Disability, long term conditions and poverty

Tom MacInnes, Adam Tinson, Declan Gaffney, Goretti Horgan and Ben Baumberg

What we’re going to talk about

- **Understanding** disability and poverty
- **Poverty** among disabled people
- Reducing poverty by *reducing costs*
- Reducing poverty by *increasing income*
A quick word on context

- **JRF anti-poverty strategy**
  - Very large project, reporting 2015
  - Disability one of 7 ‘large reviews’, of 30 total

- **Others involved**
  - Tom MacInnes, Adam Tinson (NPI)
  - Goretti Horgan (University of Ulster)

- **DRUK-facilitated policy workshop**
Understanding disability & poverty

- **Poverty** = when “someone’s resources (mainly their material resources) are not sufficient to meet their needs” (JRF)

- **Two ways of reducing poverty**
  - Increase (material) resources
    - Work
    - Other (esp. benefits)
  - Reduce costs of meeting needs
Disability and poverty

• Conventional poverty estimates
  – Higher in disabled working-age adults (31% vs. 20%)
  – 1 in 3 in poverty are in hhld with disabled person

• But these miss additional costs

Correction #1: Exclude DLA
  ▪ Exc. disability cost benefits from income
  ▪ Extra 1m in poverty

Correction #2: Estimate avg. costs
  ▪ Avg. = 24-35% income (Zaidi & Burchardt 2003)
  ▪ Extra 1.3-1.8m in poverty
Reducing poverty by reducing costs

- Self-evident, but often missed
- Little *academic* evidence
- Expertise & experience
  - *Suitable housing*: social housing, new-build, adapting homes
  - *Transport*: ‘Reasonable adjustment’ obligation in public transport / Motability
  - Better markets for specialist equipment
  - Innovative use of technology
  - Universal design for consumer devices
Disability and work

• Disability employment penalty reducing in the decade to 2009

• But problems in measuring these – on some measures, the gap had not closed at all

• Even allowing for qualification levels, disabled people face an employment “penalty”

• More likely to lack the work they want, more likely to be low paid if in work
How does the UK compare?

Figure 3.5 – Social expenditure on disability benefits and paid sick leave

Source: Eurostat social protection statistics; OECD social expenditure database. The data is for 2007.
No relationship of benefit receipt to employment of disabled people across countries

Source: OECD Sickness, disability and work: breaking the barriers (2010) figures 2.1 and 2.10
Reviewing the evidence on disability and employment

- Generic employment programmes (such as Work Programme) risk leading to ‘cream-skimming’ and ‘parking’
- Personalisation? ‘front-line advisers have typical workloads of 120-180 clients each, making the promised personalisation approach largely procedural in nature’
- Strict can/can’t work dichotomy can be unhelpful – some evidence that partial return to work leads to sustained improvements in outcomes but for people with physical conditions only
- Tighter benefit eligibility conditions associated with poorer long-term outcomes for some physical conditions
- Individual Placement and Support model has proven effective for people with severe mental health problems but only when properly funded
Is there a good evidence base for “what works”?

- Evidence on ‘what works’ is biased towards physical conditions and towards speeding return to work for people who are already in employment.
- The evidence base on ‘what works’ for people with mental health problems and for those not currently in employment is much less developed.
- No silver bullet: out of work disability benefit caseload is very diverse in terms of type and severity of impairment, age at onset of disability, qualifications, age, employment history etc.
Conclusions

• **Poverty and disability are closely linked**
  – Almost one in three people in poverty is either disabled or lives with a disabled person
  – And a ‘missing million’ of people in poverty beyond this (in hhldss with a disabled person)

• **Paid work can reduce poverty…**
  – ….but only through specialist services + early intervention + cooperation from employers
  – It will not always be an option – a fair benefits system and improved public discourse are key
For more information


- Follow-up project by BB at http://www.demos.co.uk/projects/rethinking-incapacity (main launch Feb 2015)
DISABILITY AND LONG-TERM CONDITIONS AND POVERTY

This study considers how poverty among disabled people is underestimated and explores the difficulty in escaping poverty through paid work. It presents recommendations for reducing poverty among disabled people.

Key points

- Poverty among disabled people is consistently underestimated. This study uses two different adjustments, each finding at least a ‘missing million’ people in poverty in households with a disabled person.
- Making society less disabling will reduce poverty among disabled people. Possible ways of doing this include improving affordability and accessibility of transport and housing, developing standards for consumer devices, better use of technology, and making markets for assistive technologies work more effectively.
- Disabled people are less likely to be working and more likely to be low-paid. There are four main ways that this could be tackled:
  - the benefits system: changes are needed so that the system doesn’t stop people from being able to work;
  - specialist programmes can help people return to work when they include personalisation rather than sharp targets;
  - early intervention, including better workplace practices and responsive health systems, as well as a healthy psychosocial work environment;
  - employers – many disabled people simply face limited opportunities. There is a common perception that employing disabled people involves extra costs, and there are limits to ‘reasonable’ adjustments. Stronger actions may therefore be necessary, including regulation and incentives.
- Disabled people stress that work is not always the solution; policies should resist the temptation to simplify the diversity of disability. It may be necessary to change the current public debate; the idea that ‘work is the best route out of poverty’ clearly cannot apply to all disabled people, and reducing the aim of poverty reduction to simply improved access to employment would be counterproductive.

The research

By Tom MaclInnes and Adam Tinson, New Policy Institute; Declan Gaffney, independent policy consultant; Goretti Horgan, University of Ulster; Ben Baumberg, University of Kent
BACKGROUND

Most studies underestimate the levels of poverty among people with disabilities. This study shows the likely size of these underestimates, and explores the difficulty in escaping poverty through paid work.

Disability is a huge part of the poverty picture in the UK. Using the standard measure, one in three people in poverty live in a household with a disabled person. The headline poverty rate for disabled individuals is 23 per cent – slightly higher than the rate of non-disabled individuals of 21 per cent.

However, poverty is about whether someone’s material resources are sufficient to meet their needs. Disabled people’s needs are often greater – some estimates put this at £1,500 a week. This is due to both ‘enhanced costs’ (things everyone needs but which are more expensive for disabled people) and ‘special costs’ (things that only disabled people need).

Unfortunately it is impossible to precisely adjust for these extra costs – they differ too much between different disabled people. However, this review provides two estimates that adjust for this in different ways.

- **Excluding certain disability benefits from income:** nearly 7 million people live in a household where someone receives a benefit ( Disability Living Allowance or Attendance Allowance) to meet some of the extra costs of disability. This is conventionally treated as ‘income’, even though a disabled person with £100 extra income and £100 extra needs is as poor as someone without a disability. When these benefits are excluded from income an extra 1 million people are found to be in poverty.

- **Estimating extra costs as a percentage of income:** one study found that the average disabled person had extra costs amounting to 24–35 per cent of their income (depending on household composition). Using these figures, the poverty rate among households with a disabled member rises from 25 per cent to 30–32 per cent, amounting to an extra 1.3 –1.8 million people in poverty.

While these estimates are imprecise, we can reasonably say that the official poverty statistics cover up a ‘missing million’ people in poverty, in households with a disabled person; possibly the figure is even higher.
Reducing disability poverty by reducing the extra costs of disability

It is self-evident that making society less disabling will reduce poverty among disabled people. While there is little direct evidence on how to go about this, the literature and the author’s policy workshop with disabled people suggested the following:

- greater levels of suitable housing could be provided, whether by changing policies in social housing, improving the standards of new-build homes, or helping disabled people own (and adapt) their own home;
- there could be greater enforcement of the ‘reasonable adjustment’ obligation in public transport, and the private transport Motability scheme could be made more widely available;
- disabled people are legally discriminated against in certain markets, such as insurance and other financial products. Government could legislate to make this discrimination illegal;
- standards for consumer devices (and government standards in contracts) could build in accessibility, without the need for separate markets specifically for disabled people;
- technology could be used to reduce costs. Prizes could encourage entrepreneurs to think of innovative ways of reducing costs, and government investment could be increased;
- the markets for assistive technologies could be made to work more efficiently through e.g. bulk buying and an online portal. There is also an argument for extending government support from 'Access to Work' to a new ‘Access to Life’ scheme.

