

Syracuse University

SURFACE at Syracuse University

Center for Policy Research

Maxwell School of Citizenship and Public
Affairs

2-1992

How People With Disabilities Fare When Public Policies Change-- Past, Present, and Future

Richard V. Burkhauser
Syracuse University

Robert H. Haveman
University of Wisconsin-Madison

Barbara L. Wolfe
University of Wisconsin-Madison

Follow this and additional works at: <https://surface.syr.edu/cpr>



Part of the [Economic Policy Commons](#), [Economics Commons](#), and the [Public Policy Commons](#)

Recommended Citation

Burkhauser, Richard V.; Haveman, Robert H.; and Wolfe, Barbara L., "How People With Disabilities Fare When Public Policies Change--Past, Present, and Future" (1992). *Center for Policy Research*. 412.
<https://surface.syr.edu/cpr/412>

This Working Paper is brought to you for free and open access by the Maxwell School of Citizenship and Public Affairs at SURFACE at Syracuse University. It has been accepted for inclusion in Center for Policy Research by an authorized administrator of SURFACE at Syracuse University. For more information, please contact surface@syr.edu.

POLICY STUDIES PAPER NO. 4

**HOW PEOPLE WITH DISABILITIES FARE
WHEN PUBLIC POLICIES CHANGE--
PAST, PRESENT, AND FUTURE**

**Richard V. Burkhauser,
Robert H. Haveman, and
Barbara L. Wolfe**

**METROPOLITAN STUDIES PROGRAM
THE MAXWELL SCHOOL OF CITIZENSHIP AND PUBLIC AFFAIRS
SYRACUSE UNIVERSITY
SYRACUSE, NEW YORK 13244-1090**

February 1992

\$5.00

FOREWORD

In this paper the authors analyze the effects of two decades of federal disability policy and macroeconomic fluctuation on the well-being of men with disabilities. Their findings indicate that both have dramatically affected the economic well-being of people with disabilities both absolutely and relative to people without disabilities. Using data from the Current Population Survey (1968-1988) they find that by 1987 the households of white or well-educated male heads with disabilities had fully recovered from the program cuts and recession of the early 1980s. However, to a large extent this recovery was due to additional earnings by spouses. Alternatively, the households of the doubly disadvantaged--nonwhite or poorly educated males with disabilities--did not recover from their recession depths. The authors also conclude that the new mandates on business aimed at integrating people with disabilities into society are not likely to help the doubly handicapped and that improvements in their well-being will likely depend on more generous income transfers or increased earning of those with whom they live.

The research reported here was supported by a grant from the U.S. Department of Health and Human Services to the Institute for Research on Poverty. An earlier draft of this paper was presented at the National Council on Disability Symposium on Writing National Policies on Work Disabilities. However, the opinions expressed here are those of the authors. Some of the work was done while Burkhauser was a Fellow at the Netherlands Institute for Advanced Study in the Humanities and Social Sciences.

Richard V. Burkhauser is Professor of Economics and Senior Research Associate, Metropolitan Studies Program, The Maxwell School, Syracuse University; Robert H. Haveman is John Bascom Professor of Economics at the University of Wisconsin-Madison; and Barbara L. Wolfe is Professor in the Departments of Economics and Preventive Medicine at the University of Wisconsin-Madison.

David Greytak
Director
Metropolitan Studies Program
February 1992

HOW PEOPLE WITH DISABILITIES FARE WHEN PUBLIC POLICIES CHANGE--PAST, PRESENT, AND FUTURE

Too often public policy is seen as the quest for the magic bullet to cure social ills. But just as Dr. Ehrlich's cure for syphilis did not fully insure society against the dangers of sexual intercourse, it is unlikely that any single policy initiative will achieve as much as its advocates hope or damage as much as its detractors fear. The last half century of disability policy in the United States provides ample evidence of the mixed success of magic bullets.

Spurred on by the aftermath of two World Wars, rehabilitation policy dominated federal government attempts to integrate those with health related physical or mental work limitation into the labor force. Transfer programs were limited to Workman's Compensation and means tested state programs like aid to the aged, blind, and disabled. It was not until 1958 that social security disability insurance first became available and until 1960 it was limited to those who were at least 50 years old.

Seen as a part of the War on Poverty, disability policy radically changed in the 1960s and 1970s both in its emphasis on strengthening the social safety net for those not expected to work--dramatic increases in the size of disability insurance benefits; an ease in entry onto its rolls; creation of the supplemental security income program for the aged and disabled poor--and in its use of direct intervention into the labor force to create government supported jobs for those who were expected to work.¹ Slow economic growth, high inflation, and a belief that government was overmanaging the economy and was too concerned with income distribution led to major changes in United States policy, in general, and in disability policy, in particular, in the 1980s.

Disability insurance eligibility rules were tightened in the late 1970s and in the midst of the deepest recession since the great depression, disability insurance rolls actually fell. All direct

government job creation programs were also ended.² The magic policy bullet offered in the place of this retrenchment in transfer and direct job creation programs was economic growth. The view was that a strong economy in which jobs were plentiful would make it easier for all those willing to work to gain employment.

This strategy of government action or inaction dominated the 1980s. But as we enter the 1990s a new disability policy bullet appears to be emerging. Broadly defined it attempts to accommodate diversity in society through court imposed discrimination laws and cultural pressure to end the definition of people by their limitations (people first language). The view that people with disabilities have a legal right of access to government facilities flows out of the civil rights movement of the 1960s and was first firmly planted in policy by the Rehabilitation Act of 1973. The Americans with Disabilities Act of 1990 is a significant extension of the accommodation principal into the private sector.

In this paper we document the consequences of shifts in disability policy during the 1970s and 1980s by tracking the economic status of people with disabilities. What emerges is the paradoxical result that new disability policy aimed at accommodating an interest group built around disability is going into place at the very moment that diversity within that group with respect to economic status is at its greatest. We argue that those left furthest behind by policy retrenchment and economic growth in the 1980s are the least likely among persons with disabilities to benefit from this policy.

