

DISABILITY AND POVERTY SEMINAR

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I. POVERTY AND DISABILITY: HOW STRONG THE CONNECTION?

Our knowledge of this subject is based on our work on *Monitoring poverty and social exclusion*, published by the Joseph Rowntree Foundation:

- Annual UK reports, plus separate reports for Wales, Scotland, N. Ireland.
- Some of the UK reports also have special themes e.g. disability in 2005.
- Based on official statistics, the reports seek to present and explain the facts, often to counter to popular misconceptions.

The central finding about poverty and disability

Around 30% of disabled adults aged 25 to retirement are living in poverty in the UK, some 1.5 million people. **Figure 1** shows how this rate has changed over time and how it compares with the rate for non-disabled adults.

- The poverty rate for disabled working-age adults is now somewhat higher than it was during the mid-1990s.
- The poverty rate for disabled working-age adults is twice that of their non-disabled counterparts.
- The gap between the disabled and non-disabled poverty rates is now markedly higher than it was in the 1990s.

How we measure poverty

Official statistics measure poverty by low income, specifically: a household income that is 60% or less of the average (median) income in that year.

This is a **relative** measure and reflects the view that 'poverty' itself is inherently relative, when someone is unable to reach a minimum standard of living for the society to which they belong.

In the latest year (2005/06), the 60% threshold was worth:

- about £190 per week for a two-adult household;
- about £110 per week for a single adult;
- about £220 for a lone parent with two children;
- about £260 for two parents with two children under 14.

These sums of money are after income tax, national insurance, council tax, rent, mortgage and water charges have been paid. They represent what a household has available to spend on everything else it needs.

How we measure disability

Different government surveys use somewhat different definitions of disability. In broad terms, however, there are three methods.¹

- The most widely used 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. According to the 2001 Census, around 25% of working-age people in Merthyr and Blaenau Gwent report a limiting long standing illness, almost twice the rate in Cardiff and Monmouthshire. But as **figure 2** shows, local areas with high levels are found across Wales.
- The second type 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 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.'*

Though 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.

The extra costs of disability

The definition of poverty used here described the sums of money as 'what is left over for everything else after taxes, rent, mortgage and water charges have been paid'. But disabled households often face costs that households don't. So does that mean that these statistics underestimate the level of poverty among disabled people?

Almost certainly, yes. For on the one hand, the household income recorded in the statistics includes all forms of income received by a household, including notably DLA and AA. The extra income that disabled households receive to cope with disability is in the numbers.

Yet on the other, the additional costs of disability are not in the numbers. As research confirms, these costs can be substantial. For example, one recent study put the amount for a single pensioner at between £30 and £180 a week depending on the severity of impairment, with slightly less for couples.²

By including extra income but ignoring extra costs, disabled households overall look somewhat better off, relative to non-disabled households, than they really are.

Of course, statisticians like us would always like more and better information in order to present a fuller picture. In the absence of this information, the very least that we are entitled to say is that if these numbers are biased, they are biased in the direction of underestimating poverty among disabled people, not overestimating it.

II. THE CONNECTION BETWEEN POVERTY AND WORK

Poverty and work

In order to understand why the risk of poverty is so high for disabled people, we have to look first at how those risks vary according to whether or not paid work is being done. **Figure 3** shows the how the poverty risk for a person with a work-limiting disability varies according the work status of the household to which they belong:

- 5% for someone in an 'all-working' household (all adults are working, at least one of them full-time);
- 20% for someone in a 'part-working' households (either all part-time only or one adult not working at all);
- 55% for someone in a workless households.

Three important conclusions follow from these numbers. First the risks of poverty for working households are much lower than for workless ones. Work does indeed greatly reduce the risk of poverty.

Second, work nowhere near eliminates the risk of poverty. This is true even for 'all working' households, but it is especially true for 'part-working' ones where there remains a substantial, 20% poverty risk.

Non-disabled households too that are classified as 'part working' have a similarly high poverty risk. But this 'part-working' status is likely to be especially relevant to disabled people, either through their own preference and/or need to work less than full week (defined here 30 hours a week) or the preference or need of their partner to do so.

Third, 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. As a result, their value has fallen a further 25% behind average earnings since 1997.

Why is the overall poverty rate for disabled people so high?