Reducing disability poverty through paid work

Disabled people are less likely to be working and more likely to be low paid than those without disabilities (even those with the same level of qualifications). The evidence review suggested four main areas for policy: benefits, return to work, prevention, and focusing on employers.

Despite an intense policy focus on reforming disability benefit systems over recent decades, improvements in employment for disabled people have often failed to materialise. There is no evidence at the national level that disability employment rates are improved by either reducing benefit generosity, tighter eligibility or stepping up activation policies (although these policies might reduce disability benefit caseloads). Disabled people themselves highlighted that the benefits system needs to allow people to move to areas where there are more jobs, and to create a system with fair criteria and processes.

Specialist programmes can also help people return to work – although the evidence mainly covers common physical health problems. Effective programmes include longer-term engagement and personalisation, and avoiding sharp work-focused targets that lead to ‘cream-skimming’ and ‘parking’. Some specialist programmes seem more effective but only work with limited numbers of people. Supported employment that combines intensive long-term in-work support and employer subsidies – in particular, the Individual Placement and Support model – is one of the best ways of helping people with severe mental health conditions into sustained employment. However, this type of intervention needs to be properly resourced. Disabled people also highlighted that people may need help to reskill, where there is a mismatch between the jobs they are qualified or experienced and the jobs that their health or disability allows them to do.
Early intervention can stop people leaving work to begin with. Long-term worklessness due to mental health conditions and musculoskeletal disorders can be reduced through better workplace practices, while responsive health systems can reduce the risk of developing severe mental ill-health. Once sick leave starts to be taken, early healthcare and workplace interventions can help people with common health conditions to retain their jobs. Maintaining a healthy working environment is also crucial.

However, disabled people stressed that they often face limited opportunities in the labour market: it is crucial to ask ‘what should employers do differently?’ Individual managers can make a difference, and a radical improvement in advice and training to employers could help. Yet there is a common perception that employing disabled people involves greater cost (which can be true in some circumstances). Employers are also often reluctant to make adjustments as this can induce resentment among colleagues, or involve additional costs, even if these are lower than anticipated. Workplace adjustments could help more people to work, and it is a legal obligation for employers to make ‘reasonable’ adjustments. However the overwhelming majority of disabled people in work have jobs for which they do not need a particular adjustment – they just happen to be in a suitable job.

Disabled people suggested some stronger actions, including regulation (supporting disabled people to assert their existing employment rights) and incentives (targeted help to small companies, expanded access to work, personal budgets for employment support). A number of countries impose stricter job protection for sick or disabled workers. This reduces the risk of loss of employment for workers, but it may also mean employers avoid hiring disabled workers in order to maintain staffing flexibility.

Further recommendations from disabled people

The disabled people at our policy workshop stressed three further points:

• There is a need to challenge the assumption that paid work is the solution to poverty among disabled people. Some disabled people cannot work, nor is work what everybody wants when they have just found out about a serious health condition.
• ‘Disability’ and ‘sickness’ are diverse and complex. We should resist the temptation to make policies that falsely simplify the issues. Nor should policies be seen as a series of disconnected levers to be pulled – it is about creating a system that works as a whole.
• The current policy debate often seems to deny the legitimacy of social security benefits, and to deny that some people are simply not able to work. It will be hard to tackle poverty among sick and disabled people without fundamentally changing the debate.

About the project

This study drew on new data analyses using the Households Below Average Income (HBAI) data, supplemented by other surveys such as the Health Survey for England and international data from the OECD and Eurostat; reviews of published literature on ‘what works’; a policy workshop in October 2013 organised by Disability Rights UK.

Read the full report.
One person’s third sector perspective on research

- The research we often get
- Research that is either very short term i.e. surveys or very long term i.e. longitudinal studies
- Research that focuses upon barriers or impacts e.g. disabled people cannot do A, B, C and this means X, Y, Z
- Research that takes as its starting point that disabled people lack something and that somebody else therefore has to do something for us
- A focus on invest to save arguments, if we spent this money now we would recoup that money in a years time or more
- Tendency to make the case for particular groups but does this buy into the notion that there are some groups more vulnerable than others and lead to competition as to who is the most deserving with the inference that some aren’t?
The research we often need and want

• Research allied to parliamentary cycles

• Research on how to prevent the economic exclusion of disabled people rather than cure it

• Focus on strengths: resilience, problem solving, empathy, etc

• Research on how disabled people can be agents of change – not simply what we have done for disabled people but what have we were enabled to do for something for ourselves

• Research on how to go beyond an economy based upon shortages e.g. the £360 million budget for specialist employment support

• Research on assisting disabled people to become networked to the satellite centres of research and in turn directly involved in research
Taking a pneumatic drill
to the ground below

- How can we bootstrap disabled people into the future economy so that we get there first? – skills exchanges, asset matching, something else? etc

- Disabled people have many strengths – how can we facilitate their transfer into organisational structures and ways of working to disabled people’s economic advantage?

- The market for disability goods and services is bigger than the Chinese consumer market (See the fifth quadrant report of “The Return on Disability” – 3rd April, 2013). What will it take for business to want to tap into that growing market?

- Of course the answer lies in disruptive thinking – your disruptive thinking! Please write your question down and we will circulate it with the presentations after the seminar

- Finally we wish to produce studies that answer the questions posed in this seminar so please talk to us if you are able to be sponsor of this vital work
Research is published every day and is contested almost as soon as the ink is dry. One of the keys to its impact is its value to those who could champion it and not simply its value to decision makers who could act on it. However all too often the research lacks “stickiness.” This is especially true for the disability community, here are my thoughts on why. Essentially as potential champions there is a disconnect between the research we usually get and the research we often want.

Research is often very short term e.g. surveys or long-term e.g. longitudinal studies but what is required is something that fits in with parliamentary cycles or public spending reviews. The research is fixated upon barriers or adverse impacts e.g. disabled people cannot do something and this means that they are then unable to do something else but what is required is research about what they could do and how they could be supported to do it. Similarly research often takes as its starting point that disabled people are in deficit and therefore the solution is for someone else to do something for them rather than ask is there something they have more than non-disabled people e.g. resilience, empathy, problem solving; is there an economic role for them in organising that transfer. When economic arguments are assessed its usually “invest to save” ones when what is needed is how to we can make good things happen if there is no money being made available now. There is a tendency to make the case for particular groups but this risks buying into the argument that there are some groups more vulnerable than others and leads to competition as to who is the most deserving with the inference that some aren’t.

So what do we want? Firstly research that is timely perhaps that’s six months before it is actually needed. Research that prevents the economic exclusion of disabled people rather than simply looks at how to cure it. Research on how disabled people can themselves be the agents of change i.e. not what have we done for disabled people but what have we enabled them to do for themselves. Research on how we can go beyond an economy based upon shortages e.g. the £360 million rationing of employment support. Finally there is the need for research on assisting disabled people to become networked to the satellite centres of research and in turn directly involve them in research.
Research needs to go beyond simply the current problems. Einstein famously said you cannot solve a problem with the thinking that created it. Many of the present models of doing things have either failed disabled people such as the back to work prime/sub contractor model or been inadequate at resolving inequality such as neo-liberalism. Consequently we need a new model and research that supports that model’s value to the whole of society. In this way a new model would simply make the old one redundant. So are we thinking big enough: are we being disruptive?

Disruptive thinking is what has led to disruptive technology, disruptive business practices and indeed disrupting ways of doing anything. It often starts with the question what is the ideal way of doing something and ends with the question then why don’t we do that. Then comes the how. So what are the most disruptive questions we could possibly ask about the lives of disabled people that would lead to them equalising their status in society with that of non-disabled people?

Well in a “Goldilocks” world of everything being just right for life: the right levels of oxygen in the atmosphere, the right levels of atmospheric pressure for water to be a liquid - is there the right number or level of disabled people in the world for it to produce the right level of resourcefulness that in turn fuels human development. Could it be that non-disabled people need disabled people?

