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Increasing the Number of Disabled People in Employment as a Factor Determining their Entrepreneurship

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Abstract Disabled people are particularly exposed to social exclusion and poverty. This state of affairs is primarily caused by negative attitudes adopted by society, poor education, insufficient support in the scope of education and programmes aimed at combating social marginalization, and particularly programmes that should promote employing the disabled in open labour market. It is obvious that the development of entrepreneurship of disabled people, equated with employment rate for this population, reduces budgetary burdens placed on a country as a result of social security benefits, which lowers the risk of exclusion. On the other hand, it facilitates integration with the entire society and provides the disabled with equal employment opportunities. Due to the aforementioned determinants, entrepreneurship of disabled people is currently becoming one of the most important priorities for employment policy pursued by the European Union. The present article is aimed at characterizing the entrepreneurship of disabled people in chosen Member States, reflected in the percentage of this population in employment.

Keywords: Entrepreneurship, Labor Force and Employment, Labor Demand, Human Capital; Skills;

JEL classification: L26 , J21 , J23 , J24

Introduction

Modern science defines entrepreneurship as noticing and creating new economic opportunities oriented to introduce changes in internal and external environment of a particular individual¹. As a result, this individual makes decisions about choosing between particular forms of professional activity. Treated in such a way, entrepreneurship is becoming one of factors that make society active as it determines a decision about looking for salaried labour, creating one's own job or – due to benefits received and privileges resulting from this fact – remaining unemployed.

¹ A. R. M Wennekers, A.R. Thurik Linking entrepreneurship and economic growth, *Small Business Economic* 1999, Vol. 13, pp. 27 – 25.

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The present paper discusses the most important factors determining the entrepreneurship of disabled people, reflected in the percentage of this population in employment. The analysis will be based on empirical material concerning the situation of the disabled in chosen Member States.

Contemporary research problems concerning the employment of disabled people

Attempting to analyze the entrepreneurship of disabled people, reflected in the percentage of this population that is active in European labour market, it is impossible not to notice that there is no unanimity as to the definition and no coherent statistics on the phenomenon in question among Member States. Each Member State has its own system of issuing disability statements, which leads to the fact that in one State the number of disabled people is considered the number of people who has reported their disability themselves, while in another state, e.g. in Poland, such people are employed on the basis of disability statement². In consequence, a person may be considered disabled in one region, and not disabled in another one. For instance, in Germany disability of a given individual is determined according to the scale of low fitness level of the body/mind from 20% to 100%, in Sweden from 25% to 100%, and in Spain a person whose ability to work has been reduced by at least 33% is considered disabled³. Sometimes one state uses different descriptions and indicators of disability level.

Problems arising from the lack of unambiguous definition of disability lead to the fact that there is no uniform age bracket of the population examined in particular research. For example, people aged 16 – 64 participated in the Labour Force Survey conducted by European Commission in the period 1994 – 2001, whereas the European Social Survey respondents were aged 20 – 59. As a result, any comparison between the aforementioned surveys is burdened with statistical error from the very beginning.

Thus, there have not been any coherent European statistics on the disabled people in the labour market since over five years. Conducting the research on the EU market, specialists refer to data derived from the aforementioned sources, namely the Labour Force Survey (LFS) (2002), the European Community Household Panel – ECHP (1994 – 2001) and the European Social Survey ESS (2002/2003 and 2004/2005)⁴. Nevertheless, it should be stressed that the results of these surveys are used only for determining major tendencies as far as increasing the number of disabled people in employment is concerned (Table 1).

Analyzing data shown in Table 1, it can be noticed that LFS and ESS are currently the most representative surveys as they cover most Member States except for Bulgaria and Romania. It seems obvious that ECHP did not examine 27 Member States as it was conducted in the period 1994 – 2004 among the then Member States, i.e. Belgium, Germany, Spain, Greece, Denmark, France, Italy, Luxembourg, Ireland, Holland, Austria, Portugal, Finland and Great Britain. Nonetheless, this panel is used to the present day as a basis for making methodological assumptions while investigating the issues relating to disability.

