

# How has the recession affected employment for people with disabilities?

## Executive Summary

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Unemployment rates remain high for people with disabilities even in a good economy. A recent review of the literature on employment and disability shows that the overall employment rate for people with disabilities has hovered around 30 percent for over a decade.<sup>1</sup> As with the general population, the great recession worsened employment prospects for people with disabilities. This report provides detailed analysis of recent unemployment figures comparing people with disabilities to the population without disabilities. It expands on statistics on unemployment for people with disabilities in a companion report looking at unemployment for all working age adults in the U.S. from 2009 to 2011 by age, gender, education, type of occupation and industry.<sup>2</sup> The report also draws from a more detailed literature review on employment and unemployment for people with disabilities, using findings from this larger body of research to understand unemployment figures for people with disabilities.<sup>3</sup>

Analysis of Census and Bureau of Labor Statistics data comparing unemployment and labor force participation for people with disabilities to those with no disabilities from the 4<sup>th</sup> quarter of 2008 to the first quarter of 2011 revealed the following trends:

- **Both the oldest and youngest workers had the hardest time finding work, regardless of disability, but disabled workers had a much harder time and were more likely to drop out of the labor market.** Figures show significantly higher unemployment rates for people with disabilities than people without disabilities. During the last quarter of 2008, the unemployment rate for people with disabilities ranged from nearly 18 percent for people 25-34 to 8 percent for those 55-64. This indicates that young adults had difficulty entering the labor force, a problem noted for the general population in this age group throughout the recession. The 25-34 age group continued to have the most trouble finding work in the recession, with unemployment rates ranging from 20 to over 21 percent through the 1<sup>st</sup> quarter of 2011.

Lower unemployment rates for the group over 55 does not indicate less trouble finding work, however. Instead, figures on labor force participation and employment to population ratio suggests that older people with disabilities dropped out of the labor force, with only 27 percent of people 55-64 working or looking for jobs before the recession starts. The employment to population ratio shows only 25 percent of these older people with disabilities working in the last quarter of 2008, dropping to 24 percent as the recession continued in the 1<sup>st</sup> quarter of 2011. This pattern of older workers becoming discouraged echoes the experience of people without disabilities, who also dropped out of the labor market in large numbers, because older workers had the hardest time finding work as the recession continued.

Comparing labor force participation between people with disabilities to those without shows that the younger workers with disabilities were most eager to find jobs, with a labor force participation rate

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<sup>1</sup> See Houtenville, Andrew, David Stapleton, Robert Weathers and Richard Burkhauser (2009) *Counting Working Age People with Disabilities*. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.

<sup>2</sup> See See Schneider, Jo Anne (2011) *Who Are the Long Term Unemployed and What can be Done to Help Them in this Recession?* <http://www.thecyberhood.net/documents/papers/unemployment.pdf>.

<sup>3</sup> See Schneider, Jo Anne (2011) *Disability Employment Literature Review*. Report produced for the Image Center, Towson, MD, August 2011. Available at: @!@

of nearly 50 percent in 2008. While this rate is nearly 35 points below those without disabilities, for other age groups the percentage of people with disabilities working or looking for work is half of that for people in comparable age groups without disabilities. However, as the recession continued, people with disabilities across all age groups grew discouraged and dropped out of the labor force in higher percentages than those without disabilities. The younger age groups saw the biggest drops, with labor force participation for people with disabilities ages 25-34 dropping 6 points from 2008 to 2011 and 6.4 percent for those 35-44.

- **The same factors influenced unemployment for people with disabilities as the general population.** Comparing unemployment rates across all age groups between those with disabilities and people with no disabilities shows differences of approximately 3 percent across all age groups. This suggests that the same economic factors influenced employment for everyone regardless of disability during this recession.
- **People of color with disabilities had more difficulty finding work than Whites.** Comparisons across race both echoed patterns for people without disabilities and show that people of color with disabilities had even greater difficulty finding work than Whites. Across the board, Whites had lower unemployment rates than Blacks/African Americans, due to a combination of historically lower education levels, discrimination and a combination of lower proximity to jobs and fewer connections to good jobs.

Among the disabled population, unemployment for Whites in 2008 was 14 percent for people 25-34, dropping to nearly 8 percent at 55-64 as people with disabilities dropped out of the labor force. These percentages gradually rose as the recession continued, particularly for younger workers, with unemployment for Whites with disabilities ages 25-34 over 20 percent by 1<sup>st</sup> quarter 2011. Compare this to Blacks/African Americans, with unemployment rates for those with disabilities age 25-34 at nearly 34 percent in 2008, a figure that remains steady until the 1<sup>st</sup> quarter of 2011. While unemployment in this age group for Blacks/African Americans drops to roughly 28 percent in 1<sup>st</sup> quarter 2011, the shift was due to a nearly 9 percent drop in labor force participation from nearly 38 percent in 2010 to 29 percent in the first quarter 2011. While older African Americans/Blacks with disabilities had less trouble finding work than those under age 45, their labor force participation rates started out much lower than Whites and continued to drop as people got older. Under age 45, Black/African American labor force participation rates were slightly less than 30 percent but less than 20 percent for those over age 45.