At present it often seems to be the case that more people know the cost of greed than the value of compassion. More businesses are focused upon the Chinese consumer market than the market that’s of a comparable size in disability goods and services. Much human achievement has been sparked by a desire to make life better for our fellow human beings but without us being aware of the economic value of this motivation. We will never truly know the value of compassion but what is the value of all the patents taken out for aids, adaptations, etc that a large number of businesses’ success is built upon?

Finally the future arrives at different speeds for people. You only have to watch the person on his mobile brush past the person selling the “Big Issue” standing alongside a rough sleeper to see this on any given day. Could the last person come first. What would it take for the disabled person to experience the future first and then begin to shape society around the needs of their community? Clearly skills for future labour markets are important but so too are higher level skills to define that market too.
When I first spoke of “predistribution” in 2011, my aim was to encourage a conversation about policies that would make markets work better—better at ensuring that prosperity was shared and better at translating economic growth into improved social health.

My point was simple: Those worried about rising inequality and committed to equal opportunity for all, including the disabled, needed to pay more attention to how markets were structured. No longer could we complacently observe, much less actively encourage, the development of highly risky and inegalitarian practices in the private sector. Nor could we retreat from a fundamental purpose of public authority—to ensure that socially beneficial activities not rewarded by the market were encouraged while socially destructive ones were discouraged.

My goal in this essay is to explain why I still think this agenda fills a fundamental gap in our current governing toolkit. In the course of doing so, I hope to clarify what predistribution is and what it is not, and to briefly explain how it applies to policies toward the disabled—the subject of the conference that prompts this note.

The Forgotten Roots of Modern Prosperity

The foundation of inclusive markets is public investment: in projects that make society richer and in the capacities of those who are least likely to experience employment and achievement without such investment, including the disabled.

Since the dawn of the modern age, government has been at the heart of innovation and growth, broadly understood. Most of the technical breakthroughs that breathless commentators ascribe to the genius of Steve Jobs or Bill Gates emerged out of public research and funding. Even more important, most of the public health and medical breakthroughs that have revolutionized our lives (and which even cautious estimates suggest are worth much more than the increases in income we have enjoyed) can be credited to the regulatory and investment power of the state.

The public foundations of twentieth-century prosperity encompassed electrification, modern transportation and communication networks, and the municipal infrastructure that made possible running water, indoor plumbing, and so much else that enabled cities to become healthy hubs for innovation and advancement. For the twenty-first century, the list must expand to include the infrastructure for advanced
digital communication, newer and more efficient forms of mass transit, and platforms for a green-energy economy, such as smart electric grids. These projects are genuine investments in the future, they are extraordinarily attractive today given low interest rates and a backlog of needs, and they should be treated separately from ordinary public transfers in government accounts. But they will not occur with public dollars and public action to facilitate private investment.

We also need to rekindle our faith in public investment in education and training, from early childhood development to the continuing skills improvement that a knowledge-based economy demands. To be sure, public resources should be used prudently, and reducing the unit cost of human capital investments is one way to boost net benefits. (A second is to focus resources where the returns are greatest—which means that even universal programs should ensure that special resources are devoted to the least advantaged.) But we should never forget just how large the benefits are.

From Economic Growth to Human Development

These benefits remind us that the translation of growth into shared prosperity is hardly an automatic process. It requires active democratic governance. Take the current U.S. situation of “profits without prosperity,” in which overall growth has rebounded but little of it is going into long-term investment or workers’ paychecks. Financial deregulation and the hands-off approach to corporate governance were premised on the assumption that the generation of higher valuations on Wall Street was an inevitable precursor of higher incomes on Main Street.

In fact, the growing share of the economy that goes into finance—or into environmentally destructive energy practices—is a double negative. It pulls money and talent from more productive sectors while imposing enormous costs and risks on everyone but favored insiders. What economists call “rent-seeking” does not just occur when private interests wheedle special deals from government. Far more common, it reflects the passivity of government in the face of major distortions of the market that benefit a favored few at the expense of most everyone else.

While all of us ultimately pay the price, the costs and risks imposed by rent-seeking sectors like finance are greatest for those who are most vulnerable to economic swings and most dependent on wage income. And here we arrive at the greatest promise of predistribution: restoring the foundations of middle-class democracy.

Making Labor Markets Work for All

The central pillar of successful societies is fulfilling and socially valuable work for as many citizens as possible. That means macroeconomic policies that ensure tight labor markets—in the present environment, substantial public investment—and
rules and levies that reduce the risks of financial instability. The most promising financial constraints are also the simplest: a financial transaction tax that reduces speculative activity, strict limits on leverage, and public requirements for open, transparent exchanges.

Ensuring high levels of labor force participation also requires moving to support work in myriad ways: with investments (as already noted) in early, primary, and higher education; with continuing opportunities for the development of new skills; with regulations and subsidies that bring up wages, with benefits that are portable from job to job; and with support for families that allows parents to balance work and child care and children to balance work and elder care. There should also be a renewed emphasis on minimum wage requirements, high labor standards in public contracting, and the promotion of alternatives to unions, such as work councils, that can provide workers with a chance to share concerns and ideas that improve both fairness and efficiency.

For the disabled, we need to understand that much of the rise in the disability rolls results from massive changes in our society—the movement of women into paid work, the aging of our societies, and our long-overdue recognition of very real disabilities that concern mental health. Of course we should create opportunities for the permanently disabled to move back into the workforce—laws requiring accommodation are a major predistribution strategy. But these opportunities will not be seized unless governments invest in technology, training, and targeted inclusion that allows disabled people to cultivate and use their distinctive skills. Above all, we must recognize that the challenges that the disabled face in a more ruthless economy represent simply a more extreme version of what all workers now face as labor has lost power relative to employers and financialization (and globalization) have pressured firms to restrict earnings, benefits, and flexibility.

We often conceive of efforts to end discrimination and promote equality of opportunity as all about social justice. But they are also measures to better utilize the dispersed talent of diverse societies. A society that fails to promote the skills and opportunities of all its members is leaving money on the table.

A Hopeful Vision

Predistribution is not a strategy for doing more with less. It is a strategy for doing more with more—more policy options for creating healthy societies and more public investment for ensuring broad-based growth. A predistribution agenda does not make all the hard choices easy. But we are at least able to recognize what the real choices are.
Foreword

The promise of pre-distribution

Jacob S. Hacker

Imagine for a moment that you are a highway engineer. Your job is to balance speed and safety — to ensure that people can get where they need to go without putting their lives on the line. Now imagine your supervisor tells you that the only thing you are allowed to do is redirect cars from the most congested roads to the least congested. No redesign of roads, no safety requirements for automobiles, no regulation of entry and exit to the highways, no speed limits, no congestion pricing, nothing. Just reallocation of cars on the existing roadways.

You know that redirecting traffic will reduce problems for some. You also know that it will create new hassles for others, people who may have figured out faster routes or paid to live away from the gridlock and now feel they are being held back to achieve some greater cause that has little do with them. And who knows whether any of this will make people safer overall? You have the tools for getting the balance right, but you are not allowed to use them. You are trapped in a box.

When it comes to pursuing growth and justice, progressives today are not unlike that unfortunate highway engineer, caught in a box that was built for past political battles. They have accepted a narrowing of the tools they are supposed to use to manage the economic challenges that post-industrial societies face. Their highways are the structures of contemporary capitalism; the traffic they need to master is the increasingly unequal patterns of growth that pulse through these structures. And the strictures that they face — and that, indeed, they too rarely even recognise as constraints — concern the proper role of the state in a modern knowledge economy.

When I first spoke of “pre-distribution” in 2011, I thought what I was saying would be uncontroversial, if not all that catchy. I was doubly wrong: it was controversial and catchy. The attacks from the right were to be expected; more surprising was the resistance on the left to the idea that after-the-fact redistribution — letting the market rip and then cleaning up afterward — was no longer a viable governing approach. Even more surprising was the attraction of the awkward neologism itself, so much so that many started using it as a catch-all label for progressive strategies that accommodated fiscal austerity, a meaning exactly the opposite of my original intent.

So I am gratified and humbled to introduce this collection of informed and wise essays on the promise of a pre-distribution agenda. The chapters to come differ on many details, but they agree on the value of broadening the toolkit of progressive governance and going back to the basics of economic design. In introducing them, I want to pull out what I see as their major implications for our present political and
economic challenges — and what I am convinced is their hopeful message for our ability to meet those challenges.