The basic answer to this question 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. Since belonging to a workless households greatly increases the risk of poverty (**figure 3**), if many more disabled people belong to such households, the overall poverty rate is bound to be higher.

But why is the work rate so low? Is it because disabled people don't want to work? Obviously this is so in many cases, but what is actually striking is the one million or so disabled people, some 20% of disabled adults aged 25 to retirement, who are not working but say they do want to work.³ Why this number is so large seems to us to be the key to the problem.

The effect of qualifications

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. As **figure 4** shows, the higher a disabled person's level of qualification, the less likely it is that they will be in the situation of wanting but lacking work.

But as **figure 4** also shows, at every level of qualification, a disabled person is much more likely than a non-disabled person to be lacking, but wanting, work.

This is a very important finding, especially given how big the disadvantage that disability brings. How big is that? According to **figure 4**, a graduate with a disability faces the same risk of lacking but wanting work as a non-disabled person who is completely unqualified. Another way of putting this: the penalty imposed by the labour market on disability is equal in value to the fruits of the six year's full-time education that turns a still unqualified 15 year-old into a 21 year-old graduate. That's huge.

Figure 5, which shows the risk of being low paid by level of qualification, give a further twist to this tale:⁴ in short, even when they are in a job, a disabled person is more likely to be low paid than a non-disabled person with similar qualifications.⁵ Here the size of the disadvantage is not so large (roughly, the value of the disability penalty is equal to just one additional level of qualification) but it is still there, and it is present at every level.

Labour market discrimination against disabled people

This twin 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 is very significant. For 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.⁶ Rather, it is only possible if the labour market is effectively discriminating against them.

'Discrimination' is a sensitive word and we 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 – although it should be noted that government reports do refer to 'attitude' problems on the part of employers.⁷

Employers' aversion to risk, and ignorance (for example, about what disabled people can do, etc) are likely to be important factors. So too are things like transport problems to and from work, which are the fault of neither the would-be employee nor the would-be employer.

But despite all these caveats, we still think it is right to use the word 'discrimination' because whatever the intention, this is the reality faced by disabled people.

III IMPLICATIONS FOR REFORM

Increasing employment among disabled people

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 evidence of discrimination in the labour market show that the problem cannot be tackled through benefit reform alone, or by concentrating on the disabled, would-be workers.

For one thing, while discrimination persists, a substantial increase in the rate of employment among disabled people can only be realised at the expense of lowering even further the earnings of disabled people.

For another, any reform that concentrates exclusively on disabled would-be workers while ignoring employers reflects an incomplete understanding of the problem – and is therefore very likely to fall far short of expectations.

The need for higher social security benefits

Even if employment rates among disabled people start rising rapidly, many disabled people will remain dependent on social security benefits for the foreseeable future. Without a substantial rise in the value of those benefits, a majority of those people remain condemned to poverty.

Unlike benefits for children and pensioners, benefits for working-age adults have been restricted to inflation-only rises for a quarter of a century. Not only must this be overturned, but the long-neglected question of what their proper value should be must also now be answered.

