

# DISABILITY, SKILLS AND WORK: Raising our ambitions

**Stephen Evans**

Disabled people represent one fifth of the working age population, but are far more likely to be out of work and to lack skills than the population as a whole. Improving skills and employment for disabled people matters not just for equality, but also for national prosperity and delivering world leading skills and employment. Indeed, these are interlinked challenges: skills are increasingly key to improving employment.

This paper finds that the case for action to improve the skills of disabled people is clear and pressing. Improving the employment rate of disabled people to the national average would boost the UK economy by £13 billion, equivalent to six months economic growth. Improving the skills of disabled people to world leading levels by 2020 would give a boost equivalent to 18 extra months of growth over 30 years, some £35 billion.

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To deliver these benefits, the UK should make a national commitment to closing the relative skills gap between disabled people and the national average. Employers must take greater responsibility, aided by improved support but backed by a clear commitment to tough new legal duties if progress falls short. Skills improvements should be integrated much more fully into back to work support. Critically, success will rely on raising the aspirations and increasing the opportunities of disabled people and society's attitude towards and expectations of disabled people.

## INTRODUCTION

Of the 10 million disabled people in Great Britain, 6.8 million are of working age, one fifth of the total working age population.<sup>1</sup> This is up from 6 million in 1998, a rise of 14 per cent. Behind these headline facts lies a diversity of experiences and impairments or health conditions. The most common impairments or health conditions are: problems with back or neck (16 per cent of disabled people), heart or blood pressure (12 per cent), chest or breathing problems (11 per cent) and mental health conditions (10 per cent).<sup>2</sup>

Despite recent progress, disabled people and people with long-term health conditions still face significant disadvantages. They are far less likely to be skilled; disabled people are half as likely as non-disabled people to have a degree and twice as likely to have no qualifications at all.<sup>3</sup> They are far less likely to be employed too; only 50 per cent are in work, compared to 75 per cent of the population as a whole.<sup>4</sup> They are

<sup>1</sup> Disability Rights Commission, *Disability Briefing*, (DRC, 2006).

<sup>2</sup> Ibid.

<sup>3</sup> Office for National Statistics, *Labour Force Survey*, (ONS, 2007).

<sup>4</sup> The figures for Scotland are 52% and 82% respectively

also more likely to be socially excluded and live in poverty; disabled adults are twice as likely to be living in poverty as non-disabled adults.

This is unfair in a society that aims for opportunity for all and improved social justice. Skills are increasingly a key driver of employment and so helping disabled people to improve their skills must be at the heart of a strategy to ensure disabled people can succeed in the labour market. But the continuing disadvantage of disabled people constrains national prosperity too; the UK is simply not making the most of the talents of all of its people.

This essay explores the links between disability, skills and work. It uses the methodology established by the Leitch Review to examine the impacts of improving the skills of disabled people and shows that ensuring disabled people have greater opportunity to improve their skills is critical to delivering full employment, boosting growth and delivering improved social justice. It also develops policy recommendations to deliver this.

## THE CURRENT SITUATION

Disabled people are far less likely to be in work or hold qualifications than the national average. Currently, disabled people are twice as likely as other citizens to have no recognised qualifications whatsoever and only 59 per cent of disabled people are qualified to at least level 2, compared to 76 per cent of non-disabled people.<sup>5</sup> This is not just a minority issue either, over one third of all those without any formal qualifications are disabled.<sup>6</sup> Around 23 per cent of disabled people lack functional literacy, compared to a national average of 16 per cent.<sup>7</sup>

Within the wide definition of disability, there are significant concentrations of low skills among certain groups of disabled people and people with long term health conditions, most notably among those over the age of 50. Certain impairment groups are also over represented. Labour Force Survey data suggests that about one third of disabled people with no qualifications have mobility impairments, one third have long-term health conditions, around 15 per cent have mental health conditions and around 6 per cent have learning disabilities.

Disabled people are also far less likely to be in employment than non-disabled people. The employment rate of disabled people and people with long term health conditions has risen faster than average over the past decade, from 43 per cent in 1998 to over 50 per cent by 2006, but remains some 25 percentage points below the national average.

<sup>5</sup> Disability Rights Commission, *Disability Briefing March 2006*, (DRC, 2006).

<sup>6</sup> National Assembly for Wales National Statistics, *Statistical focus on disability and long-term illness in Wales*, (2003); ONS, *Labour Force Survey*, (ONS, 2007).

<sup>7</sup> Skills for Life survey, (DfES, 2003). At least some of this gap is accounted for by the fact that not all people with learning difficulties might be expected to reach this level.

This universal picture masks significant differences in the employment opportunities of people with different types of impairment: only one in ten people with severe learning disabilities and two in ten people with mental health problems are in work.<sup>8</sup>

Furthermore, there is a clear and strengthening link between skills and employment – these are interlinked rather than separate challenges. For example, those with low skills are far less likely to be in work than those with high skills. Fewer than one in two adults with no qualifications have a job, compared to more than nine in ten people with the equivalent of a degree.<sup>9</sup>

This raw data shows the impact of a range of disadvantages and barriers that individuals might face, not just skills. However, research to isolate the impact of skills finds that a higher level of skills is associated, all else equal, with a higher probability of employment. For example, functional numeracy skills are associated with a 2-3 percentage point higher probability of being in work, while functional literacy skills are associated with as much as a 10 percentage point higher probability of employment.<sup>10</sup>