**The forgotten roots of modern prosperity**

Pre-distribution is not a strategy for doing more with less. It is a strategy for doing more with more — more policy options for creating healthy societies and more public investment for ensuring broad-based growth. The current backdrop of public austerity precipitated by private market failures is only the surface manifestation of a deeper problem: an institutionalised conception of the state that progressives helped construct during the unstable bubbles of the 1990s and 2000s.

In that cramped conception, government's primary function is to redistribute the rewards of decentralised economic growth to ensure no one is left too far behind. When it comes to economic policy, the state should “steer, not row,” as David Osborne and Ted Gaebler put it in the book that became the bible of America’s New Democrats, *Reinventing Government*. Government does not generate prosperity — it does not row. Its goal is to make sure the drivers of prosperity are heading in the right direction. Sometimes you need to redirect traffic, but in doing so you are inevitably interfering with the underlying dynamism of the system.

President Clinton’s Treasury Secretary, Lawrence Summers, put this view best in a 2001 interview:

> There is something about this epoch in history that really puts a premium on incentives, on decentralisation, on allowing small economic energy to bubble up rather than a more top-down, more directed approach.

Summers was speaking, of course, about the ongoing revolution in information technology that occurred during his tenure (ironically, just after the dot.com crash and rescue of the giant hedge fund Long-Term Capital Management, which presaged the devastating financial crisis to come). In the minds of many policy elites, the high-tech boom was linked with changes in the financial sector that Clinton and Summers also supported: public deficit reduction alongside private financial speculation. Summers even compared the increasingly complex technologies of finance to high-speed airplanes. Like jets, we could not do without these multiplying financial products — we just had to figure out how to make them a little safer.

This managerial, ameliorative view of the state crumbles in the face of two basic realities. First, since the dawn of the modern age, government has been at the heart of innovation and growth, broadly understood. Those breakthroughs that Summers extolled and breathless commentators ascribed to the genius of Steve Jobs or Bill Gates — virtually all of them emerged out of public research and funding. As the economist Mariana Mazzucato has shown, every component of Jobs’s iconic iPhone — even the software behind that pleasant voice that asks you to repeat your
questions — emerged from basic R&D done by publicly funded scientists in Europe and the United States.\(^5\)

Or consider the 100 innovations lauded each year by \textit{R&D Magazine}: innovations that have included HDTV, the nicoderm smoking cessation patch, the anti-cancer drug Taxol, the ATM, and LCD. In recent years, according to research conducted at UC Davis, over two thirds of the winners have come from partnerships involving business and government. In 2006, the last year of the study, nearly 90 per cent of the organisations that produced award-winning innovations in the United States benefited from federal funding. By contrast, that year just two award-winning innovations were developed by Fortune 500 companies.\(^6\)

Even more important, most of the public health and medical breakthroughs that have revolutionised our lives (and which even cautious estimates suggest are worth much more than the increases in income we have enjoyed) can be credited to the regulatory and investment power of the state. The MRI, for example, emerged from a series of U.S. National Science Foundation grants starting in the mid-1950s. The laser, also vital to medical practice as well as consumer electronics and much else, grew out of military-funded research. In drug development, a 1995 investigation by researchers at MIT found that government research led to 11 of the 14 most medically significant drugs over the prior quarter century. Another study showed that public funding of research was instrumental in the development of more than 70 per cent of the drugs with the greatest therapeutic value introduced between 1965 and 1992 (most of the rest received public funding and research during clinical trials). The same is true of virtually all the biggest medical breakthroughs of recent decades: According to a 1997 study of important scientific papers cited in medical industry patents, nearly three quarters of those funded by U.S. sources were financed by the federal government.

Though the United States is falling behind other rich nations in measures of population health, including longevity and infant mortality, the gains that have occurred owe overwhelmingly to federal action. Just two prominent policies — the efforts to stem smoking and the improvement in air quality created by the Clean Air Act — account for the majority of gains in Americans’ life expectancy since the 1970s.\(^7\)

Government rows, and it rows hard. And if it stops rowing — and the cutbacks in R&D, infrastructure, medical innovation, and education all augur badly — we will be much poorer and sicker in the future than we would be otherwise.

Second, and even more important, the translation of growth into shared prosperity is hardly an automatic process. It requires active democratic governance. Take the current U.S. situation of ‘profits without prosperity’, in which overall growth has rebounded but little of it is going into long-term investment or workers’ paychecks. As much as Democrats derided the trickle-down philosophy of supply-side tax cuts, financial deregulation and the hands-off approach to corporate governance were
premised on a similar assumption: that the generation of higher valuations on Wall Street was an inevitable precursor of higher incomes on Main Street.

In fact, the growing share of the economy that goes into finance — or into overpriced health services or environmentally destructive energy practices — is a double negative. It pulls money and talent from more productive sectors while imposing enormous costs and risks on everyone but favoured insiders. What economists call ‘rent-seeking’ — the generation of excess returns for privileged players through the exercise of market power, political influence, or both — does not just occur when special interests wheedle special deals from the government. Far more common, it reflects the government’s passivity in the face of major market distortions that benefit a favoured few at the expense of most everyone else. Nowhere has this been truer than in the financial sector, which has come to capture more than a third of all corporate profits in the United States, even as the cost of financial intermediation has risen, employment in the sector has barely budged, and the rest of the economy has suffered the devastating consequences of financial instability.8

The negative effects on corporate behaviour are not just limited to the financial sector itself. With greater pressure for immediate shareholder returns, U.S. managers outside the financial sector have focused more and more on paying dividends and keeping stock prices up, rather than growing companies over the long term. Indeed, over 90 per cent of the profits earned by companies that were in the S&P 500 from 2003 through 2012 went to stock buybacks (54 per cent) and dividends (37 per cent).9 Put another way, less than one in 10 dollars of profit was invested in future growth or distributed to workers as higher pay. No wonder big U.S. corporations are not innovating much.

While all of us ultimately pay the price, the costs and risks imposed by rent-seeking sectors like finance are greatest for those who are most vulnerable to economic swings and most dependent on wage income — to the outsiders in the insider economy. And here we arrive at the greatest promise of pre-distribution: restoring the foundations of middle-class democracy.

**The investment imperative**

The foundation of inclusive markets is public investment: in projects that make society richer and in the skills and capacities of citizens, especially the young and those who are least likely to experience employment and achievement without such investment. The public foundations of twentieth-century prosperity included electrification, modern transportation and communication networks, and the municipal infrastructure that made possible running water, indoor plumbing, and so much else that enabled cities to become healthy hubs for innovation and advancement.
For the twenty-first century, the list must expand to include the infrastructure for advanced digital communication, newer and more efficient forms of mass transit, and platforms for a green-energy economy, such as smart electric grids. These projects are genuine investments in the future, they are extraordinarily attractive today given low interest rates and a backlog of needs, and they should be treated separately from ordinary public transfers in government accounts. But they will not occur with public dollars and public action to facilitate private investment.

Public investment is not about ‘picking winners’ once and for all. Technologies and projects should be chosen through competitive processes of resource allocation, as has been true in R&D and science funding for decades. Just as in private investment, some bets will not pay off, and nimble policies will be needed to ensure that projects can be carried through without excess litigation or delay. But investment in public goods will not happen without government taking the lead. No one within America’s military–industrial-academic complex (President Eisenhower’s original formulation of the famous phrase) could be certain that they were creating the jobs of tomorrow. But when they laid the groundwork for the internet and modern computing, they acted with a faith that government had a vital — indeed, essential — role to play in fostering human development. We need that faith again.

