SAUL ESLAKE
CORINNA ECONOMIC ADVISORY

Both opposition parties want to weaken Australia's superannuation system

Both of Australia's major opposition parties have recently taken aim at Australia's superannuation system.

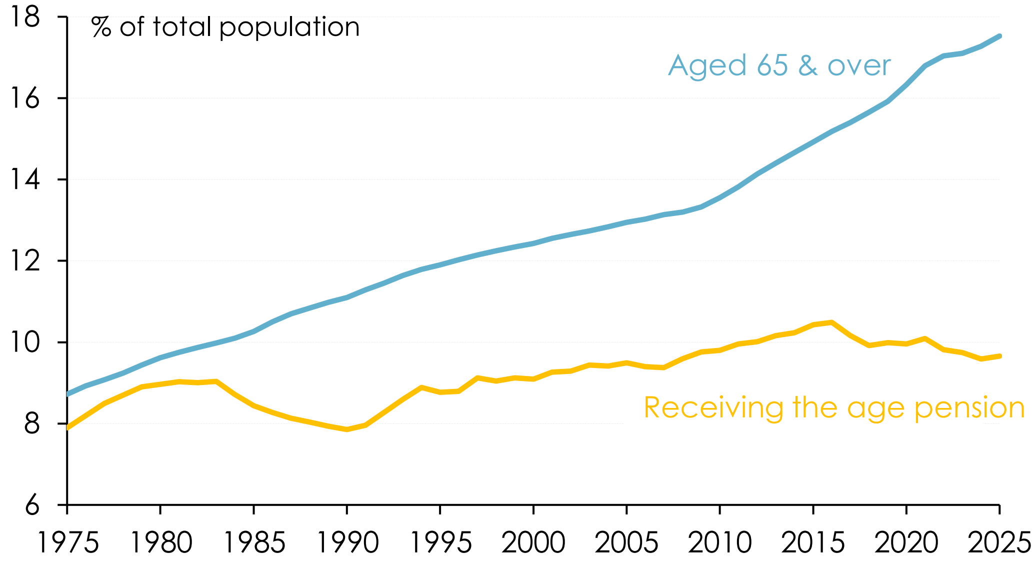
The official Opposition's Shadow Housing Minister Senator Andrew Bragg, who has long advocated that people should be able to withdraw money from their superannuation accounts in order to purchase housing, last month on ABC Radio National described superannuation as "one of the biggest public policy failures since Federation, in the sense that it hasn't helped the budget, and it has not really helped many people get off the pension".

And One Nation's leader Senator Pauline Hanson, who also wants people to have more capacity to withdraw funds from their superannuation accounts before retirement, last month told News 24 that the superannuation system was "broken". Both of them argued, in support of their contentions, that the superannuation system has failed to keep older Australians "off the pension".

These assertions are simply factually incorrect.

Over the last two decades, the proportion of Australians aged 65 and over has risen by 4.6 percentage points, from 12.9% to 17.5%, as shown in Chart 1. But the proportion of Australians who are on the age pension has risen by only 0.2 percentage points, from 9.5% to 9.7%, as also shown in Chart 1.

Chart 1: Percentage of Australia's population aged 65 and over, and percentage receiving the age pension