Three goals not one

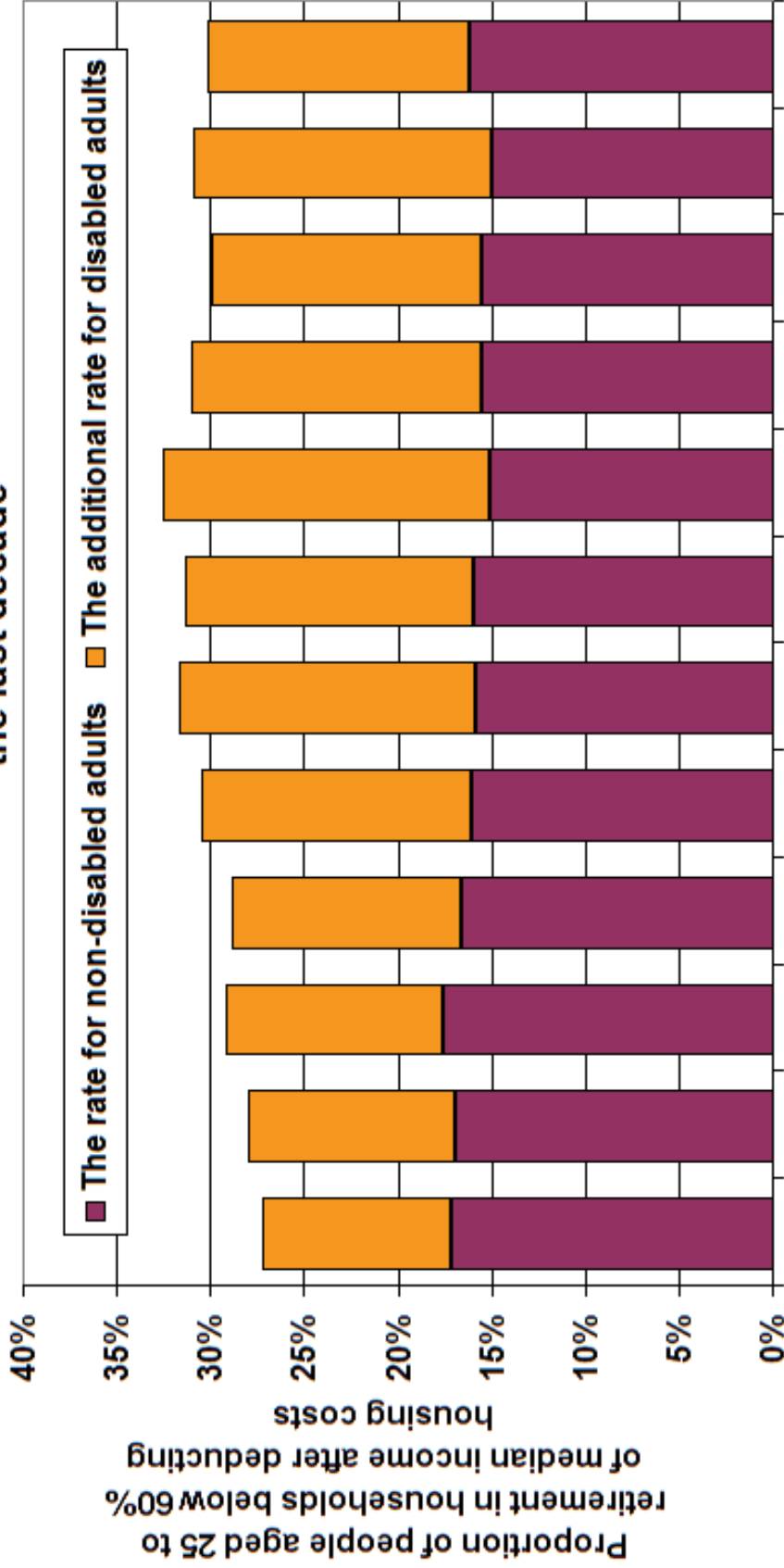
If it is right to set a higher level of employment for disabled people as one of the goals, it is certainly not enough. One possibility would be for reforms to be designed with three, rather than just one, goal in mind:

- 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.

FIGURE 1: POVERTY RATES FOR DISABLED AND NON-DISABLED ADULTS

Disabled adults are twice as likely to live in low income households as non-disabled adults, and the gap has grown over the last decade



1994/95 1995/96 1996/97 1997/98 1998/99 1999/00 2000/01 2001/02 2002/03 2003/04 2004/05 2005/06