We also need to rekindle our faith in public investment in education and training, from early childhood development to the continuing skills improvement that a knowledge-based economy demands. To be sure, public resources should be used prudently, and reducing the unit cost of human capital investments is one way to boost net benefits. (A second is to focus resources where the returns are greatest—which means that even universal programs should ensure that special resources are devoted to the least advantaged.) But we should never forget just how large the benefits are. As the University of Chicago’s James Heckman has persuasively argued, even conservative estimates of the returns of early childhood interventions—from increased productivity to improved life outcomes (including health outcomes) to reduced costs for public assistance—make them among the best investments that governments can make, helping children grow up to be productive adults while improving the parenting abilities of their caretakers. 10

Another high-returns investment is ensuring that young adults finish college without enormous debt (and that any debt takes the form of income-contingent payments, to reduce the risk of default and burden on young people as they build careers or businesses). During the 2012 presidential campaign, the eventual GOP nominee Mitt Romney told a young questioner who asked how he could pay the ever-rising cost of college: "It would be popular for me to stand up and say I’m going to give you government money to pay for your college, but I’m not going to promise that... And don’t expect the government to forgive the debt that you take on."11

This is a terribly blinkered view: Why shouldn’t public money be used to invest in the higher productivity and better social outcomes that advanced education provides? As scholars have delved deeper and deeper into the returns of education,
they have found more and more evidence that the social returns are extraordinarily large—perhaps larger than the private returns, which are widely acknowledged to be substantial. Just as some nominally private activities produces negative costs for societies, others (like high-quality post-secondary education) produces positive benefits. What unites these two kinds of externalities is that neither are fully taken into account by those engaged in the activities themselves. We should be discouraging actions that harm the rest of us, shifting the costs to society back onto those who are imposing them. And we should be encouraging actions that help the rest of us—not out of the goodness of our heart, but for our own long-term good.

The pillars of pre-distribution

Investment takes time to pay off, and we will be paying the price for past under-investment for a long time to come. How can we create jobs and expand productivity now, and no less importantly, ensure that those taking these jobs receive a decent share of the productivity gains that their work helps make possible? The essays to come provide many answers to this vital question. But a few of their common prescriptions stand out.

To begin with, the central pillar of successful societies is fulfilling and socially valuable work for as many citizens as possible. That means macroeconomic policies that ensure tight labour markets — in the present environment, substantial public investment — and rules and levies that reduce the risks of financial instability. The most promising financial constraints are also the simplest: a financial transaction tax that reduces speculative activity, strict limits on leverage, and public requirements for open, transparent exchanges.

Ensuring high levels of labour force participation also requires moving to support work in myriad ways: with regulations and subsidies that bring up wages, with benefits that are portable from job to job, and with support for families that allows parents to balance work and child care and children to balance work and elder care.

The Beveridge/FDR model of the welfare state was built on the assumption of a male breadwinner, his bargaining power augmented by expanding labour unions, who was able to earn enough through his wages to support a family. No one can make this assumption today. We live in a post-labour economic world, with the rewards of growth going mostly to those who hold or are paid in the form of capital. No longer can we comfort ourselves with the belief that wage increases will naturally track productivity gains, nor can we be content with wealth so radically maldistributed that the richest 16,000 American families have more aggregate wealth than everyone in the bottom two thirds of the U.S. wealth distribution.

Instead, there must be a renewed emphasis on minimum wage requirements, high labour standards in public contracting, and the promotion of alternatives to unions, such as work councils, that can provide workers with a chance to share concerns
and ideas that improve both fairness and efficiency. At the same time, we should not neglect the role of corporate governance in restoring the link between profits and prosperity: boards should include worker representation, manipulation of stock prices through buybacks and similar financial ploys should be prohibited, and there should be a heavy emphasis on transparent executive pay packages geared to long-term corporate performance relative to industry peers, not short-term shifts in share prices. And to the extent possible, workers should be part of this deal, receiving a share of company profits as well as a wage or salary.

Far more happily, we also live in a world of vastly greater gender and racial equality, though much progress still needs to be made. We often conceive of efforts to end discrimination and promote equality of opportunity as all about social justice. But they are also measures to better utilise the dispersed talent of diverse societies. Recently, Chicago and Stanford economists have shown just how much such efforts matter: they find that between 1960 and 2008, as much as a fifth of overall U.S. growth was simply due to women and people of color entering and using their skills in traditionally closed-off professional occupations.\textsuperscript{14} A society that fails to promote the skills and opportunities of all its members is leaving money on the table.

Speaking of money on the table: the threat to our social and economic well-being — and ultimately our planet — posed by climate change provides the opportunity for a new understanding of our common wealth. Carbon emissions put a tax on all of us, destroying what we share without compensation. Any solution to the problem must involve putting a price on this destruction. These payments — a carbon tax or tradeable emission rights — should be transformed into wealth for all of society. Some of the proceeds should be put into green energy infrastructure, but the rest should be placed in a trust, invested in the real economy, that provides some form of an individual property claim for all citizens.

**Pre-distribution: A policy toolkit for progressives**

Too often the strains faced by post-industrial societies prompt fatalism. Together with the ameliorative view of the state just criticised, this fatalism strikes at the heart of the case for active governance that sustains the progressive spirit. The fact is that advanced industrial societies have tackled great challenges before. We can only rebuild public trust in the ability of governing institutions to address our present challenges step by step, over many years, through the hard work of gaining and using democratic authority. But we can, and we must begin now.

For those who understand that innovation and progress depends on a state that can row as well as steer, on creating the public foundations of prosperity as well as restricting private activities that threaten it, nothing could be more important than articulating a realistic, robust approach to high-wage full employment in the twenty-first century. A pre-distribution agenda does not make all the hard choices easy. But
like the engineer who is allowed to open his toolkit, we are at least able to recognise what the real choices are.

1 Jacob S. Hacker. 'The Foundations of Middle Class Democracy,' In Priorities for a New Political Economy: Memos to the Left (London: Policy Network, 2011), pp. 33-38. My thinking about the role of the state in fostering prosperity has been deeply influenced by my more than decade-long collaboration with Paul Pierson. This essay draws ideas from our most recent collaboration, Winner-Take-All Politics: How Washington Made the Rich Richer—And Turned Its Back on the Middle Class (New York: Simon & Schuster, 2010), as well as the book we are now completing, American Amnesia: The Forgotten Roots of American Prosperity (New York: Simon & Schuster, forthcoming)


5 Mariana Mazzucato. The Entrepreneurial State: Debunking Public vs. Private Sector Myths (London: Anthem Press, 2013). The voice-powered assistant on iPhones, named "Siri," was developed by the Stanford Research Institute (later, just SRI) in collaboration with the Defense Department.


Disability rights and economic inclusion in an age of austerity

Mark Priestley, Professor of Disability Policy at the University of Leeds and Scientific Director of the European Commission’s Academic Network of European Disability experts (ANED)

The UK government’s ratification, in 2009, of the United Nations Convention on the Rights of Persons with Disabilities (CRPD) raised the bar of expectation for the full participation and equality of disabled people in all aspects of society but it also coincided with the onset of fiscal consolidation and austerity measures as a response to economic crisis. Throughout Europe, the impact on disabled people, both of the crisis and economic retrenchment, has been considerable yet differentiated. There are different approaches and there are alternatives. Europe seeks to reinvigorate growth as a response to crisis but aspires to make it more ‘smart, sustainable and inclusive’ (Europe 2020).

The rights enshrined in the CRPD are not only civil and political rights but also social and economic rights – including the right to work freely chosen or accepted in an accessible open labour market (Article 27) and the right to ‘an adequate standard of living for themselves and their families’ (Article 28). To assure the progressive realisation of such rights the UN Office of the High Commissioner for Human Rights urges us to consider changes in the law, in investments and in results (structure, process and outcomes). From a social model perspective, the social exclusion often associated with disability has been linked to the evolution of capitalism and markets. Policy interventions have sought to establish a baseline of rights and accessibility (e.g. in the labour market) but have not radically challenged the underlying causes of disabled people’s vulnerability to market conditions. Opportunities exist for more inclusive responses.

If we are to achieve European policy targets for high employment, high participation in education and reduced risk of poverty and social exclusion then disabled people need to become part of the solution rather than the ‘problem’. The UK is notable as the only EU Member State not to publish targets in the Europe 2020 framework.