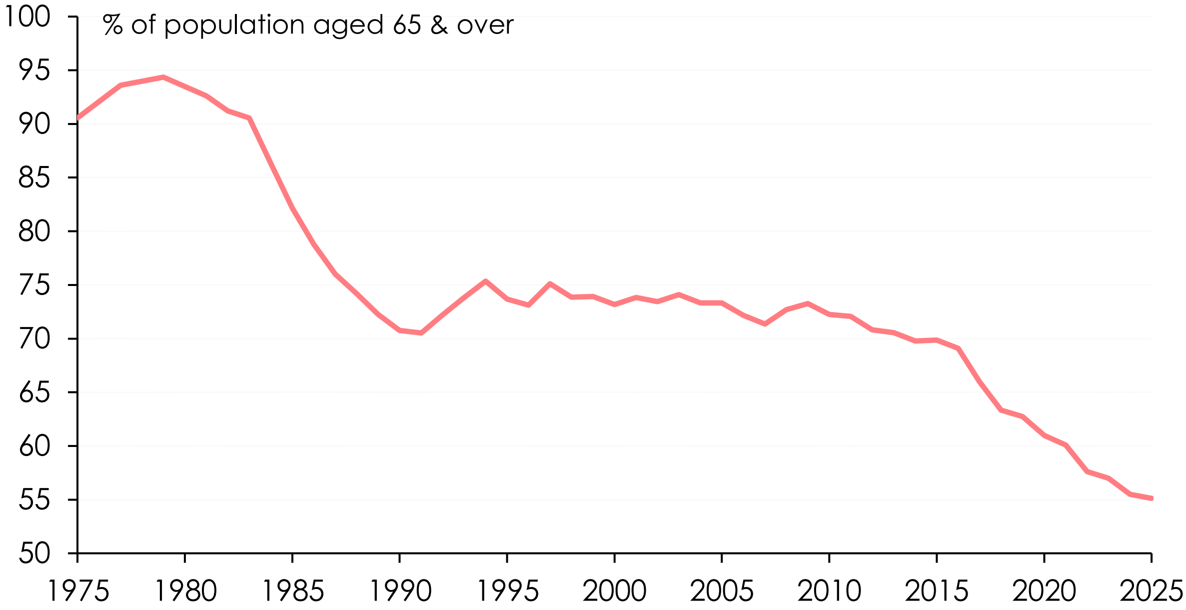


Sources: ABS, *National, state and territory population*, December 2025, and *Australian Social Trends*, 2001; and Australian Department of Social Services, *DSS Income Support Recipients - Monthly Time Series*, August 2026.

© Copyright, 2021-2026, Saul Eslake

That's because, as shown in Chart 2, the proportion of the population aged 65 and over who are receiving the age pension has declined from 73.3% in 2005 to 55.1% as at June last year.

Chart 2: Age pensioners as a percentage of the population aged 65 and over



Sources: As for Chart 1.

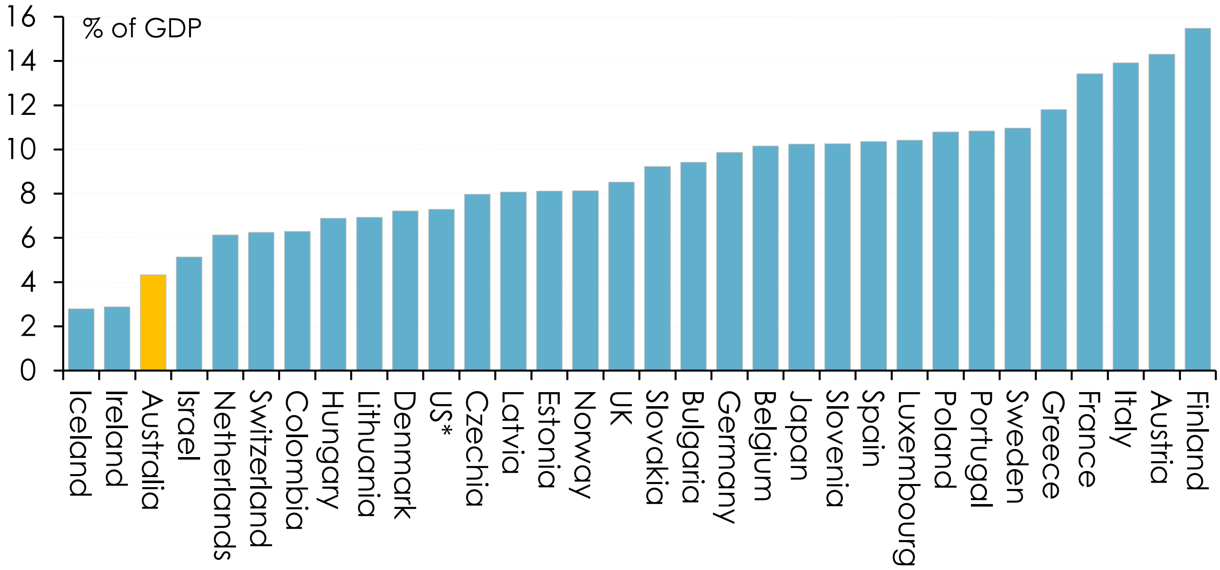
Part of the decline in the proportion of people aged 65 and over who are on the age pension is the result of the gradual increase in the age at which people can access the pension from 65 to 67, between July 2017 and July 2023, which was originally foreshadowed in the 2009-10 Federal Budget (brought down by then Treasurer Wayne Swan).

But the major contributor to the decline in reliance on the age pension has been the increase in the number of retirees who are able to draw on their accumulated superannuation savings. As of December 2023, according to Treasury, there were 1.6 million Australians receiving income from a superannuation product, and a further 2.5 million Australians were expected to join them over the following ten years.

That puts Australia in a very different position from the overwhelming majority of other 'advanced' economies (to say nothing of developing nations).

As shown in Chart 3 (on the following page), Australia currently spends a smaller percentage of GDP on age pensions than any other OECD member country except Ireland and Iceland (the percentage of both of whose populations are aged 65 and over is 2 percentage points lower than in Australia).