In what follows we will not only explore the economic position of working people with disabilities but also seek to understand their response to dramatic changes in disability policy over the past two decades. Changes in the generosity and accessibility of public disability transfer programs have both direct and indirect impacts on family income.³ The direct effect is the change

in the level of program benefits received; the indirect effect operates through changes in the work and labor earnings of spouses and other family members induced by program benefit changes.

The story that our analysis reveals is a bittersweet one. In 1967, the first year of our analysis, the average family headed by a man with disabilities had about three-quarters of the income of the average family headed by a man without disabilities. However, over the subsequent decade and a half, the relative well-being of these families first rose substantially and then decreased steadily, reaching its nadir in the deep recession of 1981-82. Reductions in the generosity and accessibility of public transfers were responsible for much of this erosion.

With the economic recovery following the recession of the early-1980s, the families of men with disabilities returned to their 1967 relative income level. However, this recovery had two unique and troubling characteristics, particularly given the current thrust in government disability policy. First, the income gains experienced by these families during the 1980s have come neither from the increased work effort of men with disabilities nor from a public disability transfer system that has renewed its traditional income support role, but rather from earnings increases of their spouses and other family members. Second, the income increases of the 1980s have been concentrated among those households with the greatest earnings capacities.

The positive side of our story is that strong economic recovery greatly diminished the economic losses associated with disability. By 1987 the average income of a family headed by a man with a high school education or better was only slightly higher than that of a family headed by a man with equivalent education but with a disability. The negative side is that families headed by men with disabilities who are poorly educated and/or are members of racial minorities have not shared in the recovery and are now more segmented from the rest of society than at any point in the last two decades.

Using these developments as a base, we then discuss accommodation policy and its likely effects on the well-being of people with disabilities who are non-white or poorly educated. We will call such people the "doubly handicapped." In our view, neither economic growth nor accommodation are likely to substantially improve the economic lot of the doubly handicapped. A corollary of this conclusion is that some combination of cash or in-kind transfers, public education/training programs, and employment subsidies is required to efficiently secure an improvement in the well-being of these most vulnerable people with disabilities.

We first present a brief review of trends in disability policy and economic performance over the past quarter century. We then trace, from 1967 to 1987, changes in the economic well-being of families headed by males with disabilities, relating these changes to developments in both the performance of the economy and public income transfer system. In conclusion we discuss the implications of accommodation in the context of these trends.

Trends in Disability Policy

As a percentage of all working age people, those with disabilities have not changed greatly over the past two decades. As reported in Appendix Table B.1, the prevalence rate rose from 10.5 percent in 1968 to around 11.0 percent in the first half of the 1970s.⁴ Since then it has declined steadily and stood at a two decade low of 8.9 percent in 1988. The prevalence of disabilities among working age men has been consistently greater than among women.⁵ But the pattern of increasing prevalence in the 1970s, followed by a decline in the 1980s, was consistent for both groups.⁶ Some of the reduced prevalence in recent years is caused by the increasing share of younger persons in the working age population.

The economic well-being of the working age population with disabilities is heavily influenced by developments in two key areas--the macroeconomy and public programs targeted

on people with disabilities. A brief look at economic and policy trends since the 1960s sets the stage for our empirical appraisal.

Since 1967, the United States has experienced two complete business cycles. The late-1960s and early 1970s witnessed strong economic growth, the benefits of which were widely distributed. All of this came to a halt by a pair of oil crises, the first in 1973 and the second in 1976. The mid-1970s witnessed stagflation, characterized by both rising prices and little if any real growth. A modest recovery ensued in the late 1970s, but it was a relatively anemic one. At the end of the decade, the economy was plagued with both persistent high unemployment and high inflation. This was the era of "stagflation."

Shortly after the election of President Reagan in 1980, inflation was purged from the economy by the twists of tight monetary policy, lower taxes, increased military spending, and cutbacks in federal social policy. The recession of 1981-82--the deepest since the Great Depression--fell hardest on those workers with the weakest attachment to the labor market. From the end of the recession until the end of the decade, the nation experienced the longest sustained period of economic growth in the 20th century.

Reflecting the general prosperity, the 1960s and 1970s were a time of increasing social welfare expenditures in the United States. Table 1 documents this pattern. Social welfare expenditures as a share of GNP rose steadily since 1960, and peaked at about 20 percent in the late-1970s. After that time social policy entered a period of retrenchment, and this share fell through about 1982, where it stabilized at about 18.4 percent.

The national commitment to the working age population with disabilities is primarily manifested in the social security disability insurance (DI) and supplemental security income (SSI) programs.⁷ From the mid-1960s to the late-1970s, DI and SSI were characterized by rapid growth in both the number of benefit recipients and in the level of expenditures on people with

TABLE 1
DISABILITY POLICY INDICATORS

	1960	1970	1975	1980	1985	1987
Total Social Welfare expenditures (billions) ^a	\$52.3	\$145.9	\$290.1	\$492.8	\$737.2	\$834.4
Percent of Gross National Product	10.6%	14.7%	19.0%	18.5%	18.4%	18.4%
Total DI expenditures (billions)	\$0.6	\$3.1	\$8.4	\$15.4	\$18.6	\$20.5
DI share of Social Welfare expenditures	1.1%	2.1%	2.9%	3.1%	2.5%	2.5%
DI Recipients (1000)	455	1,493	2,481	2,861	2,657	2,786
Veterans Disability Recipients (1000)	---	3,178	3,226	3,194	2,933	2,850
SSI disabled recipients (1000)	N.A.	N.A.	1,933	2,256	2,551	2,896
DI Awards per 1000 insured workers	4.5	4.8	7.1	4.0	3.5	3.7
Percent of DI Applicants awarded benefits	.50	.40	.46	.32	.32	.37
Overall Poverty rate	22.2	12.6	12.3	13.0	14.0	13.4

Notes:

^aTotal Social Welfare expenditures include social insurance, public aid, health and medical programs, veterans' programs, housing, education and other social welfare. Source: *Social Security Bulletin, Annual Statistical Supplement 1989*.

