

## DISABLED PEOPLE, POVERTY AND THE LABOUR MARKET

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This article originally appeared as part of a 2006 report that we co-authored with the Child Poverty Action Group entitled *A route out of poverty? Disabled people, work and welfare reform*. The version below has been updated for the latest statistics.

#### Introduction

30% of disabled adults of working age (aged 25 to retirement) are living in poverty – around one and a half million people. This poverty rate is around double that for non-disabled adults and, unlike that for children and pensioners, rather than having fallen in recent years, is arguably rising.

The Government's anti-poverty strategy is centred on the phrase 'work for those who can, security for those who cannot'. For disabled working-age adults, neither part of this phrase is yet in place:

- **'Work for those who can.'** 60% of disabled adults want to work, but only 40% are currently working. The other 20% – one million people – are effectively saying that they have not been able to find a job.
- **'Security for those who cannot.'** Half of disabled adults living in workless households are also living in poverty. This is, again, around one million people. For these people, the social security benefits they receive are not sufficient to lift them out of poverty.

#### Disability and its measures

There is no standard way of deciding whether or not someone is disabled and different surveys use somewhat different definitions. In broad terms, however, there are three types of method.<sup>1</sup>

- The most widely used single-item survey instrument for assessing activity limitation is the **self-reported limiting longstanding illness of disability question (LLSEI)**. Variants of this question intend to capture the perceived disabling effects of chronic ill-health and physical and sensory impairments.
- The second type of measure aims to assess **work-limiting disability (WLD)** as defined by the respondent's perceptions of restriction in her or his capacity for paid work.
- The final type of measure seeks to identify whether respondents have a **disability covered by the 1995 Disability Discrimination Act (DDA)**. The DDA defines disability as a "*physical or mental impairment which has a substantial and long-term adverse effect on a person's ability to carry out normal every day activities.*"

Although these methods are all rather different, they have several features in common, namely:

- They all estimate that there are around five million adults aged 25 to retirement who are disabled.
- They all use a definition that covers disability arising from mental health as well as from physical health.
- They all show that there are substantial numbers of younger adults who are disabled.

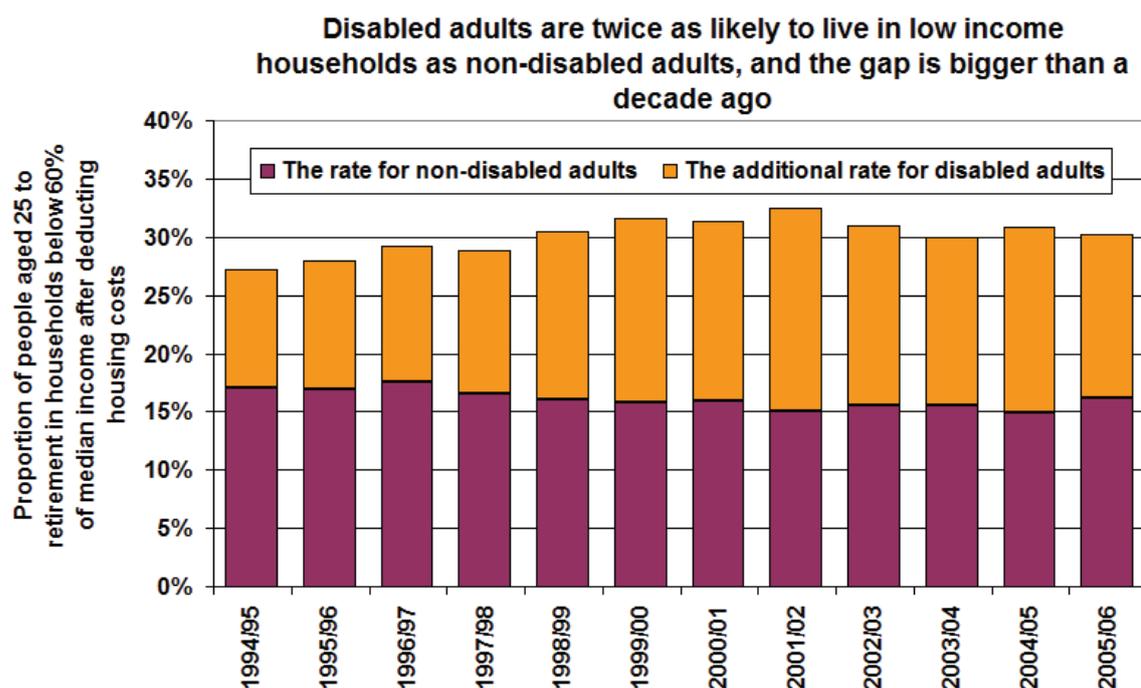
These points are important because they counter the popular misconception in the public's mind that the word 'disability' means either 'people in wheelchairs' or 'older men with bad backs'. In fact, two-fifths of claimants of Incapacity Benefit have 'mental and behavioural disorders' compared to a fifth who have 'muscular-skeletal disorders'. Two-fifths are aged under 45.<sup>2</sup>

