DISABILITY ADVOCATES AND POLICY MAKERS: TOWARDS A COMMON LANGUAGE

Jack Frisch - November 2002

While there has arguably been increased community consciousness and moderate progress over the last 20-30 years towards including people with disabilities in the life of the community, disability continues to be one of the main causes of poverty in Australia as well as the rest of the world. The unemployment rate, the cost of living and incomes are all on the "wrong" side of average.

Although a great deal of legislation is in place to enhance the participation of people with disabilities into the community, implementation of legislation has lagged, policy development has stalled and the expectations of most people with disability and their families have been disappointed.

Having been involved in disability advocacy over the last 6 years both as an economist and as a personally interested advocate, I feel that most policy debate surrounding disability involves a parallel debate in which advocates and policy-makers communicate at different levels, with widely different understandings.

For people with disabilities, the language is couched in terms of an absolute human right for every individual to access all goods and services on the same terms as every other individual without a disability. For policy makers, the language is couched in terms of the cost of providing the access demanded by disability advocates. Disability advocates emphasise the benefits of access and assert or act as if the costs of providing access are either irrelevant or minimal, while policy makers emphasise the costs of universal access and act as if benefits were irrelevant or minimal.

It may be that the diametrically opposed views involve mere strategic posturing positions in a bargaining game, but I sense that the opposed views involve internalised differences in language, understandings, and assumptions and a consequent failure to find a middle ground. In this context, given their power of the purse, policy makers dominate and people with disabilities are left to flounder.

I believe common ground could be found in an appreciation by both parties of the art (not science) of rational economic cost-benefit analysis - if policy makers paid more attention to longer-term view of benefits and account more carefully for the market inefficiencies and opportunity costs which characterise disability, and if disability advocates recognised the direct and indirect unintended costs of policy.

I believe the common ground is missing because disability advocates eschew cost/benefit analysis because it is couched in the language, methodology and assumptions of rational economics, while economists eschew cost-benefit because it is couched in the language and methodology of political and income/wealth redistribution.

Two recent debates illustrate how a common language may bridge the gap between policy makers and people with disability. One relates to the debate on improving access to the transport and infrastructure, while the other relates to welfare reform. In the infrastructure debate, policy makers have all but ignored the long-term and indirect benefits, while in the welfare reform debate, disability advocates have minimised the long-term and second-round cost effects.

The discussion below is not a comprehensive discussion of these two issues, but merely a partial outline of some of the factors which may bridge the communication gap between policy makers and disability advocates. While the discussion below limits itself to wheelchair users as a simplification, the issues can be generalised to persons with other disability characteristics. Finally, the numbers below are illustrative and simplified and subject research and further refinement[1].

Measuring Benefits

A simplistic listing and description of direct and immediate beneficiaries of upgrading building and transport infrastructure to make them accessible to wheelchair users is unlikely to get far politically when compared to $16 billion called into play when measuring the costs of such upgrading. An analysis which accounts more rigorously

[1] See web site…

and carefully for the value of the benefits in dollar terms may however bridge the communication gap between policy makers and people with disability.

A careful cost-benefit approach seeks to identify market failure and consequently look beyond market price as a measure of value. Where it identifies market failure, it seeks to measure willingness to pay and opportunity cost rather than market price; it looks beyond people with disabilities and seek to also measure the benefits to both associates of people with disabilities as well as to prospective people with disabilities.

The most obvious benefit to improved building and transport access would be the lower cost of living that people with disability would face. Estimates of the additional costs due to lack of access are unreliable and fraught with difficulties, but it would not be unreasonable to suggest that living costs are up to $3,000 per annum more as a result of inaccessible infrastructure. Applying this over 80,000 wheelchair users yields an aggregate benefit of $240 million per year, which equates to a capital value $6 billion when using a real rate of interest of 4%.

An improvement in building and transport access would also lead to improved employment opportunities and higher incomes for people with disabilities who are now excluded from jobs as a result of not being able to travel to locations or enter buildings. This opportunity cost measure is generally ignored because of the difficulties of reliably apportioning the causes of unemployment and low income. While it is impossible to reliably estimate the income loss, it would not be unreasonable to assume an average income loss of $2,000 per year income due to inaccessible buildings and transport. Applying this to 80,000 wheelchair users equates to $160 million per year, or a capital sum of $4 billion.

An improvement in building and transport access benefits not only the person with the disability but also people who, with accessible buildings and transport, would no longer be called upon to assist people with disabilities to overcome transport and building obstacles. It would not be unreasonable to assume that the average wheelchair user receives 2 hours per week of voluntary assistance from a friend, relative or colleague to overcome obstacles created by inaccessible buildings and transport. At an opportunity cost of $10 per hour, this equates to $1,040 per

"assistant", which over 80,000 wheelchair users equates to $83.2 million per year, or a capitalised $2.08 billion.

An improvement in building and transport access would also benefit prospective people with disabilities. While nobody knows who will be a wheelchair user in the future, everybody has a finite probability of acquiring a disability and needing a wheelchair in the future. This suggests that insurance methodology is appropriate to valuing the benefit of providing accessible infrastructure. Assuming a 0.005 probability of needing a wheelchair in the future, and taking the $2,000 income loss and the $3,000 increase in costs associated with inaccessible infrastructure, simple insurance methodology suggests that risk averse individuals would be willing to pay $25 per year to ensure accessible building and transport (0.005 * $5000). Applying this $25 to 20 million people who do not use a wheelchair suggests a benefit of $500 million per year, which equates to $12.5 billion capitalised at a 4% real interest rate.