Percent of applicants receive awards per 1000 insured workers from Office of the Actuary, Social Security Administration.

disabilities. From 1968 to 1978, the number of recipients of public disability transfer programs relative to the employed work force grew from 9.3 percent to nearly 15 percent--a 7 percent annual growth rate in this percentage. Over the same time period, expenditures for disability income support programs grew from 5.8 percent of Federal government spending to 8 percent, a 6.3 percent annual rate of growth in this percentage. Simultaneously, the average replacement rate in the DI program rose from 33 percent to 47 percent.

Disability policy is often a component of more general labor market policy in Western industrialized economies.⁸ During recessions, disability rules tend to be loosened and disability transfers tend to be seen as an alternative to long-term unemployment benefits for workers. This is especially the case for workers with tenuous ties to the labor market--older, less skilled, less educated workers--who tend to be the most severely effected by economic downturns.

Until the late-1970s in the United States, DI administrators explicitly increased their use of "vocational criteria" that included applicant's age, skills and education in making decisions on applicant acceptance into the program. The share of awards for musculoskeletal disorders (e.g., lower back pain) grew substantially over the period. While vocational factors played some role in the eligibility determination process from the very outset of the DI program, these factors began playing an increasing role in the late 1960s--by 1975, over one-fourth of initial DI benefit awards were made on the basis of these criteria. This administrative change--together with sharp increases in disability benefits in the early 1970s in both the DI and the SSI programs--brought the United States disability system into closer conformity with its European counterparts. The system became viewed as part of a broader counter-cyclical income support program.

By the late-1970s, numerous flags had been raised regarding the rapid expansion of the disability income support system, and policymakers sought ways of restraining the growth in recipients and expenditures. During the Carter administration, new regulations for re-examination

of existing recipients of DI benefits were put forward, and the Social Security Administration put out word that the application of the rules for disability determination needed to be tightened up. By 1980, growth in both the roles and in expenditures had begun to decrease.

After 1980, disability programs became both less generous and less accessible, consistent with the general trend in social policy. The DI program was particularly hard hit, and its share of a shrinking overall social welfare system fell from over 3.1 percent to about 2.5 percent over this period. DI awards per thousand insured workers and the percentage of DI applicants awarded benefits also fell over this period of retrenchment. All of this occurred in the face of rising national poverty rates. Shortly after the election of President Reagan the re-examination rules set forth earlier were imposed, and with a vengeance. Within a 24 month period, some 838,000 recipients were re-examined, and over 360,000 of them were cut from the roles. Public income support for workers with disabilities entered a severe retrenchment phase. However, because of the public outcry to the benefit terminations, Congress passed legislation in 1984 that enabled about two-thirds of those removed from the roles to reclaim their benefits.⁹ Since the early 1980s, benefit generosity and accessibility has remained fairly constant, and growth in recipients and expenditures has been modest.

In 1990 President Bush signed the Americans with Disabilities Act. Title I of the Act incorporates the standards of discrimination set out in regulations implementing section 504 of the Rehabilitation Act of 1973, but dramatically extends them to include all employers of 15 or more workers. Title II extends the Act to state and local governments. Title III covers access in places of public accommodation such as restaurants, hotels, grocery stores, and similar establishments and buses and Title IV covers telephone services and telecommunications.

Under Titles I and II of the Act employers must make "reasonable accommodations" to workers with disabilities unless this would result in "undue hardship" on the operation of business.

The same general language guides establishments in Titles III and IV. Unlike government transfer programs this new social legislation will not be funded from the federal budget but mandates that employers, firms, and state and local governments bear all reasonable accommodation costs. Compliance will be enforced by the courts.

How Working Aged People with Disabilities Fared

These brief descriptions of changes in both the state of the economy and shifts in policy set the backdrop for assessing trends in the economic status of people with disabilities.

Economic Well-being of Men With and Without Disabilities: 1967-1987

Tables 2 and 3 reveal the consequences of the trends in both economic conditions and disability policy on the economic well-being of working-aged men with disabilities and their families over the past two decades. Columns 1 and 2 of Table 2 show the real wage earnings of men with disabilities, both absolutely and relative to men without disabilities. Following general trends in earnings of working age men in the early 1970s, the wage earnings of men with disabilities increased from \$15,000 to \$18,800 between 1967 and 1972 (in 1987 dollars)--from 66 to 74 percent of men without disabilities. In addition, real public income transfers to the families headed by men with disabilities rose during this period of general expansion in federal social welfare programs. Increases in these income sources together with other forms of household income made this period one of substantial absolute and relative improvement for families headed by men with disabilities. Over the five-year period, the real income of these families rose by 25 percent; and to 80 percent of that of families headed by men without disabilities.

This 80 percent peak in relative income lasted through 1975, but then began to erode in line with the performance of the economy. Following the slowdown of the early 1970s, the real

TABLE 2
FAMILY ECONOMIC WELL-BEING OF MEN WITH DISABILITIES RELATIVE
TO MEN WITHOUT DISABILITIES, 1967-1987
(in 1987 dollars, in thousands)

Year	Real Wage Earnings		Real Transfers		Real Family Income	
	Amount	As a Proportion of Those Not Disabled	Amount	As a Proportion of Those Not Disabled	Amount	As a Proportion of Those Not Disabled
1967	15.0	.66	2.7	3.7	25.5	.74
1972	18.8	.74	3.5	3.2	31.7	.80
1975	15.0	.66	6.5	3.2	30.2	.80
1979	13.3	.58	6.0	3.8	28.3	.73
1981	10.8	.51	5.1	3.3	23.7	.66
1987	11.3	.49	6.4	4.1	28.7	.75

wage earnings of men with disabilities fell until 1981, both absolutely and relative to those of men without disabilities. Until 1975, however, the decrease in wage earnings was offset by growing transfer income. However, after the mid-1970s, and extending into the early 1980s, both wage earnings and transfers fell. By 1981, the real income of families headed by men with disabilities was only two-thirds that of families headed by men without disabilities.