² A. Chłoń-Domińczak, D. Poznańska, *Promocja Zatrudnienia osób niepełnosprawnych na otwartym rynku pracy, proponowane działania w Polsce*. ILO, Budapeszt 2007, p. 35.

³ B. Szluz, *Problemy werbalne społeczności niepełnosprawnych*, *Seminare* (23)/2006, p. 328.

⁴ M. Blekesaune, *Have.... op. cit.*, p. 2.

Table 1. Disabled population in the EU according to LFS, ESS, ECHP

Type of Survey/Panel	Number of stated participating in the survey/panel	Percentage of population
LFS	25	16.70%
ESS	26	22.70%
Partially disabled		18.50%
Severely disabled		4.20%
ECHP	14	20.70%
Partially disabled		15.60%
Severely disabled		5.10%

Source: own elaboration based on: M. Blekesaune, Have some European countries been more successful at employing disabled people than others, ISER Working Paper 2007, p.4.

The percentage of disabled people living in Member States amounted to from 16.7% to 22.7%, as stated in particular surveys. In ESS, this population was divided into partially disabled population (facing minor problems in everyday life) and severely disabled population. The former represented 18.5% while the latter constituted 4.2%. Similar methodology was used for ECHP where the percentage of partially disabled population amounted to 15.6%, whereas severely disabled population constituted 5.1%.

On the basis of the aforementioned data, it should be stated that disabled people represented over 20% of the entire EU population in the period 1994 – 2002. As this percentage was high, increasing the number of disabled people in employment had become one of main issues in European Employment Strategy.

Hence, in the light of the above facts (though there are no recent statistics and publications) it is worth carrying out thorough analysis of entrepreneurship of disabled people reflected in employment rate for this population. In order to do so, another sections of the paper will refer to the newest reports published by OECD and International Labour Organization on disability in chosen Member States and other countries. Furthermore, reports published by Eurostat and European Commission about disabled people will also be referred to.

Increasing the number of the disabled in employment

Issues relating to increasing the percentage of disabled people in employment and providing them with equal opportunities on European labour market is the subject of Disability Action Plan. Despite the aforementioned plan and a number of directives and decisions taken by European Commission (among other things, Directive 2000/78 EC on equal treatment as well as employment discrimination, Decision no 771/2006/EC taken by European Parliament and the Council of Europe on May 17, 2006 according to which the year 2007 was designated as the European Year of Equal Opportunities for All), there are still no notable effects as far as the creation jobs for disabled people is concerned.

According to recent data, about 60 million disabled people live in Member States, which constitutes about 19% of the entire population⁵. To illustrate this number quoting the example of Member States, it could be stated that disabled people living in the European Union are the population of Belgium, the Czech Republic, Hungary, Greece and Holland

⁵ <http://www.ilo.org/employment/disability>, November 2007.

altogether. Every fourth European has a disabled person in his/her family, and every sixth European has close or distant acquaintances who are either partially or severely disabled.

According to data derived from Eurostat shown in Table 2, in 2002 the number of disabled people of working age (expressed as the percentage share of the disabled in the total of population) amounted to from 6.6% in Italy to 32.2% in Finland. The highest number of disabled people lived in, apart from the aforementioned Finland, Great Britain (27.2%), Holland (25.4%), France (25.6%), Estonia (23.7%), the Czech Republic (20.2%) and Portugal (20.1%). The lowest percentage was recorded in the aforementioned Italy, Slovakia (8.2%), Lithuania (8.4%), Malta (8.5%) and Spain (8.5%).

