Disability and Economics: The nexus between disability, education, and employment

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Insight

Innovation

Impact

Advancing the civic, economic, and social participation of people with disabilities
United Nations Convention on the Rights of Persons

- The United Nations Convention on the Rights of Persons with Disabilities (CRPD) recognizes the right of people with disabilities:
  - to work,
  - to have equal opportunity to choose work or
  - to be accepted in the labor market and
  - to participate in an open, inclusive, and accessible work environment

- The CRPD not only prohibits employment discrimination but also advocates:
  - vocational training,
  - self-employment, and
  - reasonable accommodations
Employment

- Persons with disabilities are employed at significantly lower rates than those without disabilities.

- A higher rate of poverty is evident within this population of almost 200 million worldwide.

- Disability is defined and measured differently in different countries and living conditions in developing countries make survival of people with physical and mental impairments more difficult.

- Factors that impact labor market outcomes for people with disabilities include:
  - productivity differentials,
  - discrimination, and
  - disincentives resulting from disability benefit systems

- Countries have attempted to rectify these problems by:
  - enacting laws that prohibit discrimination on the basis of disability,
  - setting employment quotas and
  - providing vocational rehabilitation and employment services such as job training, counseling, job search assistance, and placement
Employment

• However, these remedies only affect the formal economy, government-regulated public and private sector employment.

• Workers in this sector are hired by contract and receive salaries, benefits, pensions, and health insurance.

• The informal economy is unregulated and includes:
  • small-scale agriculture,
  • home-based and small businesses,
  • petty trading, and similar enterprises.

• In addition, in many countries, persons with disabilities often “work” primarily in unpaid forms of employment, including work in the home, self-employment, and informal work.

1 World Health Organization, World Report on Disability, 2011
Disability and Employment Rates

• In all transition countries, disabled adults are far less likely to work:
  • from 60% less likely in Moldova
  • to 20% in Bosnia and Herzegovina

• While all disability “indicators” are negatively correlated with employment rates, the official status of being disabled is the largest indicator of probability of unemployment.

• Unlike OECD countries, employment rates of disabled and non-disabled individuals are not correlated in transition economies.

• General pro-employment policies may not improve employment rates of the disabled in a transition economy due to the large informal sector.
Effect of Disability on Earning Potential

• According to the OECD (2003), there is little difference in income between disabled and non-disabled persons in many industrialized countries.

• Notable exceptions being the United States, Sweden, and Portugal, where disabled employees earn at or below 70% of non-disabled employees.

• In transition countries, the disabled and the chronically ill earn less than others, and disabled employers earn less than the chronically ill.

• In Russia, a one-step deterioration in health status, as from very good to good, results in a 14% wage decrease, but a one-step deterioration in disability ranking results in a 30% wage decrease.
The Wage Gap

- Not only do people with disabilities earn less than people without disabilities, but further gender disparities exist; women with disabilities earn less than men with disabilities.\(^2\)

*The Wage Gap in Developing Countries*

- Despite the general trend, the wage gap may not be as defined in developing countries.

- Recent studies in India have shown a wage gap for males in rural labor markets in Uttar Pradesh but not in Tamil Nadu.

- Further based on nationally representative data is necessary to determine whether the disparity is as pronounced.

The Informal Sector

- In many developing countries, labor markets are largely informal, with many self-employed workers.

- In India, 87% of people with disabilities who work do so in the informal sector. 3

- People with disabilities often need flexible schedules to prepare for work, to travel, and for health matters, so many work in part time jobs which afford more flexibility than full time employment. 4

- However, part-time jobs often offer lower pay and fewer benefits.

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3 World Health Organization, (WHO) 2011, pp.238-39
4 United States research shows that 44% of workers with disabilities and only 22% of workers without disabilities work in contingent or part-time employment, and that health issues were the most important factor cited to explain the prevalence of such work. (WHO, 2011, p.239).
The Informal Sector

- Low-income households may not be able to recover from the economic shock imposed by income loss when a household head becomes disabled, after the onset, a decline in number of hours worked and earnings occurs.

- It is unclear whether universal insurance programs can solve this problem in low-income countries because large portions of the population are often employed in the informal sector, making it difficult to collect insurance premiums.