The changes in both the wage earnings of and transfers to men with disabilities from 1979 to 1981 is worthy of note. It was during this period that the stringent disability review process and constraints on eligibility were put into place. Real transfers fell from \$6,000 to \$5,100. The real wage earnings of men with disabilities dropped by 20 percent between 1979 and 1981.

Contrary to previous periods of high unemployment, there was little inclination in the early 1980's to use disability policy to cushion the effect of the recession on the incomes of families of workers with disabilities. In the short period of six years from 1975 to 1981, real mean income of families headed by men with disabilities fell 18 percent.¹⁰

The last row of Table 2 reveals the effect on working age men with disabilities of both the economic recovery after 1982 and changes in transfer policy during the 1980s. The results are mixed. While real wage earnings were up, the gains were small. However, relative to the wage gains of men without disabilities, those of men with disabilities fell. By 1987, real wages of men with disabilities as a share of the wages of men without disabilities are below 1981 levels. Real transfers to families headed by men with disabilities increased to \$6,400 in 1987; from 3.3 to 4.1 times the level of transfers to families headed by men without disabilities.¹¹ The 4.1 figure is a high for the 20 year period, reflecting both increased transfers to the disabled and retrenchment in more general social welfare spending.

In light of the weak recovery of the wage earnings of men with disabilities, the strong rebound in their real family income after 1981 is a surprising development. From 1981 through

1987, the mean income of families headed by men with disabilities rose over 21 percent, from \$23,700 to \$28,700. By 1987, it stood above 1979 levels both absolutely and relative to the mean income of families headed by men without disabilities. By 1987, families headed by men with disabilities had a mean income level equal to about three-quarters of that of families headed by men without disabilities. While this ratio is lower than that of the peak years of the early 1970s, it exceeds that for all other years.

A 20-year perspective is revealing. Although fluctuations occurred, the 14 percent growth in the real income of families headed by men with disabilities over the period 1967 to 1987 has exactly tracked that of other families. But a substantial change in the composition of income in the two types of families has occurred. Real wage earnings of men with disabilities have fallen by 25 percent. While increases in real transfers offset this loss in the mid-1970s, the major gain since then has come from other family sources, in particular from the increased work effort of spouses. It is this gain that has allowed families headed by working age men with disabilities to keep pace over the last decade, in particular during the recovery of the 1980s. The decline in work and earnings by men with disabilities--and the offsetting rise in spousal work--can be seen even more clearly in Table 3. From 1967 to 1972, the share of family income accounted for by the wage earnings of men with disabilities ranged from 89 to 92 percent of that of families headed by a man without disabilities. Over the next decade, increased spousal work effort slowly eroded the relative importance of male wage earnings in the families headed by both men with disabilities and men without disabilities. However, while the 1980s recovery saw a slight increase in wage earnings of men without disabilities (as a share of family income), this has not been the case for the earnings of men with disabilities. Indeed, as row 1 shows, after 1972, the share of family income accounted for by the earnings of men with disabilities dropped precipitously in 1972 and was smaller in the six years since 1981 than in the previous six years.

TABLE 3						
SOURCES OF FAMILY INCOME OF MEN WITH DISABILITIES IN RELATION TO MEN WITHOUT DISABILITIES, 1967-1987						
	1967	1972	1975	1979	1981	1987
Men with Disabilities - Sources of Family Income						
Own Wage Earnings (A)	.59	.59	.50	.47	.46	.39
Transfer Income (B)	.11	.11	.22	.21	.22	.22
Other Income (Primarily Spouse Earnings) (C)	.30	.30	.28	.32	.32	.39
Men Without Disabilities - Sources of Family Income						
Own Wage Earnings (D)	.66	.64	.60	.59	.59	.60
Transfer Income (E)	.02	.03	.05	.04	.04	.04
Other Income (Primarily Spouse Earnings) (F)	.32	.33	.35	.37	.37	.36
Difference in Relative Shares in Family Income						
Own Wage Earnings (F=(A/D))	.89	.92	.83	.80	.78	.65
Transfer Income (G=(B/E))	5.5	3.7	4.4	5.3	5.5	5.5
Other Income (Primarily Spouse Earnings) (H=(C/F))	.94	.91	.80	.86	.86	1.08

During the economic recovery of the 1980s, the responsibility for supporting such families shifted from husbands to their spouses and other family members; no such shift in families headed by men without disabilities occurred.

Our twenty year history that began with an increased commitment of government resources to people in poverty and to those with disabilities, ended with reductions to both. As a result, the working age population with disabilities, which had moved close to economic parity with the population without disabilities during the early 1970s, began a slide in relative well-being that hit bottom in the major recession of 1981. While the longest continuous recovery in U.S. history has pulled the income of the average family headed by a man with disabilities back to pre-recession levels, it has done so in a surprising way. Much of the gain has been through increased work effort, but not by men with disabilities. In large part, the economic gains of the families headed by men with disabilities is attributable to the increased work effort of spouses and other family members, drawn into the labor market by the recovery.

Well-being Comparisons by Education and Race: 1967-1987

While the results shown in Tables 2 and 3 are averages for males with and without disabilities, and for their families, they reveal little about trends for disaggregated groups within the two categories. Appendix Tables B.2 and B.3 present detailed breakdowns of earnings and incomes (total, and by source) for men with and without disabilities, distinguished by education level and race. The patterns are complex; here we will summarize the main comparisons.

Comparisons by Education Level

- **Earnings** (see Bank I. of Table B.2) At the beginning of the period (1967), across all education groups, men with disabilities earned between 62 and 77 percent of that of men without disabilities. These ratios rose somewhat in the early 1970s but fell thereafter. During the recession of 1981 all three education groups hit lows of between 29 and 64 percent of their able bodied counterparts. Recovery considerably improved the relative earnings of high school graduates and above but by 1987, the

low education group was still at a recession low of about 30 percent, well below the other two groups.