There is a significant disability employment gap across the EU, of about 26 percentage points and it is higher in the UK (30+ percentage points). There are economic inactivity rates in excess of 50% in some countries - even the lowest rates are between 30-40%. Countries with similar employment rates for non-disabled people present large differences for disabled people. This suggests that national regimes and policies do make a difference and that there is potential to act.
Across the EU, 22% of young disabled people are early leavers from education compared to 10% for non-disabled (and around 40% for those with severe impairments). Few young disabled people become unemployed after education (3%, compared to 10% non-disabled) and many more become economically inactive (12%, compared to 6%). Young disabled people have low chances of moving from education into employment.

There are very different rates of relative household poverty for disabled people in different European countries and gaps in the UK are wide – especially for people of working age. Poverty risk for non-disabled households in the UK is better than the average but for disabled households it is worse. Higher median levels of household income (in richer countries) do not correspond with risks of relative poverty for disabled families, or with poverty gaps between disabled and non-disabled people. Irrespective of employment markets and national wealth creation, social policies do make a difference and things can be done differently. This is a key political message.

Table 2: People living in household poverty and exclusion by gender and severity (aged 16+)

Source: EUSILC UDB 2012 – version 2 of August 2014
Overall, there has been perhaps less evidence of the impact of the crisis on disabled people in some countries than expected yet dire consequences in others. There are unemployment concerns, disability-related benefit cuts, reduced eligibility to disability benefits and stricter functional assessments, and a lack of progress in developing personalised employment support services. However, there are also examples of alternative thinking with solidarity-based benefit increases for some disabled people, increased use of wage subsidies, opportunities for job creation in the support sector and investments in inclusion through accessible infrastructure projects (such as accessible public buildings and public transport systems).

The situation in the UK is somewhat paradoxical. There is an emerging economic recovery, but it has been matched by worsening income poverty. There are slightly narrowing disability equality gaps but these are wider than the EU average. There is a marked over-representation of young disabled people Not in Employment, Education or Training (NEET). The precarity and social exclusion of people with mental health conditions is a particular concern. There has been a reduction in social protection for people of working age as result of reduced eligibility to disability related income benefits. There has been poor implementation of functional capability assessments to bring this about. There has been a greater emphasis on social investments in ‘choice’ than in providing the accessibility and support needed to exercise that choice.

There is an urgent need to respond to concerns raised in independent reviews about the effectiveness, efficiency and fairness of assessments for conditional disability benefits. Benefits that partially compensate the additional costs of living with disability income benefits are not included in benefit cap calculations and should be treated as additional to all such calculations of income norms. The national disability strategy is cross-sectoral and there is a need to spread social investments to include potentially job creating investments in accessibility and support.

**Five social policy challenges present themselves**

1. Target and mainstream disability equality as a concern in all policy development
2. Involve disabled people and their organisations in policy process at all levels
3. Invest in accessible infrastructure for inclusive education and labour markets
4. Provide active and personalised support for disabled people in those markets
5. Ensure adequate and flexible disability benefits that protect people unable to find secure and economically viable jobs

We need to keep in mind that disabled people are a significant political constituency - up to one quarter of the European electorate report that they have some kind of long-standing impairment of health condition. Disabled people are more likely to participate in political process than the average (mainly due to their older age profile) although those with more severe impairments are less likely to participate due to barriers, and they have less trust in political institutions than the general population. Given the current negative impacts on income and living conditions they are likely to exercise a significant voice in the General Election of 2015.
Mark Priestley

Disability rights and economic inclusion in an age of austerity
Academic Network of European Disability experts (ANED)

- Policy mapping
- Equality indicators
Global human rights system
UN OHCHR indicator framework

Structure
• Acceptance and commitment to human rights obligations

Process
• Efforts made to transform commitments into results

Outcomes
• Results
Changes in policy approach?

- Containment and segregation
- Preventative and treatment
- Compensation
- Rehabilitation and normalisation
- Human rights
- Market regulation and accessibility

Redistributive vs. Regulatory policies?
Disability - a market paradox?

Disability

Markets

Accessibility

Rights
Growth as a response to crisis?

- Smart
- Inclusive
- Sustainable
Key targets for EU2020

1. Employment rate
   - 75% of the 20-64 year-olds to be employed

4. Tertiary Education
   - Reducing school drop-out rates below 10%
   - at least 40% of 30-34–year-olds completing third level education

5. Risk of Poverty
   - at least 20 million fewer people in or at risk of poverty and social exclusion
Employment

- A significant disability employment gap across the EU, of about 26 percentage points and more in the UK (30+ percentage points).
- The employment rate of disabled women and men remains well below the 75% target (but can this target be achieved for the general population without their participation?)
- Countries with similar employment rates for non-disabled people present large differences for disabled people. This suggests that national regimes and policies do make a difference and that there is potential to act.
- There remain some difficulty in monitoring employment rates for disabled people using national statistical sources.
Economic activity

• In 2011 the average economic activity rate for disabled people (those reporting activity limitations) was around 57%, compared to 80% for non-disabled people.

• There are economic inactivity rates in excess of 50% in some countries - even the lowest rates are between 30-40%.

• Women’s inactivity remains greater than men’s but varies less (between countries) for disabled women than for non-disabled women, while there are greater inequalities (within countries) between disabled and non-disabled men.
Education and training

- Lack of comparable data but, at the EU level, 22% of young disabled people are early school leavers compared to 10% for non-disabled (around 40% for those with severe impairments).

- Young disabled people have less access to Upper Secondary Education and there are considerable gaps in achievement but further education in the UK is more likely than the EU average.

- Few young disabled people become unemployed after education (3%, compared to 10% non-disabled) and many more become economically inactive (12%, compared to 6%).

- Young disabled people have low chances of moving from education into employment.
Poverty and social exclusion

• Very different rates of relative poverty and gaps between households in different European countries and gaps in the UK are wide – especially for people of working age.

• Poverty risk for non-disabled households in the UK is better than the average but for disabled households it is worse (and would be far worse if we corrected for additional cost of living benefits, as JRF have shown!)

• Higher median levels of household income (in richer countries) do not correspond with risks of relative poverty for disabled families, or with poverty gaps between disabled and non-disabled people.

• Irrespective of employment markets and national wealth creation, social policies make a difference (e.g. policies for employment and social protection).
Five social policy challenges

1. Investing in accessibility for inclusive education and labour market
2. Providing active support for disabled people in those markets
3. Ensuring adequate and flexible disability benefits to protect people unable to find secure and economically viable jobs
4. Targeting and mainstreaming disability in policy development
5. Involving disabled people and their organisations in policy process
SUMMARY
Inclusion in tough times

The situation in the UK is somewhat paradoxical

- emerging economic recovery, matched by income poverty
- slightly narrowing disability gaps but wider than EU average
- over-representation of young disabled people NEET
- precarity of people with mental health conditions
- reduction in social protection for people of working age
- poor implementation of functional capability assessments
- more emphasis on investments in choice than accessibility
Inclusion in tough times

Less early evidence of crisis impact than expected, but…
• Unemployment concerns in several countries
• Disability-related benefit cuts
• Reduced eligibility via functional assessments
• Lack of progress in developing employment services

However, some lateral thinking…
• Solidarity based benefit increases
• Increased use of wage subsidies
• Opportunities for job creation in the support sector
• Inclusion through accessible infrastructure projects
Disabled people are a significant political constituency

- Up to one quarter of the European electorate report a long-standing impairment
- Disabled people are more likely to participate in political process than the average (mainly due to older age profile)
- And have less trust in political institutions than the general population
- Although those with more severe impairments are less likely to participate due to barriers
Outline of presentation to Disability Rights UK: 15th December 2104

In November 2013 David Cameron gave a speech at the Lord Mayor’s house in London and in that speech he argued there was a new economic reality requiring ‘permanent austerity’. Prime Minister Cameron suggested the Great Recession had taught us that we could no longer afford to maintain the same level of government spending that had been common before the economic crisis in 2008.

Yet, often missing from these debates about the financial crisis is the health consequences of the crisis and subsequent austerity. This is important because available evidence indicates that these economic shocks have had negative consequences for Europeans. There have been approximately 8,000 excess suicides (over and above what we would have expected) since the start of the Great recession in Europe (Reeves, McKee and Stuckler 2014). Further there are 7.3 million more people with unmet medical needs since the recession, largely because they are now unable to afford the cost accessing healthcare (Reeves, McKee and Stuckler forthcoming), and an additional 10 million people are now experiencing food hardship, unable to eat meat regularly (Eurostat 2014).