### **Double disadvantage**

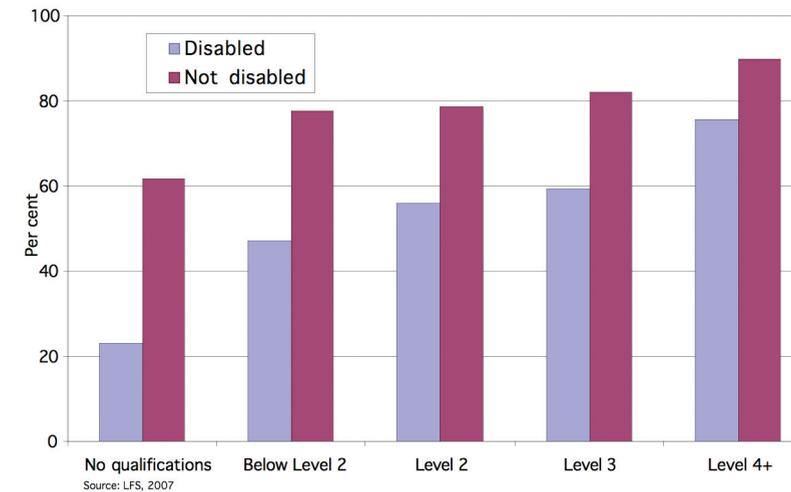
The link between skills and employment is even stronger for disabled people: having low skills holds a greater labour market penalty for them. As Chart 1 shows, disabled people and people with long term health conditions have lower employment rates than the non-disabled population no matter what their qualification level, with the biggest ‘penalty’ coming for those with low or no qualifications.

<sup>8</sup> DRC, *Disability Briefing*, (DRC, 2006).

<sup>9</sup> Office for National Statistics, *Labour Force Survey*, (ONS, 2007).

<sup>10</sup> McIntosh, Dearden, Myck and Vignoles, *The returns to academic, vocational and basic skills in Britain*, (Skills Task Force Research Paper 20, 2000).

**Chart 1: Employment rate by qualification level**



The chart shows that the employment gap between disabled adults and non-disabled adults without any qualifications is 38 per cent. Where both groups have level 2 skills, this gap narrows to 22 per cent. Having no qualifications is a severe labour market disadvantage for anyone. But having both no qualifications and being disabled carries an even greater penalty – a double disadvantage. In this respect, skills can be a central plank of welfare policy for disabled people, giving them greater opportunities to find and stay in work, and so providing greater employment security.

Currently, at every level of qualification, disabled people are up to three times more likely than other citizens to be without a job but want to work.<sup>11</sup> It is striking that disabled graduates have a higher chance of

<sup>11</sup> Palmer, Carr and Kenway, *Monitoring poverty and social exclusion 2005*, (Joseph Rowntree Foundation and New Policy Institute, 2005).

being out of, but wanting, work than a non-disabled adult who has no qualifications at all.<sup>12</sup>

This evidence points to a complex relationship between skills, employment and disability. The three need to be considered together rather than in isolation.

### ***The impact on poverty and children***

The skills and employment disadvantage that disabled people face leads to a concentration of poor opportunities, barriers to labour market participation and a greater likelihood of living in poverty. This leaves many disabled people facing a combination of low skills and social exclusion. Almost one third of working age disabled adults live in poverty today, twice the rate for non-disabled adults and higher than a decade ago.<sup>13</sup> Around 400,000 disabled parents, one quarter of whom are in work, have incomes below the poverty line. This can have significant impacts on the life chances of the children of disabled parents.<sup>14</sup>

## **TACKLING DISADVANTAGE AND DISCRIMINATION**

The labour market disadvantage of disabled people is driven by a complex and overlapping array of factors. Efforts to tackle this disadvantage have been based on both specific measures to help disabled people, for example tackling discrimination, and efforts to ensure equal access to 'mainstream' programmes that aim to improve employment prospects and progression more widely.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Households Below Average Income statistical report (HBAI) for the period 1994/95-2005/06.

This evidence points to a complex relationship between skills, employment and disability. The three need to be considered together rather than in isolation.

### The role of employers

The vast majority of disabled people acquire an impairment while in work and where this is not effectively managed it can often lead to the employee leaving employment. Around 600,000 people (2.6 per cent of all employees) become sick or acquire an impairment on the Disability Discrimination Act (DDA) definition each quarter.<sup>15</sup> Within one year, 13 per cent have left employment. On the narrower definition based on Statutory Sick Pay (SSP) and Incapacity Benefit (IB) receipt, the figure becoming sick or acquiring an impairment is lower at 73,000. Almost one half of those have left employment 9-12 months later.

People with low skills who acquire an impairment, along with those who develop a mental health condition, are most likely to fall out of employment when they develop their impairment. Around one in six workers lose their job after developing an impairment or long-term health condition (people with mental health conditions face double the risk).<sup>16</sup> This risk is increased for those with low skills: those in manual work also face double the risk.

Evidence shows that many people do not feel able to disclose impairment to their employer because they are concerned about their employers' attitude and the impact on their job.<sup>17</sup> This may limit their ability to get the help or reasonable adjustments that could enable them to stay in work.

The Disability Discrimination Act (DDA), introduced in 1995, makes it unlawful to discriminate against disabled people and requires employers and service providers to make 'reasonable adjustments' for

15 Burchardt, *Enduring economic exclusion*, (JRF, 2000); Burchardt, *Employment retention and the onset of sickness and disability: evidence from the LFS longitudinal data sets*, DWP in house report 109, (DWP, 2003).