### **Poverty among disabled working-age adults**

30% of disabled adults aged 25 to retirement are living in poverty.<sup>3</sup> This is around one and a half million people. Figure 1 shows how this rate has changed over time and how it compares with the poverty rate for non-disabled adults. There are three messages, all sombre.

- The 30% poverty rate for disabled working-age adults is twice that of their non-disabled counterparts.
- While little significance can be attached to year-to-year movements, the poverty rate for disabled working-age adults is now somewhat higher than it was during the mid-1990s.
- The amount by which the disabled poverty rate exceeds the non-disabled poverty rate is now markedly higher than it was in the 1990s.

**FIGURE I: Poverty rates for disabled and non-disabled adults**



Furthermore, around two-fifths of the disabled working-age people in poverty are single adults without dependent children. As such, many may lack day-to-day company and support, leading to social exclusion as well as poverty.

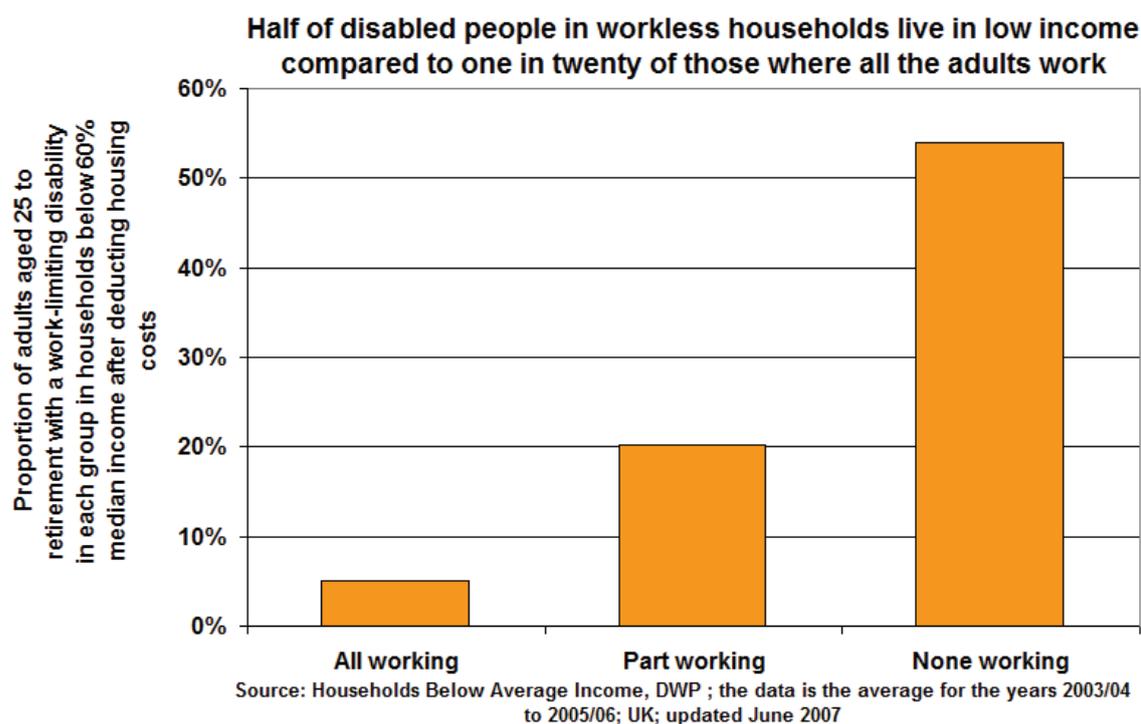
The lack of progress in reducing poverty rates among disabled people contrasts with the falling poverty rates for those two groups which have been the target of the Government's anti-poverty strategy in recent years, namely children and pensioners. As a result, a higher proportion of disabled working-age people now live in poverty than either children or pensioners.