Given this background I want to address four key questions:

1. Are employment protections reducing inequalities in the labour market?
2. Are sanctions incentivizing re-employment?
3. Would a living wage improve health?
4. Is there public support for welfare austerity, particularly for the disabled?

First, are employment protections reducing inequalities in the labour market (Reeves et al. 2014)? We know that those with severe health limitations and those with chronic illnesses suffer unequal opportunities and outcomes in the labour market. Persons with physical impairments are more likely to be unemployed and, when employed, often more likely to experience job loss. One response to these inequalities has been to implement employment protection policies that make it more difficult to ‘fire’ people.
Yet, there is some debate about whether employment protection policies help or hinder those with disabilities or long-standing illnesses in the labour market. We followed individuals over time in almost all European countries to examine whether chronically ill people and those with long-standing limiting health conditions were a) more likely to lose their jobs than people without those conditions and b) whether the gap between these two groups was smaller in countries where the penalties for unfair dismissal were greater. We found that people with chronic illnesses and health limitations were, sadly, more likely to lose their jobs both before and during the Great recession. However, this did not happen everywhere. Where employment protections were greater the gap in the likelihood of becoming unemployed between the chronically ill and those without chronic ill was reduced and, for women, entirely removed. Unfortunately this protective effect only occurred before the recession, suggesting that the influence of these policies is minimised when a severe economic crisis occurs. Since the start of the recession, international organizations such as the OECD have recommended employment protections be minimised. One implication of this recommendation is that once the recession is over disabled people will likely suffer poorer labour market outcomes once again.

Second, are sanctions incentivising re-employment? Since the beginning of the recession, the proportion of jobseeker allowance claimants who are disabled has increased and so the introduction of the new, stricter sanctioning regime as part of austerity are growing concern for these groups. Since the coalition government came to power there has been a large increase in the number of sanctions being administered, particular adverse sanctions (where unemployment benefit is removed). We examined whether adverse sanctions reduce the number of people claiming jobseekers allowance and we also examined whether the strength of this association changed after the new sanctioning regime was introduced. Before the new sanctioning regime, for every 100 sanctions the jobseekers allowance claimant count declined by approximately 15 claimants. After the new sanctioning regime was introduced, an additional 100 sanctions reduced the claimant count by approximately 43, a three-fold increase. Perhaps most concerning about this changing relationship is that most of these people who are no longer claiming jobseekers allowance are leaving for reasons other than finding work, suggesting that sanctions are pushing people off jobseekers allowance.

Third, would a living wage improve mental health? We examined whether the introduction of the national minimum wage in the UK in 1999 improved mental health by comparing those who received an increase in their income due to the policy change with those who did not receive an income increase, either because they were already earning above the national minimum (then set at £3.60 per hour) or because their employers did not implement it. We found that those who received an increase in their income due to the minimum wage experienced greater improvements in their mental health over time than those who did not receive an increase in their income. The effect of this income increase on mental health was largely due to a reduction in financial strain suggesting that a living wage would further improve mental health outcomes for low-income families.

Fourth, we wanted to examine whether there was public support for austerity policies, broadly conceived. Using data from the British Social Attitudes we looked at data on whether people wanted to reduce spending on health, education, and social welfare (Stuckler and Reeves 30 July 2013). Since 1983 the proportion of people who would like to see reductions in these areas has never been higher than 10%. As a result, the vast majority of people would like to protect government spending on these issues. Even in 2010, when support for more government was at its lowest, over 30% people favoured this policy.
In conclusion, our research indicates that 1) employment protections are failing to keep disabled and chronically ill people in work, 2) sanctioning moving (disabled) people off unemployment benefit, 3) a living wage would reduce financial strain and improve mental health and 4) the public support welfare for vulnerable groups.

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Reeves, Aaron, Marina Karanikolos, Johan Mackenbach, Martin McKee, and David Stuckler. 2014. "Do employment protection policies reduce the relative disadvantage in the labour market experienced by unhealthy people? A natural experiment created by the Great Recession in Europe." Social Science & Medicine.

Stuckler, D., and A. Reeves. 30 July 2013. "We are told Generation Y is hard-hearted, but it's a lie." in Guardian. London: Guardian Media Group.
Disability, austerity, and the labour market

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March 4, 2015
Thanks to…

- Rachel Loopstra
- David Stuckler
- Martin McKee
8,000 excess suicides

7.3 million with unmet medical needs
10 million are food insecure
Disability, austerity and the labour market

- Three key questions

1. Are employment protections reducing inequalities in the labour market?
2. Are sanctions incentivizing re-employment?
3. Would a living wage improve health?
4. Is there public support for welfare austerity, particularly for the disabled?
EMPLOYMENT PROTECTION
Chronically ill suffer more during recessions
Employment protection reduces risk of job loss for those with chronic illnesses (2008)
But only before the recession
SANCTIONS AND JSA
Disabled making up a larger proportion of JSA claimants
Increasing Use of Adverse Sanctions

N=375 Local Authorities

* Regime changes affecting JSA claimants included roll-out of work programmes, new sanctioning rules and extended sanctioning periods.
Pre-JSA reform: Adverse sanctions reduce claimant count

-20  -10  0   10   20   30   40   50   60
Reduction in Jobseeker's Allowance Claimant Count

- Pre-JSA Reforms
- Current Month
- One Month Prior
- Two Months Prior
- Total Effect
Sanctions are pushing people off unemployment benefit
'Shocking increase' in ESA sickness benefit sanctions

There has been a "shocking" rise in the number of sanctions given to those who receive a key sickness benefit, according to homeless charity Crisis.
INCOME AND MENTAL HEALTH
National minimum wage in the UK

- April 1, 1999: Labour introduced statutory minimum
  - £3.60 – 22+
  - £3.00 – 18-21

- The LPC estimated that the NMW would affect about 2 million employees (9% of the working population).
HOW HAS THIS HAPPENED?
Public support for austerity?
Public support for austerity?

- Reduce taxes and spend less on health, education and social benefits
- Keep taxes and spending on these services at the same level as now
- Increase taxes and spend more on health, education and social benefits
Public support for austerity?
Massive support for welfare for the disabled

Protect benefits for disabled people who cannot work

<table>
<thead>
<tr>
<th>Year of interview</th>
<th>Percentage of respondents (%)</th>
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<tbody>
<tr>
<td>1995</td>
<td>Pre-1980: 100</td>
</tr>
<tr>
<td>2000</td>
<td>Generation Y (born after 1979): 90</td>
</tr>
<tr>
<td>2005</td>
<td></td>
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<td>2010</td>
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Conclusion

- Employment protections are failing to keep disabled and chronically ill people in work
- Sanctioning moving (disabled) people off unemployment benefit
- Public support welfare for vulnerable groups
Disability, austerity, and the labour market

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March 4, 2015
I am not a specialist in disability but a macroeconomist. My aim in this discussion is to make you proof against the rhetoric of this government in respect of austerity and to analyse the broader picture into which your campaign fits. I should stress that the political views I shall express are my own; UCL is not implicated in any way.

At the beginning of this Parliament, Government reframed the crisis as one of a huge government deficit inherited from the previous government and that it must be reduced by cutting government spending. Otherwise, they argued, we are saddling future generations with this horrendous debt. I want to argue that (a) historically the debt is rather minor and (b) that if it is to be reduced, cutting spending is not the way to go about it. Deficits are financed by borrowing, so the cumulative effect of deficits is a rise in debt. This figure is usually deflated by GDP to discount for overall price changes. The graph of debt/gdp 1909-2009 (slide 1) shows dramatically higher debt ratios caused by the two world wars. At its peak, Attlee established the NHS and the welfare state; clearly the size of the debt was no obstacle. What this government claims to worry about is the little rise just at the end of this graph – hardly ‘masssive’, historically.