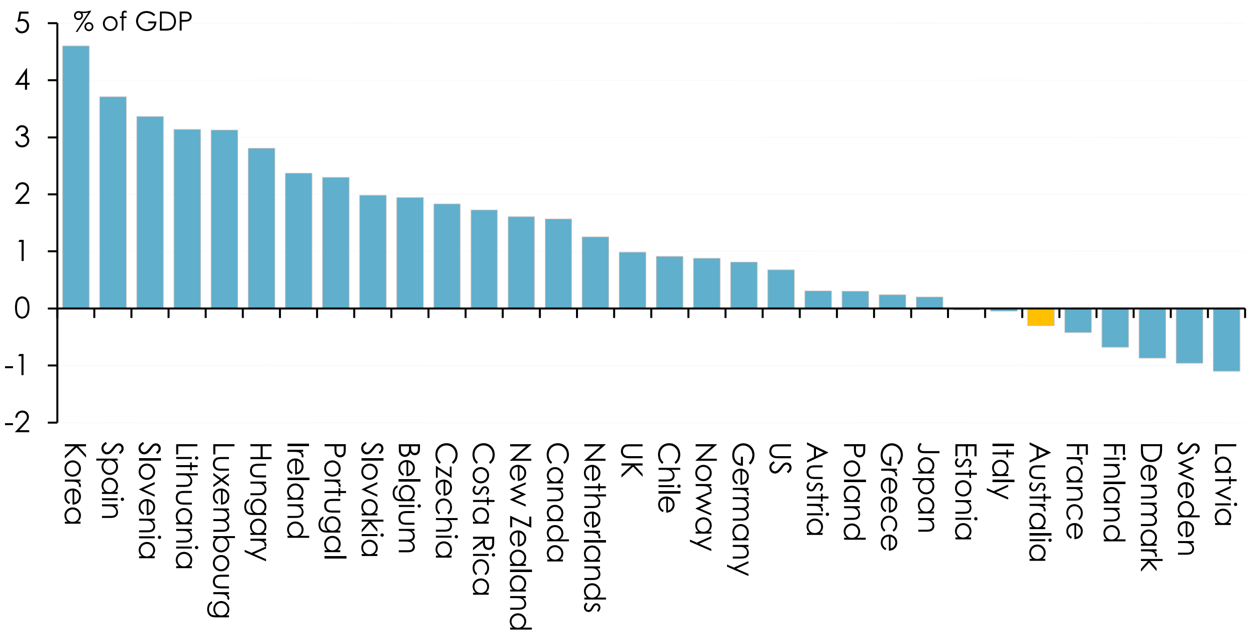
Chart 3: Government spending on age pensions as a percentage of GDP – OECD member countries, 2024



** US figure is for 2021. Source: OECD Data Explorer, [Public finance by function - government at a glance indicators, yearly updates](), accessed 8th September 2026.*

Australia is one of only 6 OECD member countries where government spending is projected to decline as a percentage of GDP over the next 25 years, as shown in Chart 4.

Chart 4: Projected change in government spending on age pensions as a percentage of GDP between 2024 and 2050 – OECD member countries



Source: OECD, Restoring Public Finances: Enabling Effective Government, May 2026.

© Copyright, 2021-2026, Saul Eslake

Australia is now home to the fourth largest pool of retirement savings in the world – notwithstanding that our economy is the 14th largest, and our population only the 53rd largest, in the world. And the investment of part of that pool of retirement savings overseas is the main reason why Australia is now a net owner of foreign equity to the tune of almost 29% of GDP, offsetting more than half of Australia's net foreign debt of over 50% of GDP, so that Australia's overall net financial obligations to foreigners have more than halved from a peak of nearly 63% of GDP ten years ago to less than 22% of GDP as of June this year. (By contrast, the US' net financial obligations to foreign investors are now equivalent to 67% of its annual GDP).

None of this is to say that Australia's superannuation system is perfect.

While it has clearly resulted in significant savings on the expenditure side of the federal budget, it has also entailed significant costs on the revenue side, in the form of revenue foregone through generous tax concessions on contributions to superannuation funds, earnings generated by superannuation funds, and payments out of superannuation funds – which Treasury estimates at almost $66 billion in 2025-26, and likely to approach $83 billion by 2028-29 (although there are also many critiques of the benchmarks which Treasury uses to arrive at these estimates).

The Albanese Government has significantly reduced the generosity of tax concessions for large superannuation balances. But it could (and in my view should) go further, by replacing the flat 15% tax rate on contributions to and earnings of superannuation funds with a 15-percentage-point rebate on the tax that would otherwise be payable by superannuation fund members. That could be administered by the Australian Taxation Office in the same way that it administers the Division 293 tax on superannuation contributions by high-income earners.