16 Ibid.

17 Stanley, Ridely, Manthorpe, Harris and Hurst, *Disclosing Disability: Disabled students and practitioners in social work, nursing and teaching*, (Social Care Workforce Research Unit, 2007).

disabled people.<sup>18</sup> In addition, the Act was extended in 2005 to place a duty on the public sector to promote equality for disabled people.

However, while awareness of disability and the DDA is rising (75 per cent of employers across the country, though higher at 87 per cent in Scotland), understanding of disability and what employers can do remains low (for example, only 8 per cent of employers have ever actively sought information or advice on the DDA).<sup>19</sup> This relatively low awareness was reflected in a recent survey which found that 45 per cent of small firms believe that it would be 'quite or very difficult' to employ a disabled person.<sup>20</sup> In some cases, people who have certain impairments, such as visual impairments or mental health conditions, may face particular discrimination, because of negative assumptions about their ability to do the job given the nature of their impairment. There is clearly further to go to make the aspirations of the Act a practical reality on the ground.

Increased help and support has aimed to help employers meet their DDA responsibilities. Access to Work provides financial support for both one-off and ongoing additional costs of employing a disabled person. It is supported by employers, with the British Chambers of Commerce describing it as 'the best kept secret in Government',<sup>21</sup> and delivers economic benefits, recouping £1.48 in increased tax and NI contributions for every £1 spent.<sup>22</sup>

However, the budget was capped at £50 million in 2003/04 and awareness among both employers (especially small employers) and individuals is relatively low. Partly as a consequence, just 59 per

18 Hurstfield et al, *Monitoring the Disability Discrimination Act (DDA) 1995 Phase 3*, (DRC Research Report, 2004).

19 Stuart et al, *How employers and service providers are responding to the Disability Discrimination Act 1995*, (IES, 2002).

20 Opinion Research Business, *Small employers attitudes to disability*, (DRC, 2005).

21 Social Market Foundation, *The Incapacity Trap*, (SMF, 2005).

22 Disability Employment Coalition, *Access to Work for disabled people*, (DEC, 2004).

cent of larger firms claim to have made adjustments for disabled people in recruitment (although a much higher 88 per cent had made adjustments for retention), compared to an even lower 15 per cent of small firms (34 per cent for retention).<sup>23</sup> This is despite the fact that many such adjustments require little or no extra cost to the employer.<sup>24</sup>

Alongside financial support, measures to give employers access to advice have been introduced. For example, Workplace Health Connect is piloting provision of information and advice on workplace health and safety to small and medium sized enterprises (SMEs) in England and Wales. Evaluation to date suggests it has so far engaged with employers representing more than 300,000 employees and that SMEs both value the service and intend to implement its recommendations.<sup>25</sup> Services such as this can help both to support disabled people into work, but also prevent those who acquire an impairment from falling out of the labour market by ensuring employers have effective information, advice and support on making adjustments.

### ***The role of Welfare to Work and the skills system***

The benefit system has always offered additional support to disabled people and people with long term health conditions, but traditionally given little help to get back into work. As a result, the number of people on incapacity-related benefits rose significantly during the 1980s and early 1990s as employment fell and those who found themselves on such benefits were offered little or no back to work support. Consequently, by the mid-90s someone who had been on Incapacity Benefit (IB) for two years was more likely to retire or die than to find another job.

<sup>23</sup> Howard, *Small employer literature review*, (DRC, 2004).

<sup>24</sup> Meager et al, *Costs and Benefits to Service Providers of Making Reasonable Adjustments under Part III of the Disability Discrimination Act*, (IES, 2002).

<sup>25</sup> Tyers, *Workplace Health Connect: Progress Report*, (IES, 2007).

In 1998, the New Deal for disabled people (NDDP) was introduced, offering personalised support to Incapacity Benefit (IB) claimants who volunteered for it. Alongside this, there has been encouragement of supported employment through, for example, Remploy and Workstep, though such approaches often have a relatively high cost.<sup>26</sup>

However, take-up of NDDP was relatively low and the number of IB claimants continued to rise. So in 2003, Pathways to Work, offering a tailored condition management programme matched by a responsibility to attend a series of work-focused interviews (WFIs), was piloted for new claimants of IB. Pathways has, so far, been a success: benefit off-flow rates are around 8 percentage points higher in the areas it operates, though this success can vary by type of impairment.<sup>27</sup> As a result, it is now being rolled out nationwide.

Looking forwards, a key challenge will be to extend the Pathways approach for existing IB claimants, as well as new claimants. In addition, the recent Welfare Reform Green Paper and subsequent Bill propose changes to the structure of the benefit.<sup>28</sup> These changes aim to focus assessment on what people can do rather than what they cannot, with those that qualify for benefit receipt split into two groups: those that could work and hence more can be expected of, and those who cannot work and who need increased support. As part of these changes, IB will be renamed the Employment and Support Allowance (ESA).

### ***The role of education and aspiration***

Young disabled people have broadly the same chance of achieving a level 2 qualification (GCSE grades A-C or equivalent) as a young

<sup>26</sup> Hasluck and Green, *What works for whom? A review of evidence and meta analysis for the DWP*, (DWP, 2007).

<sup>27</sup> Blyth, *Incapacity Benefit reforms – Pathways to Work Pilots performance and analysis*, Working paper 26, (DWP, 2006).

<sup>28</sup> DWP Green Paper, *A new deal for welfare: Empowering people to work*, (DWP, 2006).

non-disabled person.<sup>29</sup> However, there is a marked inequality of outcome in attaining higher level qualifications. This reflects the much higher rates of dropping out of education at age 16 among disabled people.

