

Poverty Among Adults with Disabilities: Barriers to Promoting Asset Accumulation in Individual Development Accounts

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Abstract

Adults with disabilities disproportionately experience poverty. This article examines one novel strategy to promote economic well-being among adults with disabilities living in or near poverty, namely Individual Development Accounts (IDAs). IDAs are designed to help individuals save money and subsequently accumulate assets. Although adults with disabilities account for the majority of IDA participants, scant attention has been paid to their IDA saving performance. The significance of accumulating assets is described, particularly as it relates to adults with disabilities. The nature of IDA programs is mapped and barriers to participation in IDAs and asset accumulation are analyzed, including conflicting federal policies and a lack of sensitivity to disability-specific needs. Policy recommendations include the need to eliminate the means-tests used in welfare policies, de-linking participation in IDAs from employment status, and involving people with disabilities in designing and evaluating asset accumulation policies and programs.

Keywords: Poverty; Asset accumulation; Individual development accounts; People with disabilities

Introduction

One in five Americans is classified as having a disability; that is, “a physical or mental impairment that substantially limits one or more major life activities of such individual” (Americans with Disabilities Act 1990). Approximately 54 million individuals have a disability in the U.S. today (McNeil 2001).

The enactment of the Americans with Disabilities Act (ADA) in 1990 signifies a salient socio-cultural shift in the way people with disabilities are perceived and treated (Blanck et al. 2009). The ADA challenged the biomedical model of disability, which frames disability as an individual deficit, instead by defining disability as a social construct and viewing individuals with disabilities as a minority group who face social barriers, marginalization and discrimination.

However, two decades after ADA passage, Americans with disabilities still live on the fringes of society. Compared with non-disabled individuals, people with disabilities are more impoverished, unemployed, less educated, and have a poorer physical and behavioral health status.

This article focuses on the salient sub-group of working age individuals with disabilities (21–64 years of age), who are low-income or living in poverty (often termed “the working poor”); that is, with incomes 200% below the federal-poverty guideline. Working age adults with disabilities who are low income or poor account for 13% (over 22 million) of non-institutionalized, working-age adults in the U.S.

Over a fifth (28.3%) of working-age individuals with disabilities are reported to be poor compared with 9.1% in the non-disabled population. Households including individuals with disabilities have a median income of \$22,600 less than those without a disability. More than 55% of people with disabilities are “asset poor.” Only 4% of persons with disabilities own homes compared with 70% of persons without disabilities, and approximately 80% of persons with disabilities have negative assets or no assets.

In light of these data it is not surprising that people with disabilities are primary consumers of federal programs for low-income individuals. In 2007, about 17% (almost 4 million) of working-age adults with disabilities received Supplemental Security Income (SSI). In 2002, \$22 billion dollars were spent for SSI for working-age individuals with disabilities.

Assets and the Significance of Asset Accumulation

The common definition of “assets” entails property and financial possessions such as savings, financial securities and homeownership. The importance of assets and wealth to understanding social determinants of economic inequality is evident from studies of racial stratification in the U.S.

People with disabilities, like African Americans, are a minority group. The parallels between racial-economic injustices and disability-related economic wrongs suggest that similar historically-discriminating mechanisms may explain the wealth gap on the basis of disability and its generational nature. Early colonial law prohibited inheritance of land or assets to an individual found to be “without sound mind” (non compos mentis).

Sherraden (1988, 1990, 1991) was the first to argue that savings and asset building are essential to personal economic development and security, as they enable investment in, among other areas, education and entrepreneurship. Unlike income, wealth or assets were argued to be a “special kind of money” since they signify “ownership” and “control of resources.” Wealth or assets are perceived as “extra” money, a cushion to rely on in times of crisis, and a resource that facilitates social mobility and ensures future economic stability for present and future generations.