Table 2. Total disabled population of working age in 2005

State	% of disabled people	State	%of disabled people
Belgium	18.40%	Sweden	19.90%
Denmark	19.90%	Great Britain	27.20%
Germany	11.20%	Czech Republic	20.20%
Greece	10.30%	Estonia	23.70%
Spain	8.70%	Cyprus	12.20%
France	24.60%	Lithuania	8.40%
Ireland	11.00%	Hungary	11.30%
Italy	6.60%	Malta	8.50%
Luxembourg	11.70%	Slovenia	19.50%
Holland	25.40%	Slovakia	8.20%
Austria	12.80%	Poland	10%
Finland	32.20%	Portugal	20.10%

Source: own elaboration based on: Employment in Europe 2005, Brussels 2006, p. 244; A. Chłoń-Domińczak, D. Poznańska, Promocja..... op. cit., p.19

As disabled people represent large percentage in the total of population, it is vital to provide them with equal employment opportunities via increasing the percentage of this group in employment. In 2002, the highest unemployment rates among disabled people were recorded in Finland (27.1%), Poland (20.5%), Great Britain (20.4%), Holland (19.8%), Sweden (19.5%) and Estonia (18.3%). By contrast, the lowest unemployment rates were reported in Hungary (2.3%), Lithuania (2.9%), Spain (4.2%) and Italy (4.4%).

Carrying out in-depth analysis of the employment of disabled people, it is worth comparing the above data with statistics on the employment of able-bodied people. Table 3 shows such a collation, i.e. the percentage of disabled workers (divided into severely disabled and partially disabled) and able-bodied workers.

The largest differences in employment rates were observed between able-bodied people and severely disabled people. Such a tendency was the greater in Portugal and Poland where 21.4% and 24.8% (respectively) of disabled people were in employment, compared with 61.1% and 58.3% (respectively) in the case of able-bodied people. Other countries characterized by major differences in employment rates for the aforementioned groups were Slovakia, Hungary, Belgium, Denmark and Great Britain. On the contrary, this difference was the slightest in Austria, Sweden, Finland, Germany and Slovenia. In 2002, employment rates for disabled people recorded in these countries amounted to from 59.3% (Austria) to 53% (Slovakia), whereas as for able-bodied people the rates was from 81.7% (Sweden) and 71.2% (Slovakia).

Table 3. Employment of able-bodied and disabled people in 2002

State	Severely disabled people	Partially disabled people	Able-bodied people
	Percentage of people		
Austria	59.3	82.1	77.4
Sweden	57.6	88.0	81.7
Finland	55.7	85.7	79.5
Germany	54.4	79.1	73.7
Slovenia	53.0	77.5	71.2
Holland	47.5	79.8	72.8
Greece	44.5	62.8	57.2
Estonia	44.2	86.8	76.1
Czech Republic	42.6	80.4	73.7
France	42.0	77.7	69.0
Ireland	38.7	71.2	64.3
Luxembourg	33.6	74.2	65.3
Spain	33.2	70.1	59.6
Great Britain	29.4	71.5	60.4
Denmark	28.2	82.6	73.7
Belgium	27.6	69.8	61.2
Hungary	26.2	71.4	60.0
Slovakia	25.5	66.5	58.7
Poland	24.8	67.7	58.3
Portugal	21.4	71.5	61.1

Source: M. Blekesaune, Have some European.... op. cit., p.11.

Analyzing the employment rate for partially disabled people, it should be stated that it was higher than for fully-fit people in most countries. Nevertheless, one should bear in mind that general data indicates that there is a difference between employment rates for able-bodied and disabled people. According to data derived from European Commission, in 2003 only 40% of the total of the disabled were in employment, whereas this rate amounted to 64.2% for able-bodied people⁶.

In the context of unfavourably low employment rate for disabled people observed in the period 1999 – 2002, unemployment rate and occupational passivity rate for this group are of major importance. The analysis of these issues suggested that unemployment rate for the aforementioned population was two or three times higher compared with able-bodied people, which indicated that re-integration level, education and qualifications acquired by disabled people were low.

The highest unemployment rates for disabled people were recorded in Holland (32.4%), Great Britain (28%), the Czech Republic (28%) and Finland (26%). On the contrary, the lowest rates were reported in Italy (4.9%), Slovakia (5.2%), Spain (6%) and Lithuania (6.2%).