Source: Households Below Average Income, DWP; UK; updated June 2007

FIGURE 2: LOCALITIES WITH HIGH LEVELS OF WORKING-AGE ADULTS WITH A LIMITING LONG STANDING ILLNESS

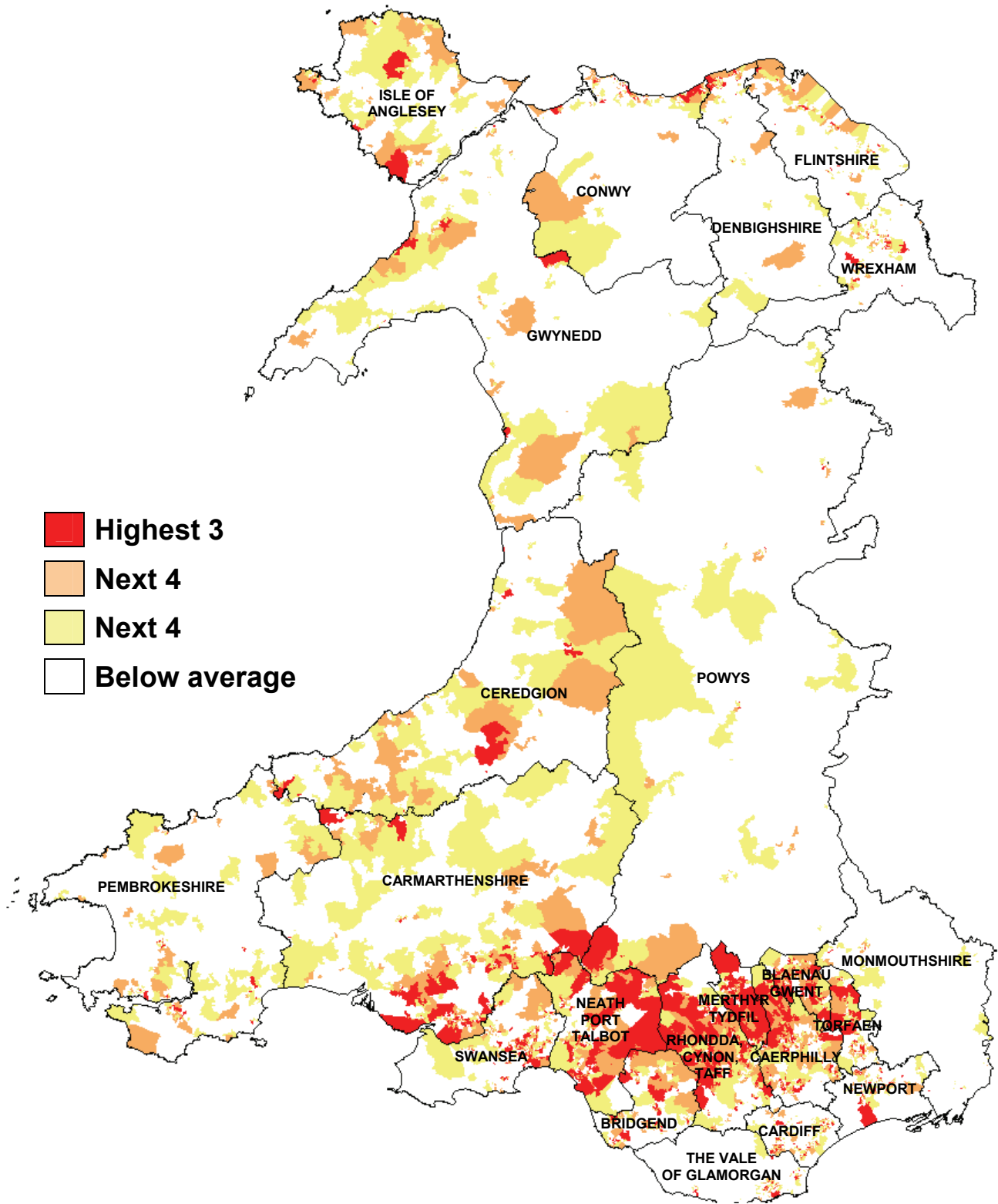
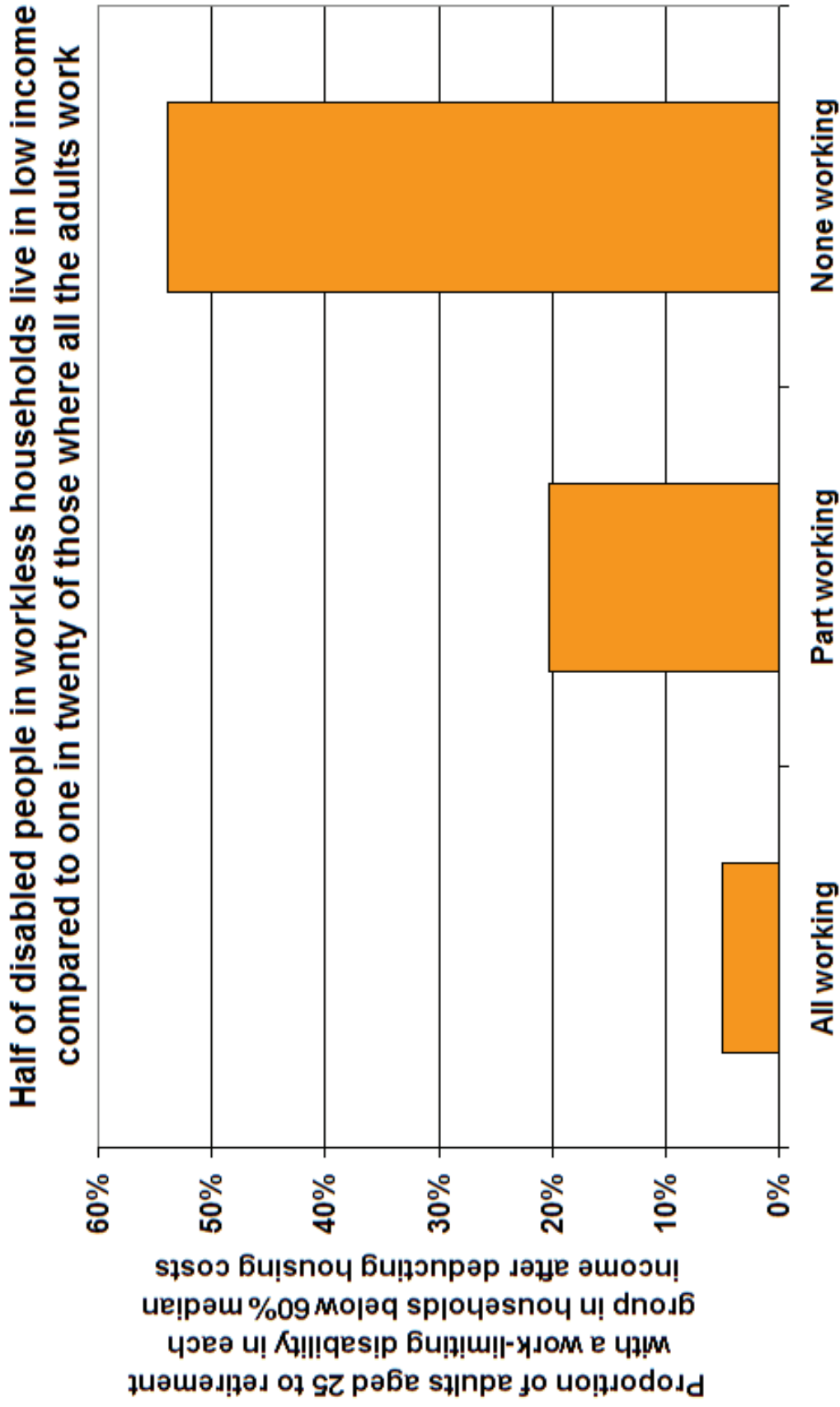