Even accounting for young people with learning disabilities (roughly 14 per cent of the total number of disabled people 16-24), who may not be expected to reach that level of qualification by that age, this shows a notable inequality of outcome between the qualifications achieved before and after the compulsory school leaving age.

Consequently, at age 16, young disabled people in England and Wales are twice as likely not to be in any form of education, employment or training (NEET) as their non-disabled peers, a figure which increases to three times as likely by the age of 19.<sup>30</sup> The proportion of young disabled people who were NEET increased from 11 per cent to 15 per cent between 2000 and 2004.

The relatively low participation of young disabled people has a profoundly negative effect on their life chances. Not being in employment, education or training for six months or more between 16 and 18 is the single most powerful predictor of unemployment at age 21.<sup>31</sup> This combination of factors suggests a causal link between disability and school drop out with an almost inevitable link to poor employment prospects.

In part, this reflects a culture of low expectations: a recent survey found that one fifth of young disabled people said that they were discouraged from taking GCSEs because of their impairment.<sup>32</sup>

<sup>29</sup> ONS, *Labour Force Survey*, (ONS, 2007).

<sup>30</sup> In Scotland there are 3,900 young disabled people who are NEET.

<sup>31</sup> The Equalities Review, *Interim Report*, (2006).

<sup>32</sup> NOP, *Young disabled people: A survey of the views and experiences of young disabled people in Great Britain*, (DRC, 2003).

The relatively low participation of young disabled people has a profoundly negative effect on their life chances.

This leads on to a fall in aspirations. Evidence suggests that, by the age of 26, the expectations of young disabled people have departed considerably from non-disabled people of the same age, with significant numbers saying that nothing they can do in their lives makes a difference.<sup>33</sup> In this way, relatively low aspirations and expectations are both a cause and a consequence of labour market disadvantage for disabled people.

This skills disadvantage persists into adulthood with disabled people less likely to have access to in-work skills development that might aid career progression. Only 9.5 per cent of learners in LSC-funded provision are disabled, despite the fact that 20 per cent of the working age population is disabled.<sup>34</sup> In the Employer Training Pilots that formed the basis for the national Train to Gain programme, disabled people were under-represented and less likely to complete their courses.<sup>35</sup> Similarly, disabled people are less likely to be undertaking an Advanced Apprenticeship, though participation in Foundation Apprenticeships is comparable with that for non-disabled people.

## THE CHALLENGE AHEAD

Despite some progress in the last decade, it is clear that disabled people remain significantly disadvantaged, both in the labour market and in society. As the global economy changes, an increasing premium will be placed on skills. As the population ages, employers will need to adapt to changes in the pool of potential employees. Increasingly, improving the opportunities of disabled people will become central to achieving national prosperity as well as equality of opportunity.

<sup>33</sup> Burchardt, *The education and employment of young disabled people: Frustrated ambition*, (JRF, 2005).

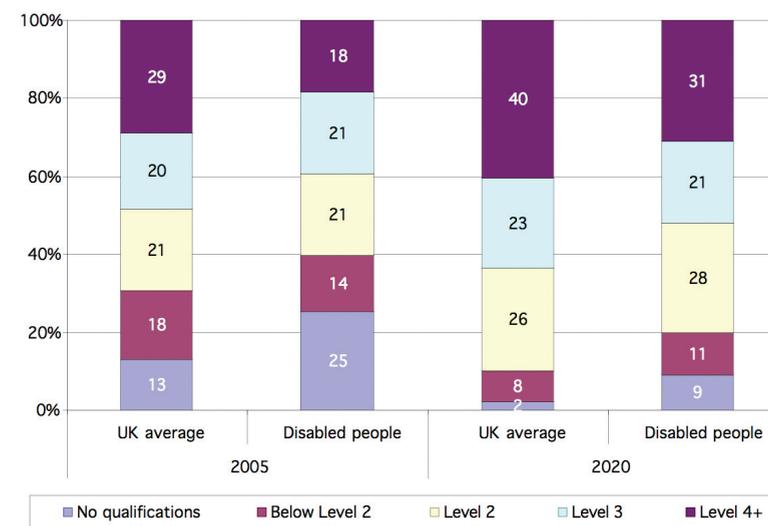
<sup>34</sup> Strategy Unit, *Improving the life chances of disabled people*, (Strategy Unit, 2005).

<sup>35</sup> Hillage et al, *Platform for progression: Employer Training Pilots*, (IES, 2005).

### Skills

Relatively poor skills are a key part of the disadvantage disabled people face and this relative skills gap may widen further by 2020. Chart 2 shows projections for the skills mix of disabled people and how this compares to the projected mix for the UK as a whole. These projections should not be seen as precise *predictions*. Instead, they are intended to be *illustrations* of what would happen in the absence of action to change previous trends.<sup>36</sup>

**Chart 2: 2020 skills projections**



Source: Leitch Review and SMF

The chart shows that the qualification profile of disabled people is set to improve. Around 80 per cent of disabled people will be qualified to at least Level 2 by 2020, compared to 61 per cent today, and almost

<sup>36</sup> See Annex A for a description of the methodology underpinning these projections.

one third will have a degree equivalent qualification, up from less than one fifth today.

However, because the skills profile of the UK population as a whole will improve too, disabled people risk an increasing disadvantage. For example, the proportion of disabled people with less than a level 2 qualification (20 per cent) would be double the UK average (10 per cent).