- Further, the market is unlikely to correct the problem because institutional and legislative reforms do not reach the informal sector.
Scarcity of Data

- In low and middle-income countries data continues to be limited, and in many of these countries, a large proportion of people work in the informal economy. They are absent from labor market statistics and are not covered by employment legislation.

- The unemployment rate may not give an accurate picture however, because not all people with disabilities who do not work are actively seeking work.

- An International Labour Organization survey in 2003 showed that 16 of 111 countries and territories surveyed had no data on employment in relation to disability.

- In a United Nations study, only 13 governments in Asia and the Pacific provided data on the employment rate of persons with disabilities.\(^5\)

- Employment rates for people with disabilities are lower globally than those of the overall population.

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\(^5\) Australia; Bangladesh; China; Hong Kong, China; India; Japan; New Zealand; the Republic of Korea; Singapore; Thailand; Tonga; Turkey; and Viet Nam (United Nations, 2010, p. 13).
Employment Rates for People with Disabilities

• *Rate of Employment by Country:*  
  - The highest reported rate was 85% in China  
  - The lowest was 11.8% in Hong Kong  
  - 30% in South Africa  
  - 38% in Japan  
  - 81% in Switzerland  
  - 92% in Malawi

• *Rate of Employment by Sex:*  
  - 52.8% for men with disability  
  - 19.6% for women with disability,  
  - 64.9% for non-disabled men, and  
  - 29.9% for non-disabled women

6 Results from World Health Organization survey of 51 countries
Employment Rates for People with Disabilities

• Rate of Employment by Severity of Disability:
  • Severity of the disability is correlated to employment rates, as expressed by the three-category classification system used by many transition countries.
  • In Moldova, only 5.8% of the most severely disabled are employed, followed by 10.7% and 17.9% as severity decreases.
  • In Poland those with “considerable” disabilities have an 8.5% employment rate, followed by 24.7% and 36.8% for moderately and slightly disabled individuals.

6 Results from World Health Organization survey of 51 countries
Education & Employment in the U.S. Context: Law & Policy

• Recent discussions have focused on the importance of developing law and policy which “enable[s] youth with disabilities to leave high school, attain postsecondary education and training, and achieve employment rates and levels of wages comparable to their peers without disabilities.”

• This concern arises from the established nexus between educational attainment and employment outcomes for persons with disabilities, as it has been demonstrated that “workforce participation is fundamentally linked to education and training.”

• This nexus is the site for policymaking concerns pertaining to unemployment and underemployment trends, as persons with disabilities have lower average levels of education and training than those without disabilities.

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9 National Council on Disability, Empowerment for Americans with Disabilities: Breaking Barriers to Careers and Full Employment (Oct 1, 2007).
Education & Employment in the U.S. Context: Law & Policy

• Persons with disabilities are
  • “twice as likely as those without disabilities not to have a high school degree” and “less than half as likely to have a college degree.”

• Lower education levels limit both current and future employment opportunities,
  • especially in light of the fact that many of the fastest-growing occupations worldwide require the equivalent of an Associate's degree or higher.
Education & Employment in the U.S Context: Recent Studies

- A recent study found that 70% of the thirty fastest-growing occupations require a college degree or focused technical training.  

- Even as education levels for persons with disabilities increase, comparatively low levels of educational attainment directly correlate with trends of unemployment and underemployment.  

- Recent studies highlight the relationship between educational attainment and employment outcomes for persons with disabilities.
  
  - They have given rise to an understanding that labor market success is “undoubtedly linked to level of education, especially post-secondary education.”

- It has been suggested that elevating employment rates for persons with disabilities requires attention to the goals of postsecondary transition and completion.
  
  - While postsecondary attainment is important, transition and completion may require early intervention into the educational pursuits of adolescents/transition-aged youth.


Promising Practices in the U.S.

EARLY INTERVENTION

• In the US, a number of promising practices have been based on “the concept that early intervention impacts the educational and vocational experiences of adolescents and helps prevent early exit from school.”

• Interventions coming into effect three or more years before a student leaves school have been shown to increase employment outcomes.

• The focus on early intervention is grounded in the reality that employment rates increase with each level of educational attainment.