- **By 2011 people with and without disabilities both faced long term unemployment.** In 2008, people with disabilities experienced more difficulty finding work once unemployed, with work searches taking over 30 weeks, compared to approximately 22 weeks for people without disabilities. As the recession continued, people with disabilities persisted in having difficulty finding work. However, differences between those with disabilities and those without gradually dropped as the recession continued because length of unemployment kept rising for those without disabilities. This suggests that the same factors influenced finding work for everyone and that all workers facing unemployment continued to have difficulty finding new jobs as this recession dragged on.
- **Veterans faced difficulties finding work during this recession, with recent veterans and disabled veterans having the most trouble.** Both disabled and non-disabled veterans had

higher labor force participation rates and lower unemployment than their civilian peers in 2008, but this changed as the recession continued. Unemployment rates for veterans shot up across the board, while labor force participation gradually dropped. This was particularly true for veterans with disabilities, with the unemployment rate nearly doubling at 13 percent in 2009 and rising to 17 ½ percent for all Gulf era veterans with disabilities by 1<sup>st</sup> quarter 2011.<sup>4</sup> At the same time, labor force participation dropped from nearly 60 percent in 2009 to roughly 41 percent in 1<sup>st</sup> quarter 2011.

More recent Gulf era veterans had the hardest time, with unemployment for Gulf era 2 disabled veterans climbing to over 20 percent in 2009 and continuing to rise. Gulf era 2 include service years from September 2001 to the present. At the same time, more Gulf era 2 disabled veterans became discouraged and dropped out of the labor force, with labor force participation dropping from nearly 62 percent in 2009 to 40 percent in 1<sup>st</sup> Quarter 2011. Even recent Gulf era veterans without disabilities had more trouble finding work than the civilian population. Unemployment rates for Gulf era 2 veterans without disabilities rose from 7.2 percent in 2008 to 12.4 percent in 2011. Labor force participation for these non-disabled veterans only dropped slightly, suggesting a population still eager to find work but with few opportunities.

These high unemployment rates for veterans suggest that employers were not responding to veterans' preferences during the recession. Placement programs were having little success placing the more recently disabled veterans attempting to re-enter the workforce. Given that non-disabled recent veterans were also having great difficulty finding work, these statistics suggest that employers were reluctant to hire anyone re-entering the labor market, with disability compounding already poor prospects for these workers without recent employment history in their chosen fields.

## **Conclusions and Policy Suggestions**

General unemployment patterns for people with and without disabilities suggest that employers shed any group of workers, and then were reluctant to hire potential employees that were perceived to be more expensive or considered less productive than their ideal workforce. This included older workers who generally use more health care benefits and have higher salaries, the disabled who are often believed to cost more due to accommodations and health costs, and people new to the workforce like younger workers and recent veterans who may require training. Employers were also unlikely to consider employees different from themselves, with women having a harder time finding work in professions like law or engineering while men with skills in social services faced higher unemployment rates and longer bouts of unemployment than their female counterparts in this field. Since veterans benefits proved little incentive to hire returning soldiers and those tracking unemployment for older workers describe rampant age discrimination, current incentives and legislative policy seems to yield little results among employers at present. This may suggest that solutions to unemployment that worked in previous recessions, like retraining or tax credits, may need to be retooled or expanded in order to work in this economy.<sup>5</sup> Findings from the literature review and this analysis suggest several policy changes:

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<sup>4</sup> Gulf war veterans include veterans who served from August 1990 to the present. Gulf War era 1 includes service years from August 1990-August 2001 while Gulf War era 2 include service years from September 2001 to the present. The report focuses on veterans from the Gulf era because they are most likely to be working aged adults.

<sup>5</sup> See Schneider, Jo Anne (2011) *Who Are the Long Term Unemployed and What can be Done to Help Them in this Recession?* <http://www.thecyberhood.net/documents/papers/unemployment.pdf>

- **Increased funding for direct job placement and internships for people with disabilities.** Since research suggests that employers are more likely to employ people with disabilities if they have direct positive experience, expanding job placement and internship opportunities for this population may make a significant difference.<sup>6</sup> Review of the literature on employment suggests that job placement services are effective in finding employment for disabilities, yet only 10-12 percent of people in vocational rehabilitation services receive job placement. Other research suggests that internships are an important way to link people with disabilities to employers, leading to longer-term employment. Requiring a greater percentage of vocational rehabilitation and other employment services for people with disabilities to be allocated for these two services may make a difference in unemployment trends.
- **Tax incentives for hiring people with disabilities.** While tax incentives to hire people with disabilities have been proposed and do exist in some states, they should be available at the federal level and advertised to encourage employment of this population.
- **Education campaigns to encourage hiring people with disabilities.** People with disabilities have the lowest labor force participation rates of any group of potential workers, even though many would prefer to support themselves through employment. ADA accommodations and the nature of disability are perhaps the least understood issue among U.S. employers. While some education campaigns currently exist for employers, education for the general public and employers on the full range of disabilities occurs infrequently. Given that direct experience with people with disabilities proves far more effective than general education campaigns, designing general and employer awareness campaigns to increase interaction with people with disabilities would be the most effective strategy.
- **Tax supports for increased health care costs for more expensive workers.** Some research suggests that employers are cautious about hiring or keeping older and disabled workers because they think they will cost more in health benefits. While most employer costs for health insurance are already tax deductible, adding some form of tax incentive related to health costs may improve employer willingness to hire workers perceived to use more health care.
- **Tax incentives and on-the-job-training (OJT) programs to employ returning veterans.** My earlier research on people using public assistance systems found that many veterans were unable to find work and had training in the military that did not translate to civilian settings. This study indicates that recent veterans have high unemployment rates. These numbers are likely to increase as the number of combat soldiers decreases in planned troop withdrawals. Given that current veterans preferences and incentives appear not to be working, creating new tax incentives and on-the-job training programs, and effective GI bill college opportunities, appear necessary to move this population into the civilian workforce.

These policy suggestions may provide some improvement in employment, but none of the tax credits and other employer targeted mechanisms will work if business confidence does not improve. Addressing these issues is beyond the scope of this report, but impact on any initiative to increase hiring for people with disabilities.

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<sup>6</sup> See Luecking, Richard (2011) Connecting Employers with People who have Intellectual Disability. *Intellectual and Developmental Disabilities* 49 (4), 261-273.