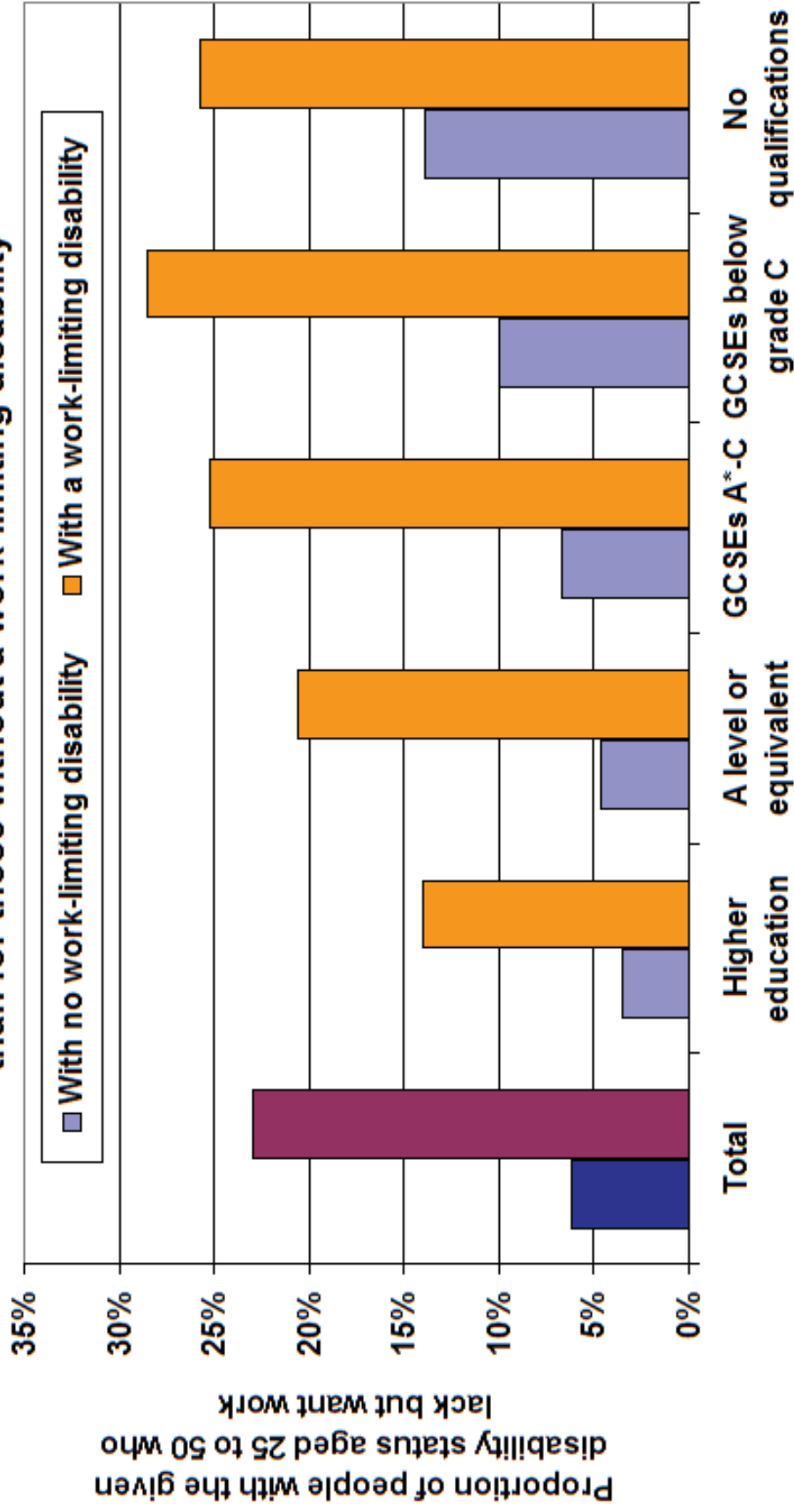
FIGURE 3: POVERTY RATES FOR DISABLED PEOPLE BY HOUSEHOLD WORK STATUS



Source: Households Below Average Income, DWP ; the data is the average for the years 2003/04 to 2005/06; UK; updated June 2007