Similarly, disabled people are far more likely to have basic skills needs than the population as a whole. Almost one quarter of disabled people lack functional literacy, compared to a national average of one sixth, and 31 per cent lack functional numeracy, compared to a national average of 20 per cent.

By 2020, these national averages are projected to have fallen to 10 per cent lacking functional literacy and 15 per cent lacking functional numeracy. If the basic skills profile of disabled people improves at the same rate as the national average, by 2020, 1.7 million (21 per cent) of disabled people will still lack functional literacy and 2.5 million (30 per cent) will lack functional numeracy.

Such a continuing skills deficit is not just a problem for disabled people. It would prevent the UK from reaching its goal of world class skills by 2020.<sup>37</sup> At the low end, the Government's acceptance of the Leitch Review recommendations on world class skills means achieving up to 95 per cent of adults qualified to at least Level 2, up from 69 per cent today.<sup>38</sup> More than one third of those with no qualifications

<sup>37</sup> Defined by the Leitch Review, and accepted by Government, as being in the top quartile of the OECD at each skill level.

<sup>38</sup> Level 2 is equivalent to five GCSEs at grades A\*-C.

are disabled. Hence, even if all of the non-disabled population were to achieve this level, the UK would fall 800,000 attainments short of 95 per cent at Level 2 without improvements in the skills of disabled people. In other words, it will be impossible to deliver world class skills unless disabled people are better supported to significantly improve their skills.

### **Employment**

This persistent and potentially deepening skills disadvantage is likely to further constrain the employment opportunities of disabled people. The link between skills and employment is strengthening over time as a result of global economic change, making its impacts even more profound. Increasing global integration and accelerating technological change are increasing the demand for skills. Consequently, the employment rate for people with no qualifications has fallen over the last decade, so that today fewer than one in two people with no qualifications are in work.

Over the next decade, the employment opportunities for those with low or no skills are likely to fall still further. Projections suggest there will only be 300,000 unskilled jobs by 2020, yet Chart 2 suggests there may be at least 650,000 unqualified disabled people.

Again, this is not just an equality issue. The persistence of low skills among disabled people is likely to constrain employment nationally too. To reach an 80 per cent employment rate will require an extra

2 million people to find work. Today there are around 4.5 million people on out of work benefits – 950,000 on Jobseeker’s Allowance (JSA), 800,000 lone parents on Income Support (IS) and 2.7 million people on Incapacity Benefit (IB). So even if every claimant of JSA and every lone parent on IS found work, the UK would remain short of an 80 per cent employment rate – it will not be possible to reach this goal without helping more disabled people into work.

The nexus between skills, employment and disability has clear implications for delivering reductions in poverty too. As the previous section noted, disabled adults are twice as likely to live in poverty as non-disabled adults. Disabled lone parents make up an increasing proportion of the number of lone parents out of work and more than 260,000 disabled lone parents have children who are living in poverty.<sup>39</sup> Supporting disabled parents to get into the labour market and progress to higher paid jobs will be an important step in the commitment to eradicate child poverty.

## THE SCALE OF THE PRIZE

It is possible to quantify the economic benefits that improvements in skills and employment for disabled people would bring. Moving the employment rate for disabled people from its current 50 per cent to the national average of 75 per cent would involve helping an additional 1.3 million disabled people into work (a little higher than the Government’s current target for reducing the number of Incapacity Benefit claimants by 1 million). This would boost UK GDP by at least £13 billion, equivalent to 6 months of economic growth.<sup>40</sup>

<sup>39</sup> ONS, *Labour Force Survey*, (ONS, 2007).

<sup>40</sup> Assuming all 1.3 million go into full-time work at the National Minimum Wage.

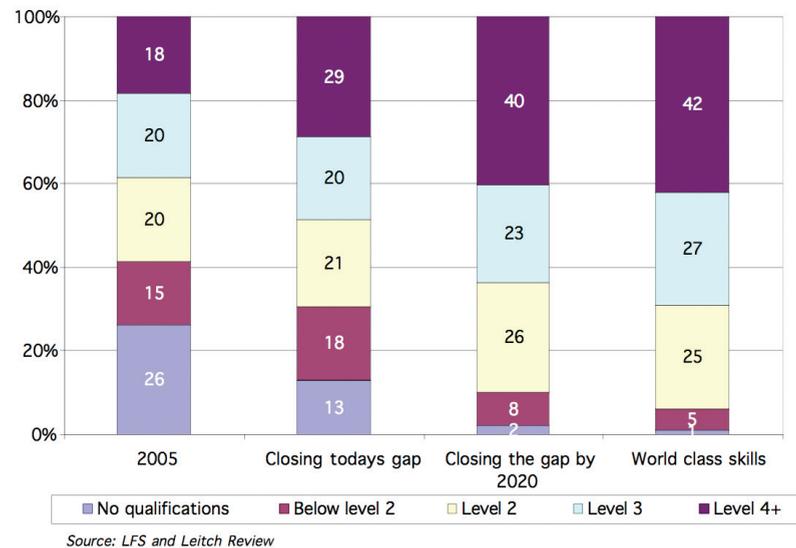
### *The impact of improving skills*

This paper uses the framework set out by the Leitch Review for analysing the costs and benefits of improvements in skills. The Review used the increase in earnings that people gain from being more highly skilled as a measure of improved productivity from higher skills. The employment returns data discussed earlier were used to analyse the potential boost to employment. These were both cautious assumptions, likely to underestimate the total benefit.