- **Family Income** (see Bank II. of Table B.2)--The ratios of the family income of males with disabilities to that of males without disabilities exceed the earnings ratios, reflecting the receipt of public transfer income and the earnings of spouses. In 1967, the ratios ranged from 78 to 88 percent. During the recession of 1981, they hit lows of 69 to 75 percent but by 1987 the ratios of families headed by men with disabilities but who were high school graduates and above had hit twenty year highs of around 90 percent while the least educated men with disabilities remained near their recession low.
- **Income Sources** (see Banks III.-V. of Table B.2)--From 1967 to 1987, the share of family income accounted for by the earnings of men with disabilities with low education fell steadily from 55 percent to 22 percent. By comparison, earnings of highly educated men with disabilities accounted for 51 percent of the total income of their families in both 1967 and 1987. For men with disabilities who were high school dropouts, **both** public income transfers **and** earnings of spouses (or other family members) tended to fill the gap left by declining wage earnings. For highly educated men with disabilities, public transfer income increased as a share of total family income over the 20 year period;¹² however, for this group, the contribution of spousal earnings fell from 41 to 32 percent of total family income, although it was greater during the 1980s than during the 1970s.

Comparisons by Race

- **Earnings** (see Bank I. of Table B.3)--As with men with disabilities who have little education, non-white men with disabilities experienced a serious erosion of earnings, relative to both non-whites without disabilities and white men with disabilities. The ratio of the earnings of non-white men with disabilities to the earnings of non-white men without disabilities fell from .55 to .34 over the 20 year period. During the recession of the early-1980s, the ratio was .25.
- **Family Income** (see Bank II. of Table B.3)--The income of families headed by non-white men with disabilities relative to that of families headed by non-white men without disabilities eroded slightly over the 1967 to 1987 period. Conversely, the families of white men with disabilities experienced a slight increase in relative income over the period.
- **Income Sources** (see Banks III.-V. of Table B.3)--Wage earnings of men with disabilities as a percent of total family income declined over the period for both racial groups, but the decrease was larger for nonwhites than for whites. Again, increases in transfer income and spousal earnings tended to compensate for the reduction in the earnings of men with disabilities.

These patterns are again troubling. The economic status of families whose heads have both disabilities and a low education have seriously eroded in comparison to that of both low educated men without disabilities and higher educated men with disabilities. The gaps among the racial groups has also increased, but not by as much as the gaps among education groups. Overall, the families of doubly handicapped workers--those with both disabilities and low education--became increasingly separated economically from both the families of better educated men with disabilities and from families headed by men without disabilities. This in spite of the increased work effort and earnings of spouses of men with disabilities, and increases in income from public transfers for which they qualify.

Poverty Incidence Comparisons During the 1980s

As Table 2 revealed, the average family headed by a man with disabilities has made substantial economic progress since the recession year of 1981. Indeed, the gains registered by families headed by men with disabilities outstripped those of families headed by men without disabilities during this period. By 1987, the income gap between them, which had reached its highest level in 1981, was smaller than in either 1979 or 1967. But the recovery driven close in this overall gap camouflages quite different patterns at the tail end of the income distribution.

In the aftermath of the 1981 recession, the aggregate poverty rate rose to 15.2 in 1983, its highest level since 1965. As the recovery developed, poverty rates fell, but not as fast as they had in previous periods of economic growth. By 1987, the national rate was still a relatively high 13.4 percent. Unfortunately no official government statistics track poverty rates for the disabled.

In Table 4 we use our data to focus on the poverty population and the risk people with disabilities face of falling into poverty relative to others. Over the period 1983 to 1987 the population that remained poor became more disabled. The fraction of male headed poor families

TABLE 4

**THE RISK OF POVERTY FOR MEN WITH DISABILITIES RELATIVE TO
MEN WITHOUT DISABILITIES, BY EDUCATION AND RACE,
1983-1987**

	1983	1987	Percentage Change
Proportion of the Male Poverty Population with Disabilities	14.4	16.9	17
Relative Risk^a			
<u>All Men with Disabilities</u>	1.37	1.71	
<u>Education</u>			
Less than High School	1.26	1.46	16
High School Graduate	.94	.76	-19
More than High School	.65	.32	-51
<u>Race</u>			
Non-White	.96	1.24	29
White	1.01	.93	-8

^aPercent of men with disabilities in households with an income-to-needs ratio below 1 divided by percent of men without disabilities in households with an income-to-needs ratio below 1.

that were headed by a man with disabilities increased from 14.4 to 16.9 percent between 1983 and 1987--a 17 percent increase.

The second bank of numbers in Table 4 shows the change over time in "relative poverty risk"--the probability that a family headed by a man with disabilities is in poverty relative to a family headed by a man without disabilities with the same characteristics. Overall, the poverty risk of men with disabilities rose from 137 percent that of other men to 171 percent. But this increase in risk was not uniform. In 1983, families of males with disabilities who dropped out of high school had a 26 percent greater chance of being poor than did the families of male high school dropouts without disabilities. Economic recovery exacerbated this difference in poverty risk, increasing it by 16 percent. For families of better educated males with disabilities, the recovery had the opposite effect, reducing the relative risk of poverty by 19 percent for high school graduates and by 51 percent for those with more than a high school degree. The recovery of the 1980s, clearly exacerbated the adverse effect of disabilities for those with low education and, hence, weak market skills.

This "pulling apart" phenomenon is also observed between whites and nonwhites. While the families of black males with disabilities had about the same probability of being poor as the families headed by black males without disabilities in 1983, by 1987 their relative risk of poverty increased substantially--the ratio of about 100 had risen to 124. These shifts are consistent with the overall thrust of government policy in the 1980s. In general, Reagan administration policy promoted economic growth as a means of reducing poverty, while simultaneously restricting income support to only the truly needy. Economic recovery did occur, and aggregate poverty was reduced. However, the rising tide of the recovery did not raise all boats.

Conclusion and Policy Implications

In this paper, we have examined a two-decade trend in economic well-being of men with disabilities and their families from a variety of perspectives--in terms of absolute earnings and income, of earnings and other income sources as a share of family income, of the earnings and income of men with disabilities relative to those without disabilities, and of the risk of poverty for men with disabilities relative to those without disabilities. We have also examined well-being trends for groups of persons with disabilities, concentrating on what we have called the doubly handicapped--racial minorities or those with low education. We have attempted to relate these trends to changes in both federal disability policy and the macroeconomic performance of the economy.