• However education attainment alone does not account for gaps in employment between individuals with and without disabilities.

Correlation of Education and Employment in the U.S.  

• While employment outcomes for persons with disabilities benefit from increased education, the employment gaps remain relatively consistent.

• A recent study showed that in the US:
  - 25% of persons with disabilities holding less than a high school degree were employed, compared to
  - 66% of persons without disabilities;
  - 36% of persons with disabilities holding a high school or Associate’s degree were employed, compared to
  - 76% of persons without disabilities; and
  - 55% of persons with disabilities holding a Bachelor’s degree or higher were employed, compared to
  - 83% of persons without disabilities.

• Thus, while the relationship between education and employment has certainly been established, it does not account entirely for continuing trends of unemployment and underemployment for persons with disabilities.

Factors Contributing to Exclusion 18

- Lack of access to education, training, or financial resources may be responsible for exclusion from the labor market.

- As well as employers’ perceptions of disability and disabled people.

- In addition, social protection systems may create incentives for people with disabilities to exit employment in order to receive disability benefits.

- Young people with disabilities often lack access to formal education and training to develop skills necessary to compete in the labor market, particularly in the increasingly vital field of information technology.

- Persons with disabilities also face environmental obstacles created by travel costs, physical barriers to job interviews and to work, as well as to attending social events with colleagues.

18 World Health Organization, World Report on Disability, 2011
Factors Contributing to Exclusion

• Persons with disabilities face obstacles inhibiting access to information and technology, and funding for those interested in self-employment, a major source of employment in some developing countries.

• Lenders often perceive people, particularly women, with disabilities as high risks for loans.

• Those with disabilities face misconceptions about lower productivity, especially in the case of persons with mental illnesses, who account for much of the unemployed.

• Different impairments are met with varying degrees of discrimination, with mental illness presenting the strongest barrier.
Effect of Long-term Disability Benefits

- Social protection in the form of long term disability benefits provide a disincentive to seek employment or return to work.

- Jobs often offer inadequate pay, and benefits provide more reliable income.

- In developing countries, the growth in disability costs and the low employment rate of persons with disabilities is a significant policy problem.
Effect of Long-term Disability Benefits

- Evidence from Hungary, Italy, the Netherlands, and Poland demonstrates that obligating employers to provide occupational health services, reintegration and employment support, and work incentives, can encourage disability beneficiaries to work.

- The option of putting benefits on hold while the recipient is trying work may be successful.

- People with disabilities lack incentive to work because they lack opportunity to succeed. They must be allowed to opportunities to progress, be promoted, and assume leadership positions.
Disability Benefits (Global)

- In most OECD and Europe and Central Asia (ECA) countries, disability benefits as a percentage of GDP have increased since 1990.

- There is much variation in who qualifies for disability benefits in transition countries:
  - Croatia, Poland, Hungary, and Estonia report roughly twice as many beneficiaries than the European Union (EU) average.
  - Less affluent transition countries (Kyrgyzstan, Tajikistan, Uzbekistan, and Romania) report less than half of the EU average.

- Disability pensions are targeted to the poor in most transition countries.
  - Two low-income Commonwealth of Independent States (CIS) countries, Tajikistan and Georgia, are exceptions, with almost uniform distribution of disability pension beneficiaries regardless of household consumption.
Disability Benefits (Global)

- Coverage can be improved in low-income countries where official disability rates are small.

- In transition economies particularly, the strong correlation between official disability status and employment may be explained by the fact that those who are “officially disabled” may risk losing benefits if they work.

- A Bulgaria study shows that educated persons with disabilities are less likely to report an over 90% reduction in ability to work, likely because higher education affords access to jobs less physically demanding jobs.\(^{19}\)

\(^{19}\) 12 percent among those with tertiary education, 43.4 percent among those with secondary education, and 44.6 percent among those with primary education or less.
Addressing Barriers: Solutions

• Solutions that have been implemented worldwide to the barriers in the labor market include:
  - laws and regulations,
  - tailored interventions,
  - vocational rehabilitation and training,
  - self-employment and microfinance,
  - social protection, and
  - working to change attitudes

• However, not all of these are successful, or even attempted in the informal sector, which is predominant in many developing countries. In addition, evidence on costs and benefits, individual and social, and outcomes of these solutions are not conclusive.