It is important to realise that government debt is mainly debt we owe to each other. [Slide 2: Ownership of debt.] Foreign holders constitute about 30%, and we might need to worry about that. They might take their capital out, but still there is no exchange risk for us. The Bank of England’s holdings, the product of quantitative easing, may never come out again, and the rest serve as liquid assets for a variety of financial institutions.

Let us for the moment take at face value for a moment the idea that bringing down debt is a priority. Is austerity the right remedy? The government argues that bringing down debt is just like one of us paying off credit card debt. This is what Mary Mellor calls ‘handbag economics’: arguing from what is true for the individual to what is true for a large component of the economy, like government. If I cut my spending, the economy will not react, but government expenditure is a major component of national income or GDP. Government expenditure is income to the economy. When that is cut, income (GDP) falls.
The corollary of that is that GOVERNMENT IS NOT IN A POSITION TO DECIDE ITS OWN DEFICIT. It is an outcome of the original decision to cut and the economy’s response. (Slide 3).

A fall in government spending leads to lower profits for those who sell to it. They cut back production and employment; those now out of work no longer pay taxes, and the receipts from corporation tax also fall. There is a fiscal deficit and the debt rises.

The government’s argument embodies a fallacy of composition (what is true for a part of a system taken in isolation is not true for that part when analysed as a part of the system as a whole). (Slide 4)

The historical record (Chick and Pettifor, slide 5) Changes in the debt/GDP ratio (D/GDP) are on the vertical axis, changes in government expenditure on both current and capital account (G). on the horizontal. Data are grouped by periods of rising and falling government expenditure. Very clearly, when G is positive and rising, D/GDP falls and when G falls, D/GDP rises. The wars are exceptions, as you would expect.

The multiplier. (Slide 6) Not only does G contribute to current private sector sales and profit but it also stimulates further repercussions if the multiplier is greater than one, as one expects (and recent IMF estimates support). (Slide 7). [This was covered in the previous presentation and therefore skipped over.) The multiplier works both ways, which is why we expect cuts to affect the economy adversely. Recent IMF estimates put the multiplier well above one. (Covered by previous speaker.)

Transfer payments work slightly differently: benefits redistribute income to those with a higher propensity to spend out of a rise in income (again, covered in previous presentation). Slide 8 shows interest payments and other transfers (the only disaggregation we could do.) Non-interest payments would include benefits and pensions as major components. Interest payments, typically paid to low spenders (higher income-earners and financial institutions), are deflationary, but they are now very low. Other transfers have been rising since a low in the mid-1940s when the welfare state was established. Transfer payments thus can be assumed to offset to some extent the effect of the early cuts.
It is time to drop the assumption that government is being honest about its motives.

It knows austerity is deflationary: why else would they want QE to provide the stimulus which austerity negates? QE has ended up in bank balance sheets and has not resulted in new lending. It has, however, reduced interest on gilts (cf Osborne’s insistence that it is austerity that has lowered the rate of interest). But notice too that austerity has been more talk than deed: over the period 1909-13 total government spending rose after only two years of cuts (Slide 9). And exactly the wrong mix of capital and current spending was pursues (remember that this measure does not include transfer payments). The outcome of the first five years of this policy has been that the debt/GDP ratio rose substantially, as economic theory and the historical record predict.

But in the Autumn Statement, Osborne is unrepentant: we will have austerity for a further five years: roughly the same amount of cuts as those projected in 2010, as if we were starting out all over again (slide 10) The reason for this is that projected deficits have been very optimistic, compared to outcomes, since 2011-12 (slide 11)..

But there could be another reason for ‘austerity in perpetuity’: that the focus on the deficit and ‘necessary’ cuts defects attention from this government’s true objective: to kill the welfare state? Evidence: privatising NHS, redistribution to upper incomes (reduction of upper tax bracket from 50 to 45%, reduction of benefits, harsher terms for unemployment and disability benefits and housing support, subsidies to businesses that pay low wages. There is a general policy of supporting capital ant the expense of labour, rich at the expense of the poor. Most shameful of all: reducing benefits to the disabled to the level of able-bodied job-seekers, despite the additional expenses and difficulties the disabled face.

This is not the first time a government has put forward one reason for doing something whose true purpose is something quite different.
Debt/GDP, 1909-2009
Holdings of UK Gilts

Source: http://www.economicshelp.org/blog/1407/economics/who-owns-government-debt/
It might have been supposed that competition between expert professional, possessing judgment and knowledge beyond that of the average private investor, would correct the vagaries of the ignorant individual left to himself. It happens, however, that the energies and skill of the professional investor and speculator are mainly occupied otherwise. For most of these persons are, in fact, largely concerned, not with making superior long-term forecasts of the probable yield of an investment over its whole life, but with forecasting changes in the conventional basis of valuation a short time ahead of the general public.

Keynes, *The General Theory*, p 154
GOVERNMENT IS NOT IN A POSITION TO DETERMINE ITS DEFICIT OR DEBT BY ITS OWN ACTIONS, because of repercussions on the rest of the economy.

A cut in G or rise in T → fall in Y → fall in tax take, rise in unemployment, rise in expenditure on benefits (increased deficit).

The initial fall in Y also → cutbacks in C → further fall in Y, further deterioration of deficit. This is the multiplier effect.
Fallacy of composition

Failure to recognise that what is true for a part of a system taken in isolation is not true for that part when analysed as a part of the system as a whole.
Percentage changes in government expenditure (horizontal axis) and in the debt ratio (vertical axis)

Source: V. Chick and A. Pettifor, ‘The economic consequences of Mr Osborne’,
The multiplier

\[ Y = C + In + G \]

\[ C = bY \]

\[ Y = (In + G)[1/(1+b)] \]

\[ Y = \text{income, } C = \text{consumption} \]

\[ b = \text{the marginal propensity to consume} \]

\[ In = \text{investment} \]

\[ G = \text{government expenditure, excl. transfers} \]

For example:

\[ b = 0.8, \frac{1}{1 + b} = 5 \]

\[ b = 0.5, \frac{1}{1 + b} = 2 \]

\[ b = 0, \frac{1}{1 + b} = 1 \text{ (no multiplier)} \]
Keynes on the multiplier

We have been dealing so far with a net increment of investment. If, therefore, we wish to apply the above without qualification to the effect of (eg.) increased public works, we have to assume that there is no offset through decreased investment in other directions,-and also, of course, no associated change in the propensity of the community to consume. (General Theory p 119)
Possible ‘crowding out’

The method of financing the policy and the increased working cash, required by the increased employment and the associated rise of prices, may have the effect of increasing the rate of interest and so retarding investment in other directions, unless the monetary authority takes steps to the contrary...

With the confused psychology which often prevails, the Government programme may, through its effect on “confidence”, increase liquidity-preference or diminish the marginal efficiency of capital, which, again, may retard other investment unless measures are taken to offset it. (GT pp 119-20)
IMF and multipliers

If the multipliers underlying the growth forecasts were about 0.5, as this informal evidence suggests, our results indicate that multipliers have actually been in the 0.9 to 1.7 range since the Great Recession. This finding is consistent with research suggesting that in today’s environment of substantial economic slack, monetary policy constrained by the zero lower bound, and synchronized fiscal adjustment across numerous economies, multipliers may be well above 1.

IMF World Economic Outlook Oct 2012, p 43
Transfer payments, 1909-2009

![Graph showing transfer payments from 1909 to 2009. The graph includes data for total debt interest payments and other categories.](image-url)
Austerity 2009-13

Govt current expend.       +£10.6b
Govt capital expend.       - £6.7b
Total                      +£3.9b
(austerity practised only until 2011)
Transfers                  +£84.9b
Deficit                    - £50.8b
Debt/GDP                   up from 57.9 to 79.1 per cent
Actual and projected deficits

Budget 2010: projected cuts of £120b over 5 yrs
Autumn statement 2014: cuts from 2010 to end of next parliament £210b. Just over £100b done already, so we have £110b to go. Starting all over again.

Reason (OBR estimates): projected deficit 2013-14 £60b. Outturn £108b. Other years similar (graph).

G. Tily, ‘Austerity evermore’,
Public sector borrowing, £b

The actual data are from Table C7 of the June 2010 Budget and the ONS public sector finances release, table PSA2, using public sector excluding banks.