The past two decades have seen major swings in both federal disability policy and the macroeconomic performance of the economy. The generosity and accessibility of income support policies toward workers with disabilities increased from the mid-1960s until about 1976. Responding to rapid increases in both expenditures and rolls, Congress and the Administration acted to establish more stringent periodic evaluation regulations and constrain benefit generosity. After the Reagan administration imposed these regulations, eliminating thousands of recipients from the rolls, reaction--and partial reinstatement--ensued. However, neither program accessibility nor benefit generosity have attained the levels experienced in the mid-1970s.

The turmoil in disability policy has been matched by radical swings in macroeconomic performance over the past two decades. Economic growth in the late-1960s came to an abrupt halt with the oil price increases in 1973 and 1976. The increased generosity and accessibility of disability income transfer programs cushioned these economic setbacks, and minimized the impact

of the recessions on disabled workers. During this period, the economic well-being of the disabled did not fall markedly relative to the those without disabilities.

Stagflation--low growth, rapid inflation--ensued until the late-1970s. With the goal of purging inflation and stimulating growth, the Reagan Administration endured a serious recession in 1981-82. With the lack of government initiatives designed to cushion the blow, the economic well-being of families headed by men with disabilities fell substantially. At the depth of the recession, these families had 25 percent less real income than they had a decade earlier.

Following the recession, the economy entered its longest sustained expansion, but the nature of the gains to those with disabilities did not follow traditional lines. Wage earnings of men with disabilities did not grow as one would have expected from the experience of previous expansions. In absolute terms, they remained close to their recession levels, and fell relative to the earnings of men without disabilities. Nevertheless the income levels of the families of men with disabilities did grow substantially during this period, but the gains primarily came from the strong increase in the work effort and earnings of others in the family, especially spouses.

The fall-off in the earnings of men with disabilities was not uniform among them, however. Those with low levels of education and nonwhites accounted for the bulk of the poor performance. These doubly handicapped workers form a subgroup of persons with disabilities that the economy has left behind. This group is now more concentrated at the bottom of the earnings distribution, and composes an increasing share of the nation's poverty population.

These findings have important policy implications. First, unless a renewed effort is made to provide training or workplace adjustments targeted on these doubly handicapped workers, it seems doubtful that simple economic growth will return them to the workforce. This conclusion has a corollary--increasingly, the well-being of these disadvantaged workers will rest on the generosity and availability of public income transfers or on the increased work effort and earnings

of those with whom they live. In the absence of any movement toward expansion of public income support, the latter option seems the likely alternative.

Second, if this forecast is correct, those men who have both disabilities and few marketable skills will become increasingly dependent on the work and earnings of other family members. The resulting family stresses and feelings of dependency that will inevitably develop do not augur well for the noneconomic well-being of these people and their families. It is likely that the public sector will ultimately bear the burden of the resulting family stresses and disruptions.

There is a third, and especially alarming, implication. The new thrust in disability policy appears to be toward integration of people with disabilities into the mainstream of American life through accommodating diversity. That is, to provide an environment for work and for daily activity such as shopping or traveling that does not penalize the limitations of people with disabilities. The means to this end is legislation which mandates the costs of this federal policy on private or public sector organizations rather than on the federal budget. Such policies are likely to be of value to people with disabilities who are otherwise well prepared to compete in the labor market or purchase goods and services in the product market but will do little good and may do harm to the doubly handicapped.

The Americans with Disabilities Act of 1990 requires employers to provide reasonable accommodation to workers with disabilities as long as these actions do not put an undue burden on the firm. In the absence of federal government subsidies to assist firms in accomplishing this goal, simple mandates plus selective enforcement are left to do the job. Such mandates may stimulate the employment of some people with disabilities via "creaming" for those workers with the least serious disabilities, and with strong education, training and marketable skills. Moreover, these workers are precisely the ones most likely to have the negotiating strength and access to the legal system required to secure employer compliance with the mandates. The impact of the

mandates on the left-behind, doubly handicapped group of workers with disabilities is likely to be minimal. If the experience of other countries with mandates (e.g., Sweden and Germany) is relevant, the relative ineffectiveness for those with few skills will be even greater in recessionary times--when the help is most needed--rather than during prosperity. (See Burkhauser and Hirvonen, 1989)

If economic growth alone will fail to sustain the well-being of the doubly handicapped, if fiscal constraints limit income support measures, if substitution of work effort and earnings of spouses and other family members for those of disabled workers carries familial dysfunction in its wake, and if employment quotas and mandates such as those embodied in accommodation legislation are likely to be ineffective, what remains? Perhaps the final policy implication of our analysis, then, is that no single magic bullet is likely to better the lives of all people with disabilities. But it is now obvious that some new and more effective mix of direct transfers, job training, and employment subsidies is necessary to begin returning the doubly handicapped to the economic mainstream, and that it is to the design of such a strategy that the nation should now turn its attention.