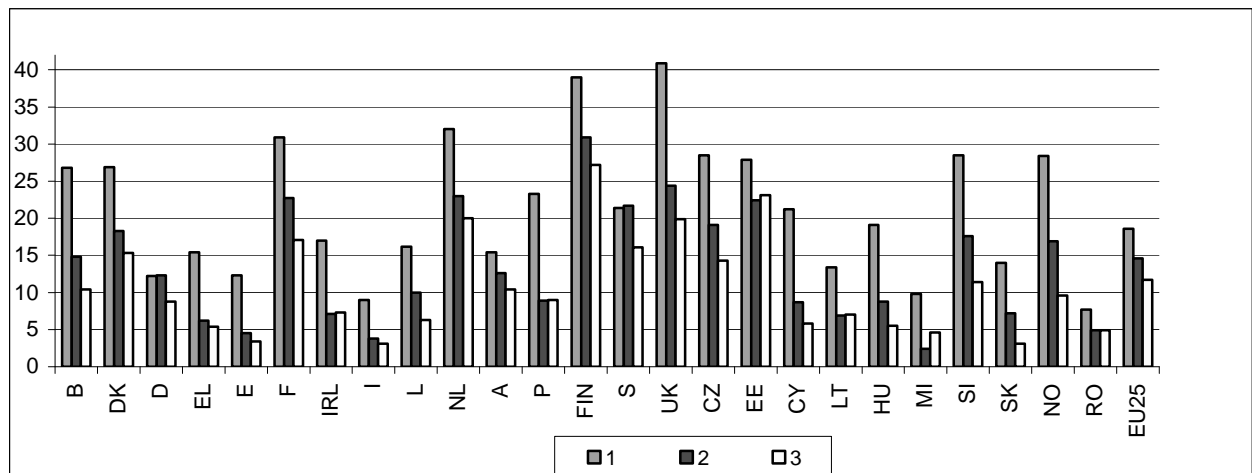
Nonetheless, the analysis of the aforementioned data suggests that it is most difficult

⁶ The Commission Communication addressed to the Council, European Parliament, European Socio-economic Committee and the Committee of the Regions, Situation of disabled people in the enlarged European Union: European Action Plan for the years 2006-2007COM(2005) 604 final, p. 5.

to stimulate the employment of professionally passive people whose disability is severe and makes it impossible for them to take up employment. The highest percentage of professionally passive people was recorded in Poland (53.9%), Finland (51.5%), Great Britain (48.7%) and Denmark (45%). By contrast, the lowest proportion was reported in Italy (10.2%), Greece (17%) and Spain (17.4%).

As it has already been stated, unfavourable structure of education and qualification was one of reasons behind unemployment of the disabled, which is shown in Chart 1.

Chart 1. Education received by the disabled



* 1 – number of disabled people with at most lower secondary education (i.e. primary and vocational); 2 – number of disabled people with secondary education; 3 – number of disabled people with higher education

Source: own elaboration based on Employment of disabled people in Europe in 2002, Statistics in focus Population and social conditions theme 3 – 26/2003, p.3.

In general, the majority of disabled people (i.e. 20% of the entire population under examination) have received primary and vocational education. People with secondary education represented 15% and those with higher education constituted 13%. The greatest disproportion between the group with the highest qualifications and the group with the lowest qualifications was observed in Great Britain. Over 40% of disabled people living there have received education lower than secondary, and 20% have had higher education. Nevertheless, it should be stated that Great Britain was placed third among the countries with the highest unemployment rate for disabled people. The slightest differences were observed in Lithuania, Malta and Italy.

Taken all the above into account, it could be stated that **Finland and France** were characterized by the largest percentage of disabled in employment who, at the same time, **were the most enterprising**. This state of affairs resulted from successful implementation of the policy on the disabled. According to Finnish labour law, employing a disabled person is connected with a number of subsidies that potential employers may receive, i.e. subsidies covering a part of employee's salary during two years (so-called integration aid) and covering the costs of training and adapting to new position and job. Disabled people can also count on state aid in the scope of transport from the place of residence to work, and also to other places in a region.