These benefits were then compared to the costs of skills improvements, both the direct cost of providing courses and the opportunity cost to the individual and economy of lost wages and output. For more details, please see Annex A.

This approach is used to examine the potential impact of three different scenarios for improving the skills of disabled people, summarised in Chart 3:

- **Closing today’s gap.** Moving the qualification mix and basic skills profile of disabled people to today’s UK average;
- **Closing the gap by 2020.** Improving the qualification mix and basic skills profile of disabled people to the projected 2020 national average; and
- **World class skills.** Improving the qualification mix and basic skills profile of disabled people to world class levels by 2020.

**Chart 3: Scenarios for improving the qualifications of disabled people****Closing today's skills gap**

As the previous section set out, the skills mix of disabled people lags far behind that of the UK as a whole. To improve the skills mix of disabled people to that of the current UK average would, compared to today, require:

- 1.2 million fewer disabled people qualified below Level 2;
- 250,000 more disabled people qualified to Level 2;
- 275,000 more disabled people qualified to Level 3; and
- 650,000 more disabled people qualified to at least Level 4.

In addition, improving the basic skills profile of disabled people to the current UK average of 16 per cent lacking functional literacy and 21 per cent lacking functional numeracy would require 600,000 disabled people to improve their literacy and 500,000 to improve their numeracy. This is broadly equivalent to the rate of improvement projected for the coming decade.

**The net benefit from increased productivity (each average worker producing £1,250 more each year than they otherwise would) and employment from doing this, under cautious assumptions, would be at least £15 billion over 30 years, a boost to the UK economy of at least £500 million in each of those years.**

**Closing the skills gap by 2020**

Over the next 15 years, a combination of demographic change and action to improve skills among young people and adults, means the UK's skills mix will improve substantially.

Consequently, raising the skills mix of disabled people to *today's* UK average would leave it still lagging behind the UK average in 2020, running to stand still. The *absolute* position of disabled people would have improved, but their *relative* position would not.

This scenario examines the impact of improving the skills mix of disabled people to the expected UK average of 2020, closing the gap against this running target. While some of these improvements will occur even if the UK continues with '*business as usual*' as a result of demographic change and upskilling, this would still require significant acceleration. Compared to today, this would require:

- 1.8 million fewer disabled people qualified below Level 2;
- 600,000 more disabled people qualified to Level 2, an acceleration of 70 per cent compared to the projected rate of increase;
- 350,000 more disabled people qualified to Level 3, almost tripling the projected rate of increase; and
- 1.8 million more disabled people qualified to at least Level 4, an acceleration of 33 per cent.

In addition, improving the basic skills profile of disabled people to the 2020 projected national average (10 per cent lacking literacy

and 15 per cent lacking numeracy) would require almost 900,000 disabled people to improve their literacy and 1 million to improve their numeracy. This is equivalent to increasing the projected rate of improvement over the next decade by around 50 per cent.

**This would have the potential to deliver a net benefit of at least £30 billion over 30 years, an annual average boost to the UK economy of at least £1 billion. This would come through increased productivity and helping at least an additional 65,000 disabled people into work. Around one half of these benefits come from delivering the 2020 baseline for disabled people in Chart 2, itself by no means guaranteed.**

#### *World class skills*

The Leitch Review showed that, as a result of continuing improvements in other countries, the UK's skills base is on track to remain mediocre in 2020. It set out a vision of world class skills, involving more than doubling attainment at most skill levels.

The final scenario therefore examines the impact of improving the skills mix of disabled people to the Leitch vision of world class skills by 2020, moving the UK into the top quartile of the OECD at all skill levels. Compared to today, this would require:

- 2 million fewer disabled people qualified below Level 2;
- 500,000 more disabled people qualified to Level 2, an acceleration of 70 per cent compared to the projected rate of increase;
- 700,000 more disabled people qualified to Level 3, an acceleration of more than 400 per cent; and
- at least 1.8 million more disabled people qualified to Level 4 or above, an acceleration of more than 33 per cent.

In addition, improving the basic skills profile of disabled people to the 2020 projected world leading levels (only 5 per cent lacking literacy

and numeracy) would require 1.2 million disabled people to improve their literacy and 1.7 million to improve their numeracy.

**This would have the potential to deliver a net benefit of at least £35 billion over 30 years, an annual average boost to the UK economy of at least £1.2 billion. This would come through increased productivity and helping at least an additional 80,000 disabled people into work. Around one half of these benefits come from delivering the 2020 baseline in Chart 2, itself a stretching task.**

#### *The wider prize*

The prize to the UK is, of course, greater than simply increased productivity and employment. It is partly about equality of opportunity and fairness – enabling people to reach their full potential regardless of their background and circumstance. But it is also about tackling poverty, in particular child poverty.

As the previous section set out, the poverty rate for disabled working-age adults is twice that for non-disabled adults and disabled parents are also more likely to live in poverty than non-disabled parents. While it is difficult to accurately quantify the potential impacts on poverty, it is clear that improving the pay and job prospects of disabled people to the extent calculated above could significantly reduce poverty.

This also points to a potentially significant intergenerational impact. Evidence shows that the life chances of children are closely related to

their parents' outcomes.<sup>41</sup> Hence children from deprived backgrounds often risk becoming trapped in a cycle of disadvantage. As set out earlier, disabled parents are more likely to be living in poverty. As children living in poverty are more likely to acquire an impairment or health condition in earlier life, their likelihood of living in poverty in adulthood is compounded.

