

What Are the Financial Impacts of Disability in Terms of Income and Expenditure?



In Chile, 15.1% of adults under 65 have a disability, with higher prevalence among women and older individuals. Disability is associated with reduced levels of income and education.



Even after controlling for observable characteristics like education and gender, individuals with disabilities experience 21% lower income than individuals without disabilities. Their health expenditures are also twice as high as those of persons without disabilities.



Individuals with disabilities thus face both reduced income and increased expenditure levels.

CONTEXT

Although persons with disabilities (PwD) constitute a significant and vulnerable population group, research on their conditions and the impact of inclusion policies is limited. Diverse surveys using various disability definitions (ICF, Washington Group, or Health Conditions) yield differing PwD figures. Moreover, disability affects both labor income and expenditure. Understanding and addressing the economic challenges faced by PwD is crucial for promoting inclusivity and enhancing their well-being.

Key Concept



HEALTH CONDITIONS

Based on diagnostics.

PROJECT

This project examines adult disability in Chile, utilizing administrative data (2001-2021), the national disability survey (2015), and national household surveys (2003-2017). Prevalence varies significantly due to differing disability definitions across data sources. Additionally, we assess disability's influence on employment and wages, considering distinctions in individuals' characteristics, such as education levels, between PwD and individuals without disabilities. Moreover, we estimate the impact of disability on health-related expenditures using household and expenditure surveys. These three angles collectively offer a comprehensive understanding of the extent of disability in Chile.

RESULTS

According to the National Disability Survey (2015) using the ICF model, severe disability affects 1.8% of individuals aged 15 to 24, rising to 9.9% among adults aged 55 to 64. The prevalence of severe disability is higher in women (5.9% vs. 3.7% in men), and it varies by income (8.4% of severe disabilities in the lowest income quintile, and 2.9% in the highest) and education (15.4% among those with less than primary education, compared to 2% with tertiary education).

Only 38.4% of adults with severe disabilities have labor income, compared to 65.7% of those without disabilities, and individuals with disabilities are more likely to receive subsidies (26.5% vs. 13.9%). Additionally, labor income for individuals with disabilities is 32.9% lower than those without disabilities. They participate less in the labor market, have lower employment rates, and face higher unemployment rates. After accounting for individual characteristics affecting labor income, such as education, urban/rural settings, and household head, the income gap is reduced to 18.7%-35%, depending on whether we consider or not the fact that not all individuals are working.

Regarding health-related expenditures, we had to combine data from two sources, as the household expenditure survey lacked disability status information. After analyzing doctor visits, lab exams, hospitalizations, and surgeries, among other health services, we found that individuals with disabilities use 43% more health services, with costs 2.3 times higher than for those without disabilities. The disparity is mainly driven by increased hospitalizations. The disparities in labor income and health services expenditures between persons with and without disabilities can be observed in [Figure 1](#).

POLICY IMPLICATIONS

Individuals with disabilities face the dual challenges of lower income and higher health costs, making them a vulnerable group requiring inclusive policies and support. Policies aimed at increasing PwD labor income include education, support in the transition to work, access to tertiary education, training, active labor market policies such as quotas for PwD, and wage subsidies. These policies must also recognize that depending on the severity of their disabilities, individuals might not be able to access the job market, and therefore a safety network for individuals with disabilities is needed.

Policies must also address the elevated living costs associated with disabilities. For example, targeting instruments should consider the disability status of household members, while health policies must account for the significant expenses borne by individuals with disabilities, and those policies should facilitate access to their specific needs.

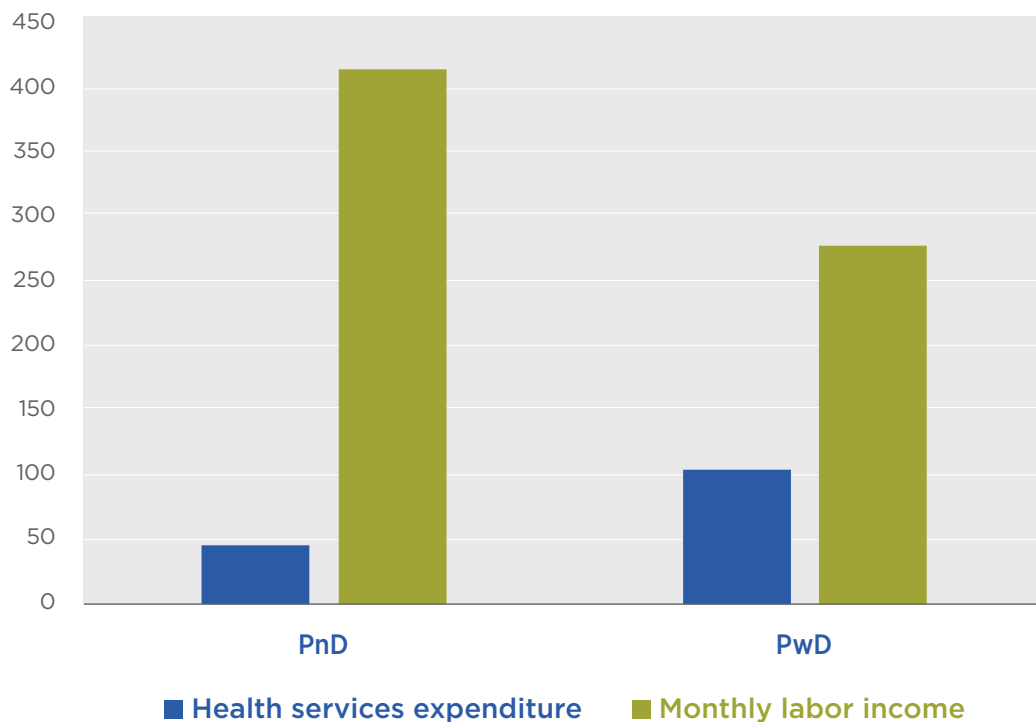
Key Concept



ICF (INTERNATIONAL CLASSIFICATION OF FUNCTIONING, DISABILITY, AND HEALTH)

World Health Organization-recommended classification of disability based on a bio-psycho-social model.

Figure 1. Monthly Labor Income and Health Service Expenditure by Disability Status



Note: Chilean pesos 2017.

Key Concept



WASHINGTON GROUP ON DISABILITY STATISTICS

A UN working group that aims to formulate cross-country comparable measures of disability based on the ICF model.



FULL STUDY

Vial, Bernardita, and Claudia Martínez. 2023. "Discapacidad En Adultos En Chile: Menores Ingresos Del Trabajo y Mayores Gastos." Estudios Públicos, no. 169 (March): 69–120.

DEPARTMENT OF RESEARCH AND CHIEF ECONOMIST

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