Socioeconomic status of persons with disabilities and the cost of disability

Aleksandra Posarac,
Lead Economist,
World Bank
What do we mean by socioeconomic status?

• For the purpose of this presentation, we will focus on standard indicators of individual and household well-being:
  – Education
  – Health
  – Labor market status
  – Poverty status
What do we know?

- Globally, the evidence on the socioeconomic status of persons with disabilities is limited, because good quality data on persons with disabilities is limited.
- The situation greatly differs between developed and developing countries.
- Most of the evidence pertains to developed countries, as overall they have much better data (well established and regular data collection).
- As of lately, the situation has somewhat improved in developing countries (WHS, SINTEF, disability specific surveys, household surveys...).
A word of caution/caveats

• Disability measurement remains a perennial challenge;

• With rare exceptions, data is cross-sectional, providing a snapshot picture at one particular point in time)

• One can only talk about associations between disability and poverty (both income/consumption and non-income), but NOT about causality. For causality, one needs panel data.

• Except for WHS, no internationally comparable data
Overall, in developed countries, the empirical evidence suggests that on average, as a group when compared to persons without disabilities, disabled people have:

- lower educational attainment,
- worse health status and less access to health services
- lower employment and higher unemployment rates and have lower wages when employed, and
- are more likely to be poor than persons without disabilities

• In **developing countries**, available literature (for a review of literature see: Mitra, Posarac, Vick 2011) based on rigorous data and statistical analysis, suggest that on average, as a group, when compared to non-disabled peers, persons with disabilities are:
  – less likely to be employed,
  – more likely to have lower educational attainment, and
  – children with disabilities are less likely to be in school.

• The evidence is mixed on disparities in household economic well-being across disability status as measured by assets, living conditions, and household expenditures.

• Recent studies using multi-dimensional poverty methods find that people with disabilities are more likely to experience multidimensional poverty than persons without a disability.
• Deriving any definitive conclusions on the association between disability and poverty from this literature is not advised:
  – studies use different methods
  – the household survey data used in these studies are not comparable across countries, often because of their different measures of disability
  – the well-being status is significantly influenced by country specific policies and they vary widely

• As a result, there still remains little empirical certainty whether and to what extent on average, as a group, persons with disabilities and their families in developing countries are more likely to face adverse socioeconomic outcomes than those without disabilities.

• More and better data and more research is needed.
Poverty and disability

• Poverty may increase the risk of disability through several pathways many of which are related to poor health and its determinants
• Poverty may lead to the onset of a health condition that results in disability:
  – chronic malnutrition,
  – lack of or inadequate public health interventions,
  – poor living conditions
  – unsafe work environments
• Poverty, as a contextual factor, may also increase the likelihood that a health condition may result in a disability or restricted participation:
  – if there is a lack of health care and rehabilitation services or a lack of resources to access the services that are available,
  – stigma associated with a health condition may lead to activity limitations and participation restrictions given a particular social and cultural context and it might be worsened by the stigma associated with poverty;
  – limited resources in the community, for instance to build accessible roads or buildings, may also make it difficult for an individual with mobility impairment to participate in the community life.
Disability and poverty

• The onset of disability may lead to lower living standard and poverty through adverse impact on:
  – education: it may prevent/limit school attendance of children and youth with disabilities and restrict their human capital accumulation, thus leading to limited employment opportunities and reduced productivity (earnings) in adulthood,
  – employment and earnings: for those who become disabled as adults, disability may prevent work, or constrain the kind and amount of work a person can do, lowering income for the individual and the household and potentially resulting in poverty.
  – increased expenditures related to disability: disability may lead to additional expenditures for the individual and the household (health care, transportation, assistive devices, personal care). Because of the extra-cost, a household with a disabled member may experience a lower living standard than otherwise exactly the same household with the same income but no disability.
The relationship is highly contextual

- Whether the onset of disability may lead to poverty and whether poverty may result in disability is highly contextually specific