The above suggests a methodology whereby the $16 billion cost would be compared not to a qualitative listing of benefits or a reliance on the generosity of the taxpayer or an appeal to human rights, but to a calculated sum of direct and indirect benefits which adds to a capital value of $24.58 billion, or $982.3 million per annum. It is a calculation based on rational economic calculation, couched in the language of policy makers.

Costs

In much the same way that policy makers tend to ignore or minimise benefits, disability advocates ignore or minimise costs. Direct financial costs are transparent and accountable and therefore difficult to ignore, but the issues which often dominate policy makers' thinking are the less obvious indirect effects, the unintended effects, the opportunity costs and the transactions costs. The Welfare Reform debate highlights some of these costs.

One of the key claims of disability advocates related to relief from the high additional cost of living faced by the many people with disability who are ineligible for many of the in-kind reliefs provided under State programs which are subject to tight eligibility

criteria and means tests. A Rawlsian type argument is invoked to claim that in order to place wheelchairs users on an equal basis with the rest of society, Governments should subsidise the cost of wheelchairs either directly on a demand basis or indirectly through an expanded Disability Allowance based on need and independent of means. Some advocates argue for 100% subsidisation while others call for only partial subsidisation. In costing this claim, advocates generally estimate only the value of the subsidy on wheelchairs currently in use. This type of simplistic costing ignores the indirect and unintended effects.

Firstly, subsidising the cost of wheelchairs would lead to an increase in demand because it would lower the net cost to the individual consumer. To argue that the demand for wheelchairs is insensitive to price because a user needs only one wheelchair at a time is to ignore the considerably variation in the functional features of wheelchairs, and the positive relationship between features and price. Thus, an electric wheelchair is substantially more expensive than a manual wheelchair, and an electric wheelchair with a tilt and rise capacity is more expensive than a wheelchair without this capacity. In the extreme case, if wheelchairs were fully subsidised so that the user bore none of the cost of the wheelchair, and if electric wheelchairs with tilt and rise functions were as lightweight and manoeuvrable as manual wheelchairs, it would be hard to imagine that there would not be some substitution of the higher-function electric wheelchairs at $14,000 per wheelchair for manual wheelchairs at $2,000 per chair.

In addition, to the extent of subsidies, wheelchair users would replace chairs more often than if they were not subsidised. It is also more than likely that the number of wheelchairs demanded would increase as wheelchair suppliers differentiated wheelchairs for different purposes e.g. chairs for beach and park, speedsters, shopping chairs, etc. Finally, there would also be an increase in demand as wheelchair users had higher disposable income as a result of subsidies.

Nobody has any idea of the elasticity of demand for wheelchairs and therefore of the impact of a subsidy. It is however unlikely to be zero as implied by those who prefer to ignore this indirect effect, nor is it likely to be infinite as implied by policy makers

who fear the effect of a subsidy on government expenditure and therefore offer almost no subsidy.

The effect of fully subsidising the cost of wheelchairs would also affect the cost of producing wheelchairs and therefore the price of wheelchairs. To the extent that increased production lead to production efficiencies as a result of increased capacity for specialisation, the cost per wheelchair would fall. But significantly increased production would place a greater call on resources and consequently lead to input price increases. While the increased demand for inputs would be unlikely to affect the input prices of materials, it is more likely to increase the demand and therefore the wage premium for the skilled labour needed to adapt and maintain wheelchairs for individual users. This increased premium for skilled labour could offset the cost decreases due to economies of scale, making the net effect on price unclear.

Disability advocates may retort a blow-out in government expenditures could be constrained by assessment, monitoring and eligibility criteria. This is true of course, but these sorts of system constraints also imply an increase in the bureaucratic transactions costs of assessments and monitoring.

Whether the transactions costs are high or low depends on the nature of the assessment, monitoring and eligibility rules. To the extent that information about a person seeking assistance is easily discernible at low cost, and that individuals can be relied on not to take advantage of generous subsidies, assessment and monitoring costs will be low. But to the extent that information about an individual's need is hard to come by, and to the extent that individuals opportunistically seek to take advantage of easily subsidies, the transactions costs may be high and may offset the cost savings that the rules are seeking to constrain.

Furthermore, to the extent that certain questions may be seen as an intrusion of privacy and cannot be asked, information is more costly to ascertain, with a resultant increase in transactions costs. Similarly, to the extent that the expected penalties for cheating are low, there is a greater likelihood of cheating and consequently higher monitoring costs. In general, the more taboos there are in seeking to detect opportunistic behaviour, the higher are the transactions costs. Some people may deny

that people with disabilities cheating or act opportunistically. It does not follow that there is little need for monitoring and assessments, since there is little reason to expect that people without disabilities would not take advantage of benefits if assessments, monitoring and penalties were overly lax.

In a world where people can be trusted to act ethically, the need for monitoring and assessments can be safely ignored. In a world where people understand the limits to their material needs and where needs can be easily distinguished from taste and desire, the demand for wheelchairs would be less sensitive to the price paid by individuals. But alas, that is not the world we live in, and disability advocates need to understand the full costs of their demands just as policy makers need to understand the long-term benefits of the demands of disability advocates.