Endnotes

1. For a fuller discussion of disability policy in the United States through the 1970s, see Burkhauser and Haveman (1982).
2. For a fuller discussion of change in government disability policy in the early 1980s, see Burkhauser and Hirvonen (1989).
3. The public disability transfer system includes the Social Security Disability Insurance program, Supplemental Security Income for the Disabled, Public Employees Disability, Veterans Disability, and Workers Compensation. In 1991, total expenditures on public programs targeted on persons with disabilities totaled nearly \$100 billion. This is about 10 percent of total federal, state, and local expenditures on social welfare or about 2.5 percent of the nation's personal income.
4. Our definition of the population of working age people with disabilities is presented in Appendix A, and includes both those who are receiving income from programs designed to assist such persons and those who are working less than full time and self-report that they are constrained in their ability to work because of a health condition or impairment. The data that we use are the micro-data from the Current Population Survey (CPS), an annual survey of over 50,000 American households.
5. Given our definition of disability, the prevalence rate for women will be lower than that for men, even though their level of "true" disability may equal to that for men. While men and women are about equally likely to receive SSI or Medicaid, women are less likely to receive DI benefits. Women who have not established a sufficiently long work history to make them eligible for DI benefits will not be observed as transfer program beneficiaries, and hence not included in the program participation component of our definition.
6. A recent report by the U. S. Bureau of Census, Bennefield and McNeil (1989), presents estimates of the disabled from 1981 through 1988, also using the CPS. Their disabled population is made up of those persons less than age 65 who respond positively to the question "Do you have a health problem or disability which prevents you from working or which limits the kind or amount of work you can do" as well as those who report receiving SSI or Medicaid. The pattern over time in the prevalence of disability by this definition is similar to that in Table 2, and the prevalence rate for males presented in that report also exceeds that for females.
7. The Supplemental Security Income Program, begun in 1974, targets people with disabilities who are also poor. Its predecessor was an amalgam of state run programs consisting of Aid to the Aged, Blind and Disabled.
8. See Haveman, Halberstadt and Burkhauser (1984).
9. See Weaver (1986).

10. Unlike several western European countries (e.g., Germany and Sweden), recent United States policy has not used direct job creation or quotas to protect the incomes of disadvantaged workers in economic downturns. While expansion of public jobs (Sweden) and quotas (Germany) were used in concert with increases in income transfers in these countries during the recessions of the early 1980s, the United States phased out the CETA program--the largest program of government created jobs--and restricted the generosity and accessibility of income support programs. The short-term hardships caused by the resulting unemployment and income losses were viewed as the necessary price for a more robust, supply-driven recovery that would yield longer term gains for all workers.
11. This increase would appear to be the result of Congressional action curtailing the reevaluation power of the Social Security Administration exercised so vigorously in the early 1980s.
12. The low share of family income accounted for by public transfers for the most highly educated group of men with disabilities in 1981 (10 percent) is revealing. That group was the primary target of the eligibility reviews of 1981--those disabled with some college education faced a higher hurdle in demonstrating that they were "totally and permanently disabled" than did those with less education. By 1987, most of those found ineligible were again reinstated, and this too is seen in the data.

Appendix A

The methodology used to estimate the working age population with disability in this study has been developed in Haveman and Wolfe (1990), and Wolfe and Haveman (1990). Our population consists of men and women of working age who either are receiving income from a program targeted on people with disabilities or who work less than full time and self report that it is due to health or both. The specific questions used in each year of our data are reported in Table A-1.

Ideally one would use a panel data set to follow the impact of public policy on a set of people with disabilities. One problem with our cross-sectional data is, for instance, that it excludes the institutionalized population. It is likely that certain groups of people with disabilities, particularly those with mental disabilities, were less likely to be institutionalized in the 1980s than in previous decades. Their inclusion in later year cross sections may understate the growth in economic well-being of a fixed non-institutionalized population. A more general issue in tracking the economic well-being of people with disabilities is the accuracy of self-reports regarding disabilities. While this is a controversial issue, our reported incidence of disabilities is close to those of other researchers using an alternative self-report measure (Bennefield and McNeil, 1989). Furthermore, for our work, which compares economic well-being over time, the most important point is to use a consistent definition of disabilities. We are able to do so with our CPS data. (For a fuller discussion of measurement issues, see Wolfe and Haveman, 1990.)

TABLE A-1
DEFINITIONS EMPLOYED IN ESTIMATING THE SIZE AND COMPOSITION
OF THE WORKING AGE DISABLED POPULATION

Year	Program Participation	Work Limitations
1968	<ol style="list-style-type: none"> 1. Receives social security or railroad retirement benefits, is not in school, and is between 19 and 59, and is not a widow with a dependent child, or receives social security, is in school and is between 23 and 59. 2. Receives welfare/public assistance excluding those whose marital status is separated, widowed, or divorced, or other with dependent children and excluding those unemployed during year. 3. Workers' compensation: Receives unearned income from unemployment compensation, worker's compensation, government employee pension, or veteran's benefits; and (a) employment status or major activity = unable, or (b) reason not working, working part year is own illness, and (c) not unemployed during year, not in government work. 4. Veteran's disability benefits: Receives unearned income from unemployment compensation, worker's compensation, government employee pension, or veteran's benefits; is a veteran and was not unemployed, in school, or a government worker. 	<ol style="list-style-type: none"> 1. Employment status or major activity = unable to work. 2. Work < 35 hours and reason for part-time work = own illness or reason work part year = own illness. 3. Have job, but not working and reason not working is own illness.
1973	<ol style="list-style-type: none"> 1. Receives social security or railroad retirement benefits, is not in school, is between 19 and 59, and is not a widow with a dependent child, those 23 and over may be in school. 2. Receives welfare/public assistance excluding those whose marital status is separated, widowed, divorced or other with dependent children and excluding those unemployed during year. 3. Receives worker's compensation. 4. Receives veteran's disability benefits and is a veteran and not in school. 	<ol style="list-style-type: none"> 1. Employment status or major activity = unable to work. 2. Work < 35 hours and reason for part-time work = own illness or reason work part year = own illness. 3. Have job, but not working and reason not working is own illness.
1976, 1980, 1982, 1984, and 1988	<ol style="list-style-type: none"> 1. Receives social security or railroad retirement benefits, is not in school, is between 19 and 59, and is not a widow with a dependent child. Those 23-59 may be in school. 2. Receives SSI. 3. Receives worker's compensation. 	<ol style="list-style-type: none"> 1. Employment status or major activity = unable to work. 2. Works < 35 hours and reason for part-time work = own illness or reason work part year = own illness. 3. Have job, but not working and reason not working is own illness.