- The link is influenced by country specific policies in education, health, labor markets, social protection, etc.
Disability prevalence is higher in lower wealth quintiles

Disability prevalence by wealth quintiles

Based on World Health Survey, population 18+, see World Report on Disability, pp. 28, standardized for age and sex.
Disability prevalence by wealth quintiles

Based on World Health Survey, population 18+, see World Report on Disability, pp. 28, standardized for age and sex
Severe disability prevalence is higher in lower wealth quintiles

Severe disability prevalence in 18+ population

Based on WHS, see: WRD pp. 28, standardized for age and sex
Severe disability prevalence in 18+ population

Based on WHS, see: WRD pp. 28, standardized for age and sex
Very similar poverty rates at PPP US$1.25 international poverty line

From Mitra, Posarac and Vick, 2011, non-health per capita expenditure
Multidimensional poverty rates higher among disabled people

From Mitra, Posarac and Vick, 2011
Employment ratios: disabled to non-disabled population (WHS)

Male
- Low: 82
- High: 68
- All: 81

Female
- Low: 64
- High: 69
- All: 66

18–49
- Low: 73
- High: 64
- All: 72

50–59
- Low: 69
- High: 57
- All: 66

60 and over
- Low: 40
- High: 35
- All: 39
Primary school completion rates for disabled and non-disabled persons 18+ (Mitra, Posarac, Vick, 2011, based on WHS)
% share of health expenditure in total per capita HH expenditure (Mitra, Posarac, Vick, 2011; based on WHS)
A word of common sense

Two examples: less than 1 percent of girls with disabilities attend education and less than 1 percent of people with disabilities in developing countries are literate.

• When you hear data about disability:
  – Ask yourself whether numbers make sense;
  – Look at the source of data;
  – Check the quality and reliability of the source
  – Ask whether data was collected in a rigorous way, or it is based on “someone’s feeling”
  – Intuition is fine but not for policy making
  – Check definitions
  – Look at the analysis – was it rigorous enough?
  – Always ask questions, before deciding on whether to trust or not to trust the source.
Cost of disability

- Economic and social cost assumed to be significant
- Difficult to quantify
- Rarely done because of:
  - lack of agreed methodology (for example GDP loss because of low labor force participation of disabled people – whom to take into account – only those who want to work, and could have been hired but denied employment based on discrimination? Or the excess unemployment among disabled persons (i.e. the differential between unemployment of disabled and non-disabled people? – no-one calculates lost GDP because of general unemployment!);
  - lack of data (reliable estimates of lost productivity require accurate estimate of wages across gender, age, occupation, education – very difficult for disabled people out of employment for a long time);
  - definitions of disability vary, even within the same country (compiling the data from various sources technically questionable)
Direct cost of disability

- Extra cost of living with a disability
  - range from 11-69% of income in UK, 20-37% of income in Ireland, 9% in Bosnia & Herzegovina and 14% in Viet Nam...
  - little agreement on methodology
  - could play an important role in calibrating social assistance benefits to ensure horizontal equity of beneficiaries

- Public spending on programs that benefit disabled persons and their households
  - 1.5% of GDP in OECD in 2007 (2% when sickness benefits added)
  - have increased during the last decade creating fiscal pressure and concerns over affordability and sustainability
• Indirect cost of disability

• Economic:
  – lost productivity due to underinvestment in skills/education of disabled children
  – lost productivity when adults leave employment or reduce work after the onset of disability (6% of working age population in OECD out of employment and on disability benefits in 2007);
  – Associated loss of taxes

• Non-economic: social isolation, stress – difficult to quantify
Mitigating and decreasing the cost

- Prevention of disability: road and work safety, health education, etc.
- Prevention of co-morbidities and secondary conditions that may further limit functioning and participation
- Policies that encourage and foster work of persons with disabilities: they are cost-effective, will not only save money to the public purse, but increase individual satisfaction and quality of life.