### **The relationship between poverty and work**

Figure 2 shows the how the risk of a person with a work-limiting disability being in poverty varies by the work status of the household. 'All working' is where one adult is in full-time work and the other (if applicable) in full-time or part-time work; 'some working' is where no one is working full time, but one or more are working part time; and 'none working' is where none of the adults in the household are working. It shows the following.

- Unsurprisingly, work substantially reduces the risk of being in poverty. 5% of disabled people in 'all working' households are in poverty compared with 55% of those in workless households.
- Social security benefits are clearly insufficient to bring many disabled workless households out of poverty. Furthermore, unlike those for children and pensioners, the levels of benefits for disabled people have essentially been restricted to inflation-only rises since 1997 and have, therefore, fallen behind average incomes.

**FIGURE 2: Poverty rates for disabled people by household work status**

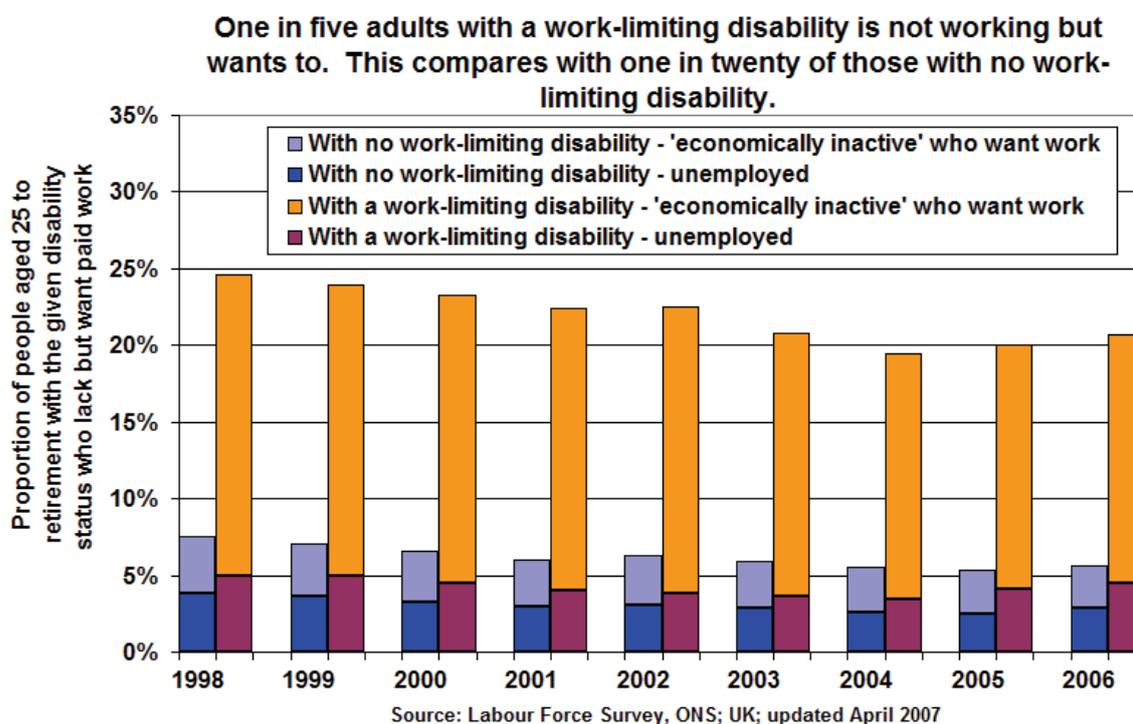


The main reason why the poverty rate for disabled people is so high is that relatively few disabled people work: 60% of adults aged 25 to retirement with a work-limiting disability are currently not working compared with only 15% of their non-disabled counterparts. However, many of those who are not working say that they want to work, but have not been able to find a job: 20% of disabled adults aged 25 to retirement – one million people – are not working, but say they want to.

Figure 3 shows how this rate has changed over time and how it compares with the equivalent rate for non-disabled adults. It shows the following.