The superannuation system doesn't work as well for women as it does for men. According to the ATO the average superannuation balance for men aged 65-69 in 2023-24 was $466,600 – almost 15% more than the corresponding average for women in the same age group (while the median balance for men in that age group, of $230,766 was 11½% more than that for women). That reflects the facts that women typically earn less than men while working, and that women typically spend longer periods out of the workforce than men. The introduction of the paid parental leave superannuation contribution is an attempt to remedy that.

There are also legitimate concerns about how well the superannuation system enables people to manage their savings once they have retired. As Treasury has noted, "planning for retirement income requires retirees to solve a 'risky, long-horizon, multi-dimensional problem' – a problem that any individual retiree cannot be expected to solve on their own", and that "retirement income products and annuities are often complex, making them difficult for members to understand and compare". And many Australians appear to regard superannuation as a vehicle for accumulating bequests to their children rather than one for ensuring them a decent standard of living in retirement.

So there's more work to be done on those fronts.

The Liberal and National Parties have long been ambivalent about the superannuation system introduced by their political opponents – in part, it often seems, because they regard it as giving unions, and union officials, a bigger role in the economy and the financial system than their declining membership would otherwise warrant.

© Copyright, 2021-2026, Saul Eslake

Although neither John Howard's Government, nor the Coalition Governments between 2013 and 2022 sought to unwind the system (indeed the Morrison Government, after some hesitation, legislated the increase in the compulsory contribution rate from 9.5% to 12% between 2021 and 2025), since losing office the Coalition have proposed policies intended to weaken the system under the guise of housing policy. At both the 2022 and 2025 elections the Coalition proposed to allow people to withdraw up to 40% of their superannuation savings, up to a maximum of $50,000, to be applied to the purchase of a first home. At other times Coalition figures have proposed allowing superannuation savings to be used as collateral for a mortgage, or for superannuation savings to be transferred to mortgage offset accounts.

More recently One Nation has proposed that people should be allowed to divert up to one-quarter of their superannuation contributions towards mortgage repayments or rent payments (whilst still retaining the concessional tax treatment of those contributions) for up to three years, while press reports suggest that the Coalition had been considering a similar policy under former leader Sussan Ley.

Such a policy would – in current circumstances – undoubtedly add to inflationary pressures, by enabling a potentially large proportion of the population (roughly one-third of all household have a mortgage, and another one-third rent) to spend more on goods and services than they would be able to otherwise, adding to aggregate demand at a time when it is growing at a faster rate than aggregate supply, an imbalance which the Reserve Bank is seeking to correct by raising interest rates.

Contrary to the assertions by One Nation's Treasury spokesman Barnaby Joyce, the historical evidence suggests that this is precisely what a large number of people would do.

As a paper co-authored by Steven Hamilton (now Director of Policy in Opposition Leader Angus Taylor's office) presented to a Reserve Bank conference in September 2023 documents, when the Morrison Government allowed people to withdraw up to $20,000 from their superannuation funds, in two separate tranches, in 2020, far more people (one in six) withdrew far more (a total of $38 billion, equivalent to 2% of GDP) than had been anticipated. Hamilton and his co-authors calculated that "withdrawers raised spending by 129% for the first two weeks and by 46% over eight weeks". They also showed that those withdrawing from their superannuation accounts were much more likely to be younger, and less financially literate, than those who didn't. These are of course precisely the people for whom the compulsory element of Australia's superannuation system is most beneficial over the course of their working lives.

One Nation's policy, if implemented, would almost certainly result in those paying off mortgages facing higher mortgage repayments, as a result of the RBA raising interest rates by more than otherwise in order to counter the inflationary consequences of the additional spending which that policy would unleash.

And that could in turn result in higher unemployment among renters (who are typically more likely to lose their jobs, or be unable to find jobs, as a result of a marked slowdown in economic growth). One Nation's policy would also result in people – and especially younger people – who took up the option of diverting superannuation contributions into their bank accounts retiring with smaller, and potentially significantly smaller, superannuation balances once they reach retirement age.

© Copyright, 2021-2026, Saul Eslake

SAUL ESLAKE

CORINNA ECONOMIC ADVISORY

Hopefully Steven Hamilton will be able to persuade Angus Taylor and his Coalition colleagues not to go down the same road as One Nation, on this particular issue if not on others.

This article was originally published by Pearls and Irritations on 11th September 2026.

Saul Eslake
Corinna Economic Advisory

© Copyright, 2021-2026, Saul Eslake