By raising the outcomes of their parents, in particular their pay and job prospects, and hence cutting the number of families living in poverty, the children of disabled parents face less of a risk of suffering the lifelong disadvantage that childhood poverty can bring. Improving the skills of low-paid disabled parents can contribute to breaking the cycle of disadvantage that families can become locked in.

In addition, the number of disabled people out of work and claiming Incapacity Benefit varies significantly across the country. While nationally 20 per cent of adults are disabled or have a long term health condition, this proportion ranges from just 16 per cent in the East and London to 25 per cent in the North East and Wales.<sup>42</sup> Almost two thirds of people on benefits live in cities and even within cities there are concentrations of worklessness often alongside 'work rich' areas.

Improving the pay and employment prospects of disabled people will therefore not have a uniform effect across the country. Instead, it will have its greatest impact in those wards, towns, cities and regions with the highest concentrations of IB claimants. Raising the skills of disabled people can thus make a contribution to cutting regional inequality and other geographical disparities.

<sup>41</sup> Blanden and Gregg, *Family income and educational attainment: A review of approaches and evidence for Britain*, Oxford Review of Economic Policy, (OUP, 2004).

<sup>42</sup> Office for National Statistics, *Labour Force Survey*, (ONS, 2007).

## DELIVERING THE PRIZE

The scale of the prize, in terms of both increased prosperity and improved fairness, from improving the skills of disabled people and their access to the labour market is clear. So too is the scale of the challenge in delivering this prize. This section sets out four key policy recommendations for meeting this challenge.

### 1. Commitment to reduced skills disparities

The first step is to ensure disabled people benefit from improvements in skills. This would be aided by a **national commitment to reducing the relative skills gap between disabled people and the national average**. This would reverse the trend of the past decade, which has been for a small *widening* of the gap.

This goal could mirror the Public Service Agreement (PSA) to reduce the disparity between the employment rate of disabled people (as well as other disadvantaged groups, such as lone parents) and the national average. This PSA has helped to focus policy effort on ensuring that disadvantaged groups share in increases in employment.

A similar commitment for skills could help to ensure that policymakers focus on ensuring disabled people benefit from improvements in skills, by aligning their incentives to meet their obligations under the Disability Equality Duty. This change in incentives should allow and encourage skills providers to find their own innovative ways of engaging with disabled people. This commitment to narrowing the skills gap with the national average could be extended to other disadvantaged groups, in the same way that the employment PSA is.

## **2. Increased employer responsibility**

While it is clear that employer attitudes to disability have improved, it is equally clear that many firms lack information and that outdated attitudes still persist in some parts of the economy. The DDA makes it illegal to discriminate against disabled people, but there is further to go to make equality of access to employment and skills development a reality on the ground.

Too many people who acquire an impairment or long term health condition while in work consequently fall out of employment, too many disabled people out of work struggle to reconnect with the labour market and too few disabled people participate in skills development. As the earlier sections showed, Access to Work is helping employers to make reasonable adjustments for disabled people, but it suffers from a capped budget and limited awareness meaning, for example, that larger companies are far more likely than small firms to make adjustments, particularly in recruitment. It also does not cover adjustments to improve access for external training.

**There is a clear case for significant expansion of Access to Work, particularly targeted at small firms and barriers to workforce development (such as training), as well as recruitment and retention.**

As part of this, the process for claiming funds should be shortened and simplified so that there is greater certainty for employers in advance of them employing a disabled person. For example, a disabled person could have agreed in advance the type of adjustment they are likely to need and the support a prospective employer is likely to get for this.

**This financial help should be coupled to improved information and advice for firms, building, for example, on the approach of Workplace Health Connect.** These schemes are relatively inexpensive compared to the size of the prize set out previously, and the evidence

discussed suggests Access to Work delivers a net benefit to the Exchequer – it is worth the relatively small-scale increased investment. **The Government should also consider significantly widening the right to request flexible working, away from the current sole focus on those with caring responsibilities.**

There are a number of channels through which employers could better engage with the Welfare to Work system to increase the number of IB claimants finding work and getting training in that job. **At local level, employers need to effectively engage in the new Employment and Skills Boards, as well as other initiatives such as City Strategies.** These can help to ensure a better connection between Welfare to Work and local labour market needs. The new, employer-led Commission for Employment and Skills can mirror this role at the national level.

There is, of course, a risk that the increased support for employers proposed above does not generate increased engagement or increased employment opportunities and access to skills development for disabled people. **The Commission for Equality and Human Rights should be asked to review the position in five years time. If better information and support for firms have not delivered sufficient improvements in the employment and skills development opportunities of disabled people, further measures should be introduced.**

These could include requiring firms to undertake equality audits. These would go further than current audits of gender differences in pay. They could consider equality of pay, training and other workplace opportunities for all groups, including those from ethnic minorities, disabled people and men and women. Placing a positive duty to promote equality on the private sector should also be considered, mirroring the duty already placed on the public sector.

### 3. Focus on sustainable employment and progression

Welfare to Work reforms, in particular the introduction of Pathways to Work, have begun to improve the chances of moving back into work for disabled people. The next stage must be to extend this support to the stock of claimants, as well as the flow.

However, the focus of the system on job entry, rather than job retention and progression, draws the attention of New Deal providers from interventions that might aid long-term employability, such as skills improvements. Similarly, the skills system remains fixed on full qualification attainment, rather than the impact of gaining skills on job and pay prospects. At the same time, both employment and skills services remain too 'one size fits all' and in need of greater personalisation and choice. Similarly, a more joined-up approach is needed to ensure a smooth transition into the labour market for disabled young people and a coherent and accessible 14-19 phase.