- The vast majority of disabled adults who are not working but want to count as ‘economically inactive’ rather than ‘unemployed’. This is because, although they want to work, they fail to meet one of the two criteria required to be considered ‘unemployed’ – namely, that they are available to start work in the next two weeks and have been actively seeking work in the last four weeks.
- The proportion of people with a work-limiting disability who lack, but want, work has declined from 25% to 22% since 1998, while the comparable rate for people without such a disability has declined from 7% to 6%. In both cases, these ‘want work’ rates have declined by a similar proportion. This shows that there has not been any tardiness on the part of disabled, working-age adults to respond to the better employment conditions of recent years.

**FIGURE 3: ‘Lacking but wanting work’ rates for disabled and non-disabled people**



Even if all those wanting work found it, the employment rate for disabled people would still only be 60% (the 40% who are currently working plus the 20% who say they want to). This means that there will always be many disabled people reliant on benefits.

The conclusion from this analysis is that the problem disabled people face is the result neither of a generous benefits regime that offers disabled people a ‘comfortable’ existence, nor of a failure on the part of disabled people to respond to the overall growth in jobs. Rather, it is because, despite the improved economic situation and the desire to work, many people have not been able to find jobs. In a situation in which one-fifth of people with a work-limiting disability still lack but want work, reform of the way in which the Department for Work and Pensions supports these people is clearly important.

### **Why do so many disabled want, but lack, work?**

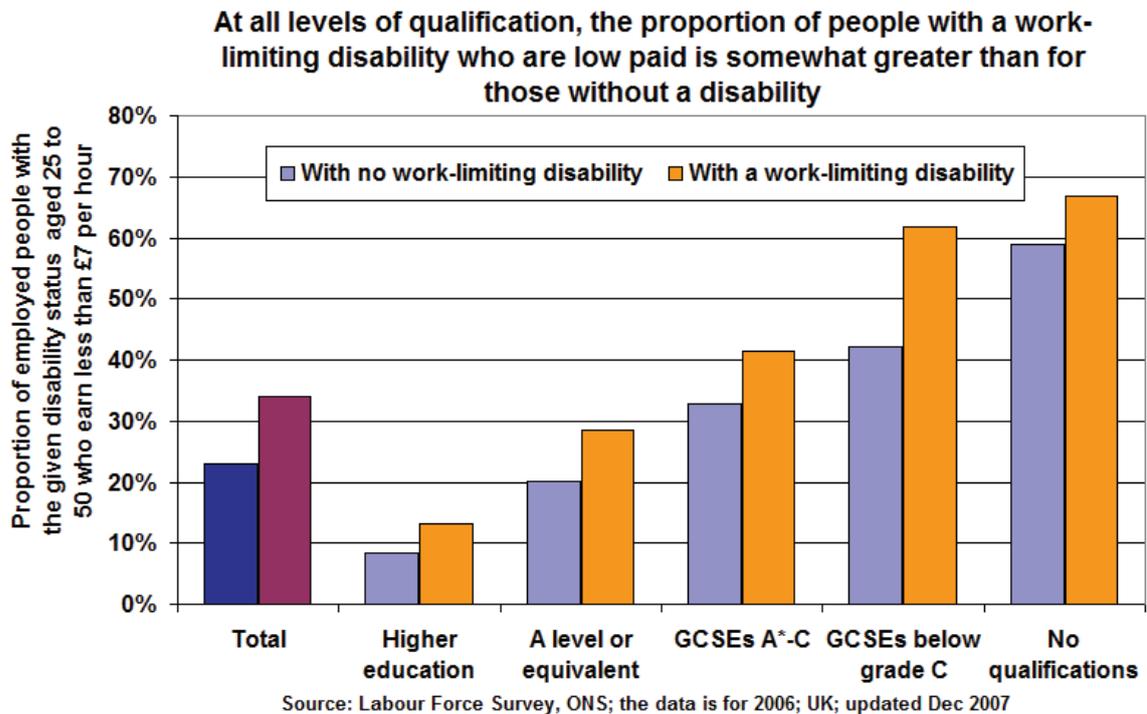
One possibility is that it is not disability *per se* that is to blame, but the fact that disabled people have fewer qualifications. Certainly, the lower a person’s level of qualifications, the higher the risk that they will find themselves lacking, but wanting, work. However, as Figure 4 shows, at *every* level of qualification, a disabled person is much more likely than a non-disabled person to be lacking, but wanting, work – to such an extent that a disabled person with a degree is more likely than a non-disabled person with no qualifications to find her/himself lacking, but wanting, work. With a pattern this clear cut, higher ‘lacking but wanting work’ rates cannot simply be explained away by lower qualifications.