Furthermore, working places and professional activity centres are currently created in accordance with integration training assumptions aimed at helping the disabled live their lives

to the full. Considerable emphasis has been put on integration at schools and material assistance for disabled people. Similar improvements have been introduced in France, in accordance with the Disabled Persons Employment Act dated 1987, that has introduced the sum system of the disabled population employment. According to the law enforced, every economic entity employing more than 20 workers is obliged to employ 6% of the disabled people.

Working places that will not achieve this rate, are obliged to make payments into the Occupational Integration Fund which provides subventions and subsidies. Just as in Finland, more and more firms that employ disabled people are being set up. The worst situation of the disabled on the labour market was observed in Spain, Slovakia, Lithuania, Hungary and Poland. It was there that in 2002, there was still a need for actions aimed at making this group of population more active in the labour market, and particularly at protecting their rights and integrating them into society.

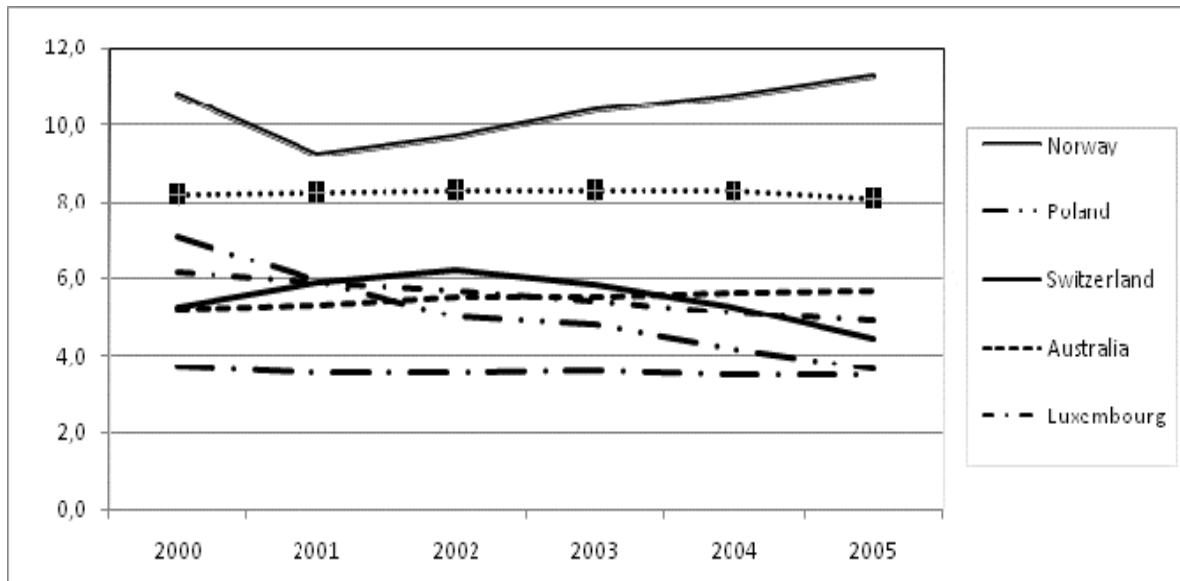
Nevertheless, it should be borne in mind that latest reports by European Commission, on which the above discussion has been based, were issued in 2002. Hence, in the age of globalization and European integration, it is difficult to analyze the present-day situation of disabled people on EU labour market on the basis of these reports. That is why, reports published by OECD in 2006 and 2007 on disability issues will be referred to in another part of the present paper.

Entrepreneurship of disabled people demonstrated on the labour market is in the centre of OECD's attention from the very beginning of its functioning. As there are no exact definition and statistics on the disabled, OECD decided to continue the research from the 1990's, the results of which were presented in 2003 in the publication entitled "*Transforming Disability into Ability*". Another report entitled "Sickness, Disability and Work: Breaking the Barriers Vol. 1" was prepared in 2006 and presented the situation of disabled people in Norway, Poland and Switzerland. The second part of the report was issued in 2007 and delivered information on the analogical situation in Spain, Great Britain, Luxembourg and Austria.