The first step to building an integrated service that delivers more personalised support for disabled people is to **ensure that all skills and employment services have a single objective of sustainable employment and progression**. It is from this single objective that providers can find innovative solutions to the barriers that individual disabled people face in getting into the labour market, staying in work and progressing. A recent SMF publication set out ideas for using this to drive greater personalisation and choice.<sup>43</sup>

As part of this, **skills should be much more closely integrated into**

<sup>43</sup> Evans, *Delivering full employment: From the New Deal to Personal Employment Accounts*, (SMF, 2007).

**Welfare to Work support.** The basic skills needs of all IB claimants should be assessed at the start of their benefit claim, rather than after 6 months as at present. Following on from this, a more personalised approach, with providers rewarded for sustainable employment and progression not just job entry, would mean that advisers could tailor the approach taken to a basic skills need to the individual disabled person. Where basic skills needs were a key barrier to finding work, action to improve basic skills could be integrated into the Back to Work plan. Where they were not, clients who find work could be referred to in work training.

Central to this new focus on sustainable employment and progression is **better linking of in and out of work support**. So every disabled person who finds work should be automatically referred to in-work support, such as the training available through Train to Gain in England. In this way, training will be available at the most appropriate point for each individual, whether that is prior to work or in work.

### 4. Raising aspirations and expectations

As shown earlier, many disabled people suffer from lower aspirations as they move into adulthood, partly as a consequence of lower expectations of them from schools, employers and society. Tackling this 'poverty of aspiration' will be critical if disabled people are to be enabled to take up skills and labour market opportunities and deliver the potentially huge benefits set out earlier.

Changing cultures in this way is notoriously difficult and there are no quick fixes. Instead, **the Government must take a lead in ensuring that all of the public services expect just as much of and for disabled people as anyone else**. A commitment to close the skills gap disabled people face (recommendation 1), allied to the existing commitment to narrow the employment gap, could be a powerful start to this process.

Similarly, improved information, advice and support for individuals and employers, coupled to greater responsibilities for both, as outlined in the previous section, will be critical. This must drive equality of expectation for disabled people from employers and equality of aspiration among disabled people. **Raising aspirations and expectations is imperative if improved support is to deliver results.**

## CONCLUSION

Disabled people face complex and interacting disadvantages in the labour market. Ensuring they have greater opportunity is essential if the UK is to reach full employment and achieve world leading skills, and indeed improvements in skills are increasingly at the heart of increasing employment. The prize from doing so is great; closing the employment rate gap would boost the economy by £13 billion and ensuring disabled people have world class skills would have a net benefit of at least £35 billion over 30 years.

Delivering this prize will require shared action from employers and the Government. This paper recommends a national commitment to closing the skills gap over the next decade as the UK seeks to achieve world class skills. This will require employers to take greater responsibility to reduce inequalities in employment and training, backed by improved support from the Government.

It will also require reform of the welfare system so it delivers more personalised help to disabled people, focused on improving their chances of sustainable employment and progression. Critical to the success of these changes is action to raise both aspirations and expectations; this is key to true equality.

The size of the challenge is daunting. But the scale of the prize is huge and the cost of inaction mounting by the day through wasted talent and entrenched intergenerational disadvantage. The past decade has begun to demonstrate the significant social and economic benefits of personalised support, empowering disabled people and supporting employers. The next decade needs to see this driven much further and faster, with individuals, employers and the Government all taking responsibility for raising our ambitions and achieving true equality.

## ANNEX A: ANALYSING THE COSTS AND BENEFITS OF SKILLS

This paper uses the same methodology as the recent Leitch Review to analyse the costs and benefits of improving the skills of disabled people.

### *The benefits*

The benefits of improving skills come from two sources: improved productivity and increased employment. The impact of skills on productivity is estimated by looking at the higher wages employers are prepared to pay to those with particular qualifications, after controlling for other factors. In reality, this is likely to underestimate the total impact on productivity because it does not account, for example, for externalities and rent sharing. The impact on employment is estimated using similar evidence for the increased employment chances of those with higher qualifications.

### *The costs*

Two types of cost were considered in the Leitch methodology. The first was the unit cost of delivering a particular course or qualification. The second was the opportunity cost of undertaking training instead of working, measured by lost wages.

Netting the costs against the benefits gives a measure of the net benefit of investing in skills. This net benefit is likely to be an underestimate as a result of the cautious assumptions set out

above. More detail on the Leitch methodology used in this paper can be found in Annex D of the Review's interim report.<sup>44</sup>

### *Estimating the skills mix of disabled people in 2020*

To consider the acceleration needed to close the skills gap disabled people will face in 2020, we first need to know what the skills mixes of disabled people and the population as a whole will be in 2020.

The Leitch Review produced estimates for the population as a whole, and these are used in this paper. The projections for the skills mix and basic skills profile of disabled people are calculated by assuming they will improve by the same rate as over the past decade.

This may or may not be a valid assumption. However, applying the same methodology to the UK population as a whole produces projections broadly in line with those of the Leitch Review, suggesting it is not a bad assumption to make. In addition, these projections are intended to illustrate what would happen in the absence of action to reverse current trends rather than as full and accurate predictions of where we will be by 2020.

<sup>44</sup> Leitch Review, *Skills in the UK: The long-term challenge*, (TSO, 2005).

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