Research on asset accumulation supports its significance for individuals, households and for community development. Studies show asset accumulation is positively correlated with education, employment (particularly full-time employment), income, well-being, and physical health. Unfortunately, working age individuals with disabilities are disadvantaged as they have higher unemployment and part-time employment rates, lower income and enrollment in pension plans, less education, poorer health status, and report less well-being and fewer assets, compared to the non-disabled.

In sum, given the importance of assets on the one hand, and the poverty statistics, the structural economic inequalities deeply rooted in social institutions, and the vicious cycles of under-education, underemployment, and poorer health on the other hand: the need to address asset building among working age individuals with disabilities is a pressing social issue.

Asset Accumulation Policy: Individual Development Accounts

Asset accumulation is a relatively new anti-poverty policy that emerged in the United States in the late 1980s. Asset development policy transcends traditional “income maintenance” and other charitable, medical, and social programs that historically have framed low-income and disability policy. The stressing of resources rather than deficiencies aligns with the strength perspective in community psychology and similar professions.

The Individual Development Account (IDA), a tool devised by Sherraden, represents the forefront of these policies. Since 1991, over 500 different IDA programs were developed in the United States. Over 40 states have IDA demonstration programs. Currently, it is estimated that 50,000 IDA accounts are in operation.

IDA programs began with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. In 1998, the Assets for Independence Act (AFIA) authorized \$125 million for account matching as well as administrative funding for a five-year IDA demonstration. According to the AFIA, the money that may be deposited by participants of IDAs must originate from “earned income.”

IDAs today are reflected as a community-based program, established and managed by community organizations responsible for recruiting participants, collaborating with financial institutions that take care of the savings, and providing client financial education. IDAs deliver a time-restricted service to participants (typically over three years).

When entering the program, participants determine a saving goal and a minimum amount for a monthly deposit. After the goal is achieved, the earned amount saved by the participant is matched by the program at a varied ratio (usually ranging from 1:1 to 1:2). Commonly, the saving goal is restricted to purchase of a first home, post-secondary education, or starting a business.

Research shows that contrary to prevailing perceptions, people who reside in poverty save and accumulate assets. Findings from the “American Dream Demonstration” indicate most IDA participants were women (80%), graduated from high school (80%), and were employed (80%). Approximately one-half received some form of public assistance.

Though the majority of IDA participants are people with disabilities, little systematic attention has been paid to these individuals and their IDA saving performance. People with disabilities also were found to save approximately \$5–60 less per month than non-disabled participants. These gaps in savings prevailed even when comparing individuals with and without disabilities who have similar employment and household incomes,

suggesting the effect of disability on saving is separate from and in addition to employment and income.

Barriers to Asset Accumulation and Participation in IDAs for People with Disabilities

Two categories of barriers to asset accumulation and participation in IDA programs are discussed below: (1) criteria that may conflict with other policies or exclude participation of working age adults with disabilities, and (2) concerns related to the needs of individuals with disabilities.

Disabling Criteria: Means- and Asset-Tests, Employment Status, TANF Receipt

The central and most cited barrier for asset accumulation among people with disabilities in the U.S. are means- or asset-tests applied by the majority of states to determine eligibility for public assistance, such as TANF and SSI. People with disabilities are major recipients of these cash benefits. Therefore, public assistance and asset accumulation programs are targeting similar populations, namely those who receive public cash benefits. However, the former program discourages what the latter encourages. This creates a “policy paradox.”

The Social Security Act denies eligibility for SSI disability cash benefits from individuals who own \$2,000 in countable assets, and from couples who own \$3,000 worth of assets. However, assets acquired through IDA programs are not exempt from the means-test that establishes SSI disability cash benefits eligibility.

Another important barrier to asset accumulation and IDA participation stems from the Assets for Independence Act. Section 408 of the act enables only those who have earned income to participate in the program. This barrier is especially pronounced in states and programs where earned income is equivalent to receiving a paycheck. The linking of employment status to savings is particularly harmful to people with disabilities, given their poor employment status.