The aforementioned analyses showing the increase in the percentage of disabled people in employment, percentage share of social security benefits (they received) in GDP (Gross Domestic Product) generated in a particular year is an important indicator. In the period 1990 – 2005, the share of social security benefits in GDP was subject to increase in the majority of countries. In some countries such as Great Britain, Australia or Switzerland the number of benefits paid increased nearly twofold in 2004 and 2005 compared with 1990. This percentage rose from 4.9% to 8.1% in Great Britain, from 3.1% to 5.7% in Australia, and from 1% to 2.2% in Switzerland. As for other states, the increase in the number of disability benefits fluctuated around 10% in Norway and Spain, and amounted to 3% in Spain. Similar trend might be noticed in all OECD member countries. In 1990, social security benefits constituted 5% in the total GDP, and in 1999, this percentage increased to 5.5%. Luxembourg was among the few of countries where there was downward trend, namely the number of benefits dropped by about 20%.

Analyzing the above issues on the basis of annual increase in the number of disability benefits (calculated to every thousand of working-age people), it can be noticed that during five years, situation in OECD member countries did not improve considerably. Hence, increase in the percentage of disabled people in employment is still insufficient.

Chart 2. Annual increase in social security benefits to every 1000 professionally active people in the period 2000 – 2005



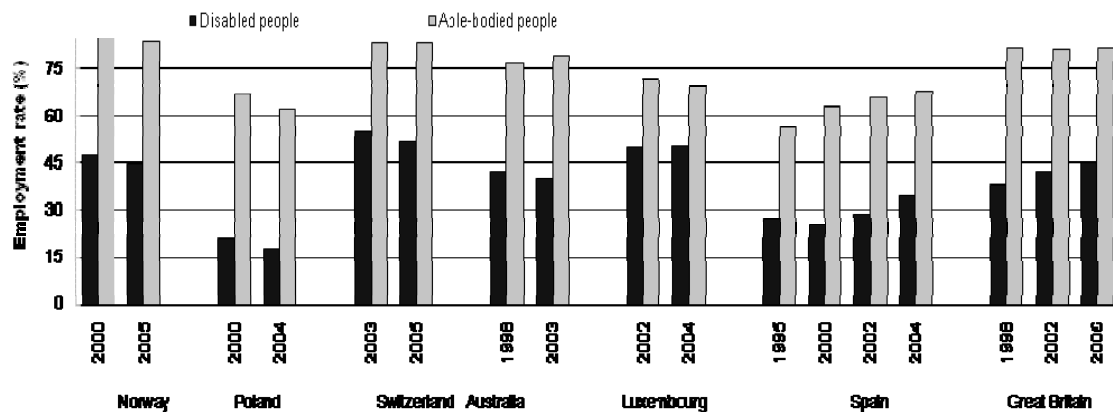
Source: Own elaboration based on *Sickness..... op. cit.*, p. 8.

Norway is a country where the number of benefits paid is the highest compared with the total professionally active population. The number of people receiving disability benefits increased from 10 persons in 2000 to 11 persons in 2005. As for the remaining countries, the number of benefits was subject to slight decrease. The largest decrease was recorded in Poland (from 7 to 3 persons) as well as in Austria and Great Britain (from 6 to 5 persons). In Luxembourg, Spain and Switzerland, this decrease was minor. The above trend was mainly reflected in the increase of unemployment benefits received, which is shown in the Chart. In Poland, decrease (4.2%) in disability benefits was accompanied by increase (1.1%) in unemployment benefits. Similar situation was observed in Luxembourg where the number of unemployment benefits rose and the number of disability benefits decreased to about 1%, and in Switzerland where the former increased by about 0.3%.

Summing up the analysis of disability benefits paid, it can be stated that on the one hand, their share in GDP increases every year (which may indicate that the number of benefits paid is also subject to increase). On the other hand, the number of disability benefits decreased in the total of working-age population, and at the same time unemployment benefits were subject to increase. However, it is the growing share of benefits in GDP that is the most alarming phenomenon in the context of giving equal employment opportunities. Here, attention should be paid to the fact that in OECD member countries, the share of disability benefits in GDP increased nearly twofold compared with the share of unemployment benefits⁷. Such a situation negatively affects the employment rate for the population under analysis, which is shown in Chart 3.