**FIGURE 4: 'Lacking but wanting work' rates by level of qualification**



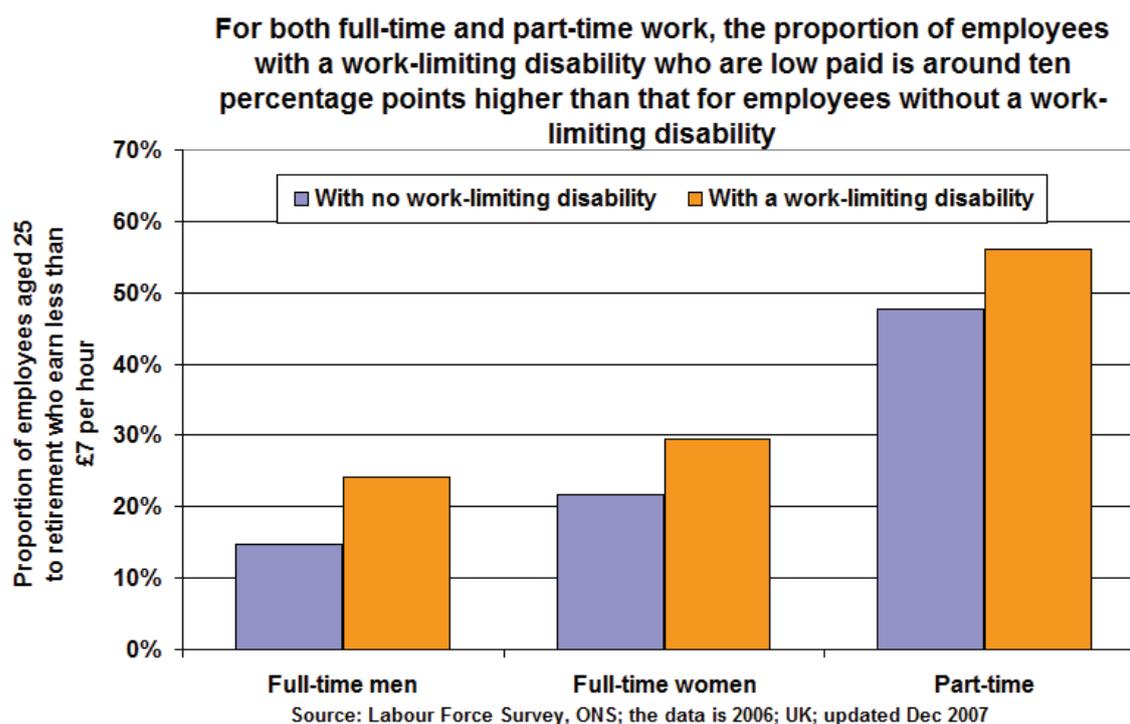
Not only do disabled people face a much higher risk of being out of work, they are also somewhat more likely to be low paid than non-disabled colleagues with similar qualifications (Figure 5).<sup>4</sup>

**FIGURE 5: Risk of low pay by level of qualification**



Similarly, disabled full-time male workers, full-time female workers and part-time workers are all somewhat more likely to be low paid than their non-disabled counterparts.

**FIGURE 6: Risk of low pay by full-/part-time and gender**



The finding that, at every level of qualification, people with a work-limiting disability are more likely to be low paid and more likely to be ‘lacking but wanting work’ than people without a disability is of great importance. According to basic economic theory, such a situation cannot arise simply as a result of disabled people being more reluctant than non-disabled people to take particular jobs at particular rates of pay. Rather, it is only possible if the labour market is effectively discriminating against them.

‘Discrimination’ is a sensitive word and it is important to stress that the outcome observed is ‘after the event’ – that is, the sum total of the effects of all employment decisions taken by all employers. It comes about despite, no doubt, many employers’ good intentions. Rather than overt discrimination, it probably arises through a mixture of risk-averseness (for example, small companies not wanting to take a risk by employing disabled people) and ignorance (for example, about what disabled people can do, how the Government’s Access to Work initiative can support disabled people in work, etc). There are also other factors – for example, problems with transport to and from work, that are the fault of neither the would-be employee or the would-be employer.