The employment-population rate for working-age adults with disabilities is 19.5% compared to 65% for adults without disabilities. Moreover, 35% more adults without disabilities work full-time, and employed adults with disabilities earn less than those without disabilities. Linking IDA participation to employment conflicts with the acknowledged phenomenon of un- and underemployment for working age adults with disabilities.

Another less cited obstacle to IDA participation resides in the eligibility criteria for TANF participation. Participants must meet the criteria of being extremely poor and residing with a minor child. These terms therefore exclude many people who live in or near poverty as well as individuals with disabilities from participating in TANF-sponsored IDAs.

Program Operations and Design: Savings Goals and Accessibility

There also are barriers that stem from the design and implementation of IDAs. A central restriction lies in the nature of the three standard saving goals permitted in IDA

programs (buying a house, post-secondary education, and starting a business). Apart from being seen as paternalistic in nature, these programs reflect the assumption that participants' other basic material wants and needs, such as furniture, appliances, and a means of transportation, are met.

Particularly criticized were the exclusions of buying a car and making home adaptations and accommodations (e.g., building an elevator inside a home, adjusting the height of door handles, electric switches), which are essential to independent living and acquiring and maintaining employment for many people with disabilities.

In addition, the fact that IDAs enable saving toward a single goal was also criticized. This is true for people with disabilities who have dual essential needs, which may include a universal need (such as a home) and a disability-related need (such as purchase of a wheelchair or medical expenses).

A lack of awareness of disability-specific needs is also evident from the way IDAs are designed and operate, including the inaccessibility of IDA informational resources for persons with visual or intellectual impairments.

In addition, IDA programs operating today are segregated in that they serve a largely marginalized and excluded population, and as such may unwittingly promote stigma. People with disabilities who are poor are assigned two negative labels: the first encompasses the array of negative cultural meanings associated with poverty, while the second consists of stereotypes of individuals with disabilities as being unproductive, dependent on others, and pitiful victims of tragic circumstances.

Conclusions and Policy Recommendations

Asset accumulation fosters autonomy and social status beyond individual survival needs. It represents a shift from pity and charity—embodied in the medical model of disability and welfare policies—to that of a social model that advocates for rights and entitlement, and aligns with the ADA's framing of disability. However, to date, implementation of asset accumulation programs falls short of the vision.

The policy paradox between welfare-based policies and the asset accumulation approach addressed here suggests continued ambivalence toward individuals with disabilities in American society. On the one hand, asset accumulation policy facilitates and promotes the participation of people with disabilities in the economic arena. On the other hand, welfare policies assure individuals with disabilities are kept at arm's length by excluding the poor from the mainstream economy.

Policy makers must ask whether means-tests are still an appropriate tool in policy implementation. Additionally, the linking of employment status to the right to build assets is not only a hurdle in IDA participation for people with disabilities, but also may promote negative perceptions of people with disabilities. The authors suggest employment status be reconsidered or not considered as an entry criterion for IDA participation.

Key policy recommendations include:

- Eliminate means-tests used in welfare policies that create a “policy paradox” by penalizing asset accumulation.
- De-link participation in IDAs from employment status, given the disproportionate unemployment and underemployment rates among adults with disabilities.
- Allow a variety of saving goals, including home modifications, assistive technology, and other disability-related needs.
- Enable saving toward more than one target simultaneously to address the dual needs of persons with disabilities.
- Ensure IDA informational resources are fully accessible to all people, including those with visual or intellectual impairments.
- Include individuals with disabilities as partners in designing, implementing, and evaluating asset accumulation programs and policies.
- Ensure adequate federal resources for program evaluations and research to provide ongoing, real-time feedback to policymakers.

These efforts to eliminate policy paradoxes and program barriers, while promoting IDAs as an inclusive policy tool, will help establish IDAs as an important means to address poverty facing millions of Americans with disabilities.

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