⁷ New ways of addressing partial work capacity, OECD thematic review on sickness, disability and work issues paper and progress report, OECD 2007, p. 4.

Chart 3. Employment rate for disabled and able-bodied people in the period 2000 – 2006.



Source: Own elaboration based on *Sickness, Disability and Work: Breaking the Barriers* Vol. 1, 2, OECD 2006, 2007.

Poland was ranked among countries characterized by the lowest employment rate for disabled people. In 2000, the aforementioned rate amounted to 21% (employment rate for able-bodied people amounted to 66.7%), whereas four years later this rate amounted to 17.6% (62.1% in the case of able-bodied population). As for all the remaining countries, employment rates for disabled and able-bodied people amounted to from 34% (the former) to 56% (the latter) in Spain, and from 52% to 83% in Switzerland respectively. Great Britain has achieved the greatest success in implementing the policy on equal employment opportunities lately. In 1998, disabled people represented 38%, whereas the percentage of able-bodied constituted nearly 80%. In 2006, employment rate for the former increased to 45% and hence difference between the social groups in question became smaller. The slightest difference in the employment structure of disabled and able-bodied people was observed in Luxembourg. Employment rates for the former amounted to 49.7% in 2002 and 50.2% in 2004, whereas employment rates for the latter stood at 71.7% in 2002 and 69.5% in 2004.

Summing up the above discussion based on reports issued by OCED on the situation of disabled people on the labour market, it ought to be highlighted that Norway, Poland and Switzerland should base their equal opportunities policy on radical reduction of people receiving disability benefits, and introduction of programmes aimed at increasing the number of employed in this population. It should be borne in mind that each country faces different problems while employing disabled people; Norway has a complicated system of social security benefits and at the same time Norwegian employers cover low costs while employee is on a sick leave.

The authors of OECD report emphasize that in such a situation, employees go on longer and longer sick leaves, which makes it more probable that they will give up their jobs, become dependent on benefits, and hence become disabled people in the future. In the case of Switzerland, we have to do with the stratification of disabled society. One part of society is dependent on budgetary means while the other part receives financial assistance from insurance companies, which creates a number of social divisions. Finally, Poland faces the problem with giving the disabled people equal employment opportunities, which is reflected in unfavourable employment rate for this population.

Still, another countries, i.e. Australia, Spain, Great Britain and Luxembourg, encounter different problems, which stems from legal – economic factors determining the

situation of disabled people living in any of these countries. In Australia, people who has lost unemployment benefit very often become disabled. By contrast, in Luxembourg disability benefits enable people to take early retirement in a way. According to data derived from OECD, over 80% of people living in Luxembourg and receiving benefits is aged more than 50. In Spain, social welfare institutions, providing the disabled with attention, have undergone centralization whereas labour offices have been decentralized, due to which it is difficult to develop common policy aimed at increasing the number of disabled people in employment. Great Britain, the last country under analysis, faces problem with growing number of mentally disabled people. This group constitutes over 40% of the total of the disabled. Half this percentage (i.e. 20%) are people in employment.

Conclusion

Summing up the above discussion, one can distinguish the following barriers to the development of the disabled people's entrepreneurship: the benefit trap – understood as too liberal regulations concerning the disability statement, risk from loosing the benefit when in employment, unwillingness demonstrated by employers to employ disabled people in fear of necessity to cover additional costs.

These barriers may be mainly overcome when the disabled find employment thanks to proper instruments and tools created by a country and supporting the development of entrepreneurship, namely courses and training in the functioning on the labour market. Furthermore, there is a clear need for monitoring the disability statements issued. Professionally active people are becoming professionally passive and hence are receiving benefits too often.

The introduction of the aforementioned actions may develop entrepreneurship, which will be reflected in the increase in the number of disabled people in employment, the fact that discrimination will be combated and burdens placed on a budget reduced. The latter may result in generating higher national income in the future.

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