recently proposed by the Government will ease this burden. The 1999 Disability Benefit reforms raised support for those who are employed and for some of those obviously unable to work, but these were one-off increases, and benefits for disabled people who are unemployed, non-employed partners or those who have retired early were pared back. The living standards of disabled people, especially those with more severe impairments, will continue to be well below the rest of society, unless benefit levels are linked to national prosperity.

About the study

The research was based on analysis of nationally representative household surveys: Waves 1 to 7 of the British Household Panel Survey, the 1985 OPCS Survey of Disabled Adults in Private Households (both supplied by the Data Archive at Essex), the 1996/7 Family Resources Survey, Disability Follow-Up

and Households Below Average Income dataset (supplied by the Department of Social Security), and the Labour Force Survey for 1984 to 1996 (tables supplied by the LFS Bureau).

How to get further information

The full report, **Enduring economic exclusion: disabled people, income and work** by Tania Burchardt, is published for the Foundation by YPS (ISBN 1 84263 007 5, price £14.95).

Two background discussion papers, **The evolution of disability benefits in the UK** and **The dynamics of being disabled**, both by Tania Burchardt, are available from the Centre for Analysis of Social Exclusion (CASE), London School of Economics, Houghton Street, London WC2A 2AE, Tel: 0207 955 6679, or can be downloaded from the website <http://sticerd.lse.ac.uk/case/>. The author can also be contacted at CASE.