

# Australia on the cusp of a disability benefit blowout?

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Economists at the University of Melbourne have warned Australia is just one economic downturn away from a disability benefit blowout.

The research—published in the September edition of the *Australian Economic Review*—details the relative generosity and rapid growth of Australia's Disability Support Pension (DSP)

Currently, over 800,000 Australians receive the DSP, with this expected to rise to 1 million within a decade. Over the past year, \$14.9 billion was paid out. DSP benefit levels have also increased relative to wages of low-skilled workers and, more recently, the minimum wage.

The research identifies Australia's [ageing population](#), strong [population growth](#) and increases in the female [retirement age](#) as causes of the accelerated growth of the program.

But the report also finds people may be applying for the DSP because it's now more difficult to obtain some other welfare payments.

"Changes to the eligibility criteria of other welfare payments such as New Start Allowance and Parenting Payment, and the fact that DSP has become more generous relative to other payments, are significant factors in this disability payment increase," according to Associate Professor Roger Wilkins who's based at the University's Melbourne Institute of Applied Economic and Social Research.

Looking forward, Australia's DSP is vulnerable to the same forces that caused unsustainable disability support programme growth in the United States, Sweden and the Netherlands, according to a separate article in the Australian Economic Review.

This research, co-authored by the University's Professor Richard Burkhauser, warns that increases in unemployment can trigger large flows of unemployed [older workers](#) onto disability benefits.

"If the economic winds change Australia will have a larger pool of eligible disability payment recipients and could be facing a disability benefit blowout," he said.

"Australia must learn from the reforms currently underway in other countries."

Provided by University of Melbourne

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