FIGURE 4: 'LACKING BUT WANTING WORK' RATES BY LEVEL OF QUALIFICATION

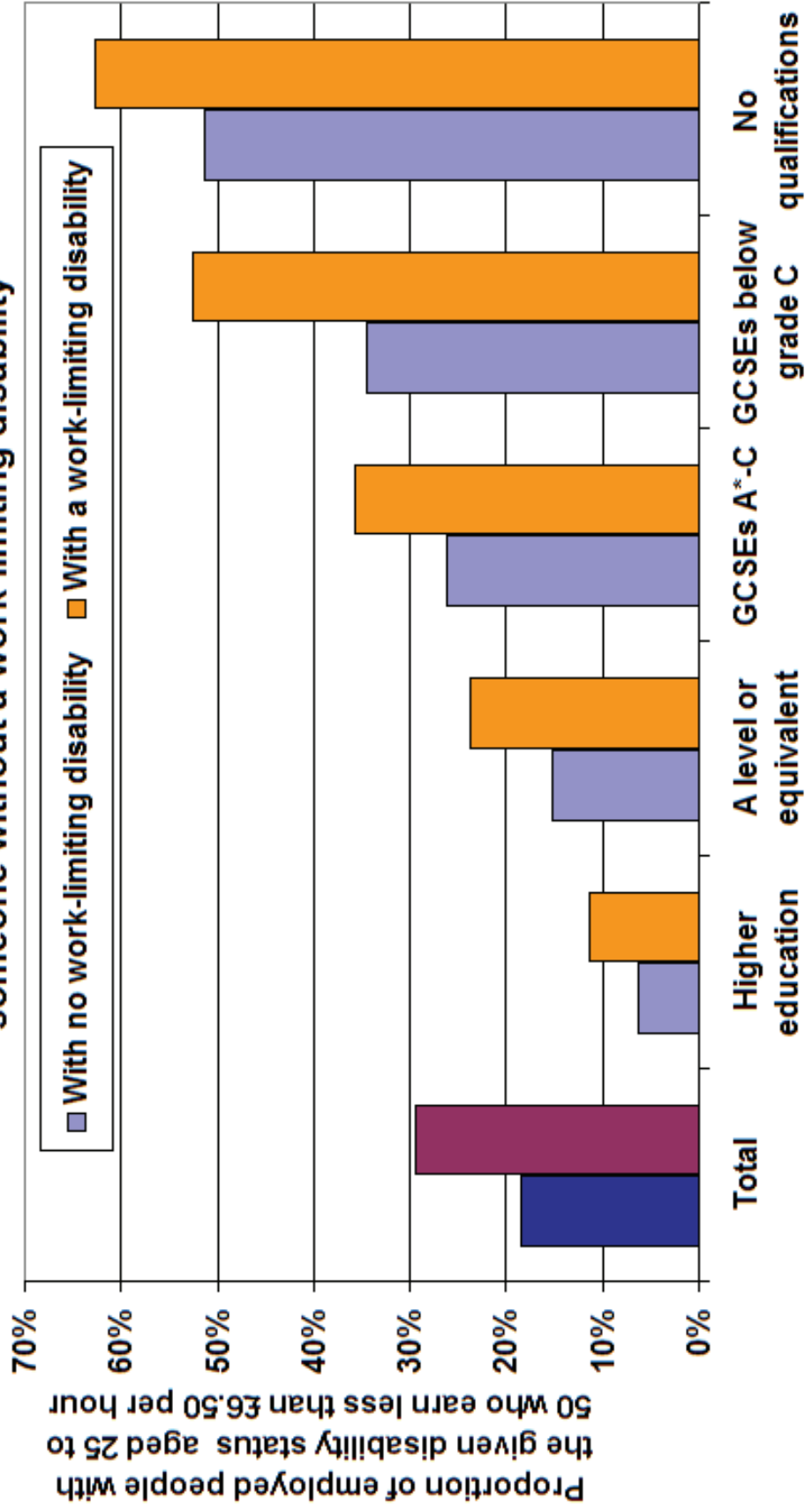
At all levels of qualification, the proportion of people with a work-limiting disability who lack but want paid work is much greater than for those without a work-limiting disability



Source: Labour Force Survey, ONS; the data is for 2006; UK; updated April 2007

FIGURE 5: RISK OF LOW PAY BY LEVEL OF QUALIFICATION

At all levels of qualification, the risk of someone with a work-limiting disability being low paid is somewhat higher than that for someone without a work-limiting disability



Source: Labour Force Survey, ONS; the data is for 2006; UK; updated April 2007

ENDNOTES

- ¹ These definitions are drawn from, M Bajekal, T Harries, R Bremam and K Woodfield, 2004, *Review of disability estimates and definitions* (a study carried out on behalf of the DWP by the National Centre for Social Research).
- ² Zaidi, A. and Burchardt, T., 2003, *Comparing incomes when needs differ: Equivalisation for the extra costs of disability in the UK*, Centre for Analysis of Social Exclusion, LSE: table 5. See also Smith, N., Middleton, S., Ashton-Brooks, K., Cox, L., and Dobson, B. with Reith, L., 2004, *Disabled people's cost of living: 'more than you would think'*, York: Joseph Rowntree Foundation.
- ³ One point to note here. The proportion of people with a work-limiting disability who lack, but want, work declined from 25% to 22% between 1998 and 2006. The comparable rate for people without such a disability came down from 7% to 6%. So in both cases, these 'want work' rates have declined – and they have done so 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.
- ⁴ Defined here as £6.50 per hour. £6.50 per hour is roughly two-thirds of the Great Britain median hourly earnings and is commonly used as a threshold when analysing low pay.
- ⁵ Breaking the numbers down a different way shows that 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.
- ⁶ Put another way, it requires a shift in the demand curve for labour to bring about a situation where the 'pay' is lower *and* 'unemployment' is higher.
- ⁷ 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.