• Anti-discrimination and quota laws and regulations are wide-spread but implementation and effectiveness is varied

• South Africa recently incorporated a disability discrimination clause into general legislation, and Brazil and Ghana have disability anti-discrimination clauses in their constitutions

• Formal sector employment is subject to reasonable accommodation mandates, which remove barriers and increase access, but since the informal sector is not regulated, this has no impact on countries that are dominated by an informal market.
Addressing Barriers: 

**Affirmative Action & Quotas**

- Affirmative action laws aim to raise the number of people with disabilities in employment.

- Many countries mandate quotas to ensure the employment of persons with disabilities, although the benefits have not yet been proven.\(^{21}\)
  - Sixteen countries in Asia and the Pacific reported having a quota employment scheme for persons with disabilities in a United Nations study, with rates varying from 1% to 10%.

- In South Africa, government and state departments must be comprised 2% of people with disabilities.

- Turkey has a 3% quota for firms of over 50 employees, and the state pays employers’ social security contributions for disabled workers for the amount of the quota and matches half of the contributions for any disabled workers above the quota.

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\(^{21}\) Bangladesh; China; Japan; India; Indonesia; Kazakhstan; Lao People’s Democratic Republic; Malaysia; Mongolia; Nepal; Pakistan; the Philippines; the Republic of Korea; Thailand; Turkey; and Viet Nam
Addressing Barriers: 

**Affirmative Action & Quotas**

- Many countries impose fines on employers who do not meet quotas and use the fines to finance disability employment initiatives.
  - China uses the 1.5% quota fee for companies that fail to meet the quota to support the Disabled Persons Employment Security Fund, a service that supports training and job placement services for persons with disabilities.

- Quotas are also widely implemented in Asian and Pacific Nations and in transitioning and former Soviet Union Nations.

- Quotas are controversial, however, because employers would often rather pay a fine than fill the statutory mandates and disabled people’s organizations regard them as undermining the value of workers with disabilities.
Addressing Barriers: **Solutions**

- Employer incentives may be offered as a solution to employer resistance to hiring people with disabilities such as:
  - tax incentives,
  - government funding for employment accommodations, and
  - workplace modification support

- Supported employment, particularly for those with mental health or intellectual disabilities and brain injuries provides employment coaching, specialized job training, individualized supervision, transportation, and assistive technology, and has been proven successful.

- In Edinburgh, analysis of one project suggested that for every one pound invested, 5.87 was returned in savings in mental health and welfare benefits, tax income, and increased personal income.

- Sheltered work provides employment in segregated environments, and has been criticized for this.

- The goal most lauded today is to employ persons with the greatest disadvantage in the labor market in an inclusive environment.
Effectiveness of Protective Legislation

• Protective legislation has been effective in preventing a decline in work hours in the short term, but in disabilities that had an onset two years ago, workers have seventeen less work hours per week.

• For example, in Bosnia and Herzegovina, laws offer temporary relief, but after one year, disabled individuals face an inhospitable labor market with few formal employment opportunities and physically demanding informal employment.

• In countries with weaker employment protection laws but lower unemployment rates, there is a sharper decline at first and a subsequent recovery. 22

Recommendations

1. Improve education opportunity
2. Invest in inclusive economic development
3. Promote government procurement preferences
4. Protect against discrimination
5. Promote employer incentives
6. Promote inclusive financial services
7. Publicize road maps out of poverty
References


ABOUT THE BURTON BLATT INSTITUTE (BBI) AT SYRACUSE UNIVERSITY

BBI reaches around the globe in its efforts to advance the civic, economic, and social participation of people with disabilities. Officially launched in 2005, BBI builds on the legacy of Burton Blatt, former dean of SU’s School of Education and a pioneering disability rights scholar, to better the lives of people with disabilities. BBI engages in projects on civil and human rights, inclusive entrepreneurship, employment, and economic empowerment. With a staff of more than 60, BBI has offices in Syracuse, N.Y., Washington, D.C., Atlanta, Ga., New York, N.Y., and Tel Aviv, Israel. For more information, visit http://bbi.syr.edu.

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