4. Receives veteran's disability benefits, is a veteran, and is not in school.

TABLE B-1

**PERCENTAGE OF THE WORKING-AGE POPULATION WITH DISABILITIES
AND THEIR LIKELIHOOD OF RECEIVING GOVERNMENT TRANSFERS**

Year	Male		Female		Total	
	Percent with Disabilities	Percent Receiving Transfers	Percent with Disabilities	Percent Receiving Transfers	Percent with Disabilities	Percent Receiving Transfers
1968	13.0	55	8.2	39	10.5	49
1973	12.8	65	9.3	43	11.0	55
1976	14.6	58	7.5	43	10.9	52
1980	11.9	68	9.6	51	10.7	61
1982	10.6	65	9.1	55	9.6	61
1988	9.9	65	8.0	54	8.9	60

NOTE: Calculation by the authors from CPS data for various years; see appendix.

TABLE B-2						
FAMILY ECONOMIC WELL-BEING OF DISABLED MEN RELATIVE TO MEN WITHOUT DISABILITIES ACROSS EDUCATION LEVELS, 1967-1987						
	1967	1972	1975	1979	1981	1987
Wage Earnings of Men with Disabilities as a Percentage of Men Without Disabilities						
Less Than High School	.62	.67	.36	.46	.29	.30
High School Degree	.77	.75	.65	.62	.44	.64
More Than High School	.69	.85	.93	.70	.64	.72
Income of Families Headed by Men with Disabilities as a Percentage of Men Without Disabilities						
Less Than High School	.78	.81	.78	.75	.70	.71
High School Degree	.88	.84	.84	.76	.69	.91
More Than High School	.78	.83	.89	.79	.75	.89
Wage Earnings of Men with Disabilities as a Share of Their Family Income						
Less Than High School	.55	.53	.28	.37	.24	.22
High School Degree	.59	.59	.47	.47	.38	.41
More Than High School	.51	.64	.65	.54	.52	.51
Transfers as a Share of Income of Families Headed by Men with Disabilities						
Less Than High School	.13	.16	.30	.29	.34	.36
High School Degree	.10	.10	.20	.21	.25	.18
More Than High School	.08	.09	.16	.18	.10	.17
Other Income (Primarily Spouse Earnings) as a Share of Income of Families Headed by Men with Disabilities						
Less Than High School	.32	.31	.42	.34	.42	.42
High School Degree	.31	.31	.33	.32	.37	.41
More Than High School	.41	.27	.29	.28	.38	.32

<p style="text-align: center;">TABLE B-3</p> <p style="text-align: center;">FAMILY ECONOMIC WELL-BEING OF MEN WITH DISABILITIES</p> <p style="text-align: center;">RELATIVE TO MEN WITHOUT DISABILITIES</p> <p style="text-align: center;">BY RACE, 1967-1987</p>						
	1967	1972	1975	1979	1981	1987
Wage Earnings of Men with Disabilities as a Percentage of Men without Disabilities						
Non-white	.55	.53	.47	.47	.25	.34
White	.64	.78	.67	.59	.46	.53
Income of Families Headed by Men with Disabilities as a Percentage of Men without Disabilities						
Non-white	.68	.64	1.05	.76	.55	.65
White	.75	.83	.77	.73	.68	.78
Wage Earnings of Men with Disabilities as a Share of their Family Income						
Non-white	.48	.49	.25	.32	.24	.29
White	.57	.40	.53	.49	.41	.41
Transfers as a Share of Income of Families Headed by Men with Disabilities						
Non-white	.17	.19	.26	.30	.35	.24
White	.10	.10	.20	.21	.20	.22
Other Income (Primarily Spouse Earnings) as a Share of Income of Families Headed by Men with Disabilities						
Non-white	.35	.32	.39	.38	.41	.47
White	.33	.30	.27	.30	.39	.37

References

- Bennefield, Robert L. and John M. McNeil. 1989. "Labor Force Status and Other Characteristics of Persons with Work Disabilities 1981 to 1988." *Current Population Reports Special Series* No. 160. Washington, D.C.: U.S. Department of Commerce, Bureau of the Census, p. 23.
- Burkhauser, Richard V. and Robert H. Haveman. 1982. *Disability and Work: The Economics of American Policy*. Baltimore: Johns Hopkins University Press.
- Burkhauser, Richard V. and Petri Hirvonen. 1989. "United States Policy in a Time of Economic Crisis: A Comparison with Sweden and the Federal Republic of Germany." *The Milbank Quarterly* Vol 67, Suppl. 2, Pt 1: 166-194.
- Haveman, Robert H., Victor Halberstadt, and Richard V. Burkhauser. 1984. *Public Policy Toward Disabled Workers: A Cross-National Comparison of Economic Impacts*. Ithaca, NY: Cornell University Press.
- Haveman, Robert H., and Barbara L. Wolfe. 1990. "The Economic Well-Being of the Disabled 1962-1984." *Journal of Human Resources* Vol 25, No.1: 32-54.
- U.S. Department of Health and Human Services. 1989. *Annual Statistical Supplement of the Social Security Bulletin*. Washington, DC.
- Weaver, Caroline L. 1986. "Social Security Disability Policy in the 1980s and Beyond." In *Disability and the Labor Market: Economic Problems, Policy and Programs*, Monroe Berkowitz and M. Ann Hill (eds.). Ithaca, NY: RLR Press, pp. 29-63.
- Wolfe, Barbara L. and Robert H. Haveman. 1990. "Trends in the Prevalence of Disability 1962-1984." *The Milbank Quarterly*, Vol. 68, No.1: 53-80.

INCOME SECURITY POLICY SERIES

Policy Series Papers

Policy Paper	Title	Author(s)	Date
1	W(h)ither the Middle Class? A Dynamic View	Duncan, Smeeding, and Rodgers	February 1992
2	Reality or Illusion: The Importance of Creaming on Job Placement Rates in Job Training Partnership Act Programs	Anderson, Burkhauser, and Raymond	February 1992
3	Modeling Application for Disability Insurance as a Retirement Decision: A Hazard Model Approach Using Choice-Based Sampling	Burkhauser, Butler, Kim, and Slotsve	February 1992
4	How People with Disabilities Fare When Public Policies Change--Past, Present, and Future	Burkhauser, Haveman, and Wolfe	February 1992