Nevertheless, government reports refer to ‘attitude’ problems on the part of employers.<sup>5</sup> Also, the recommendations for remedial action from the Prime Minister’s Strategy Unit include employer-led campaigns to promote the business benefits of employing disabled people, establishing a single point of information for employers and developing a new system of accreditation for employers. When considering benefit reforms then, it is right to use the word ‘discrimination’ because it reminds policy makers that, whatever the intentions, it is the reality faced by disabled people.

Three specific conclusions can be drawn from the evidence of discrimination.

- First, while discrimination persists, the goal of substantially increasing the rate of employment among disabled people can only, in practice, be realised at the expense of lowering even further the average earnings of disabled people.
- Second, since changing employer attitudes is bound to take a long time, benefit reform needs to be implemented on the clear understanding that big shifts in employment will also take a long time.
- Third, the Government needs to follow through on the observation in its five-year strategy about the “*need to change the expectations and attitudes of...employers*”.<sup>6</sup> By doing so, it would gain a better understanding of the whole problem, with consequent improvements to benefit reform itself.

### **Conclusion: what should be the goals of reform?**

A major objective of the Government’s plan to reform Incapacity Benefit is to help one million disabled people to get a job. This objective is a good one, but it will only be successful if it tackles the discrimination against disabled people that effectively operates in the labour market. Any reform that exclusively concentrates on disabled would-be workers while ignoring employers reflects an incomplete understanding of the problem.

Even if employment rates among disabled people start rising rapidly, many disabled people will remain dependent on social security benefits for the foreseeable future. But, unlike benefits for children and pensioners, the level of benefits for disabled people have essentially been restricted to inflation-only rises since 1997 and have, therefore, fallen behind average incomes. The long-neglected question of the level of these benefits must, therefore, be addressed.

The high proportion of disabled people who lack, but want, work confirms the rightness of setting higher employment for disabled people as one of the Government’s goals. But the high levels of poverty among disabled people, coupled with the difficulties presented by the labour market, show that the problem cannot be tackled through benefit reform alone. Rather, a much more balanced approach is needed and the question is how to stimulate it. One possibility would be for IB reforms to be designed with three, rather than just one, goal in mind:

- a higher employment rate for disabled people;
- a poverty rate no higher than for non-disabled people; *and*
- an end to the ‘disability pay gap’.

Developing policy within this framework might be more complex, but to ignore this complexity, as the Government is in danger of doing at the moment with its single-minded pursuit of the employment target, risks failure in this area and a deepening of problems in others.

## End notes

<sup>1</sup> These definitions are drawn from Bajekal M., Harries T., Bremam R. and Woodfield K., *Review of disability estimates and definitions* (a study carried out on behalf of the Department for Work and Pensions by the National Centre for Social Research) DWP, 2004

<sup>2</sup> DWP out-of-work benefit statistics for February 2007.

<sup>3</sup> This is using the main measure of income poverty used by the Government and others, namely a household income that is 60% or less of the average (median) household income in that year. The latest year for which data is available is 2005/06. In that year, the 60% threshold was worth £108 per week for single adult with no dependent children; £186 per week for a couple with no dependent children; £182 per week for a single adult with two children under the age of 14; and £260 per week for a couple with two children under the age of 14. These sums of money are measured after income tax, council tax and housing costs have been deducted, where housing costs include rents, mortgage interest (but not the repayment of principal), buildings insurance and water charges. They therefore represent what the household has available to spend on everything else it needs, from food and heating to travel and entertainment.

<sup>4</sup> Defined here as £7 per hour. £7 per hour is roughly two-thirds of United Kingdom median hourly earnings and is commonly used as a threshold when analysing low pay.

<sup>5</sup> For example, *Improving the Life Chances of Disabled People: final report*, Strategy Unit, 2005; *Mental Health and Social Exclusion: disabled for life?* Social Exclusion Unit, 2004; *Attitudes Towards, and Experiences of, Disability in Britain*, DWP Research Report 173, 2002.

<sup>6</sup> Department for Work and Pensions, *Five Year Strategy*, 2005, page 42.