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**CLOSING THE GAP  
REVIEW**  
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Submission by Indigenous Business Australia to the Productivity  
Commission's Closing the Gap Review

21 March 2023

## Acknowledgement of country

Indigenous Business Australia (IBA) pays respect to elders, past and present. We acknowledge emerging leaders and honour the resilience and continuing connection to country, culture and community of all Aboriginal and Torres Strait Islander peoples across Australia. We recognise the decisions we make today will impact the lives of generations to come.

## A note on terminology

Australia's Indigenous people are two distinct cultural groups made up of Aboriginal and Torres Strait Islander people. But there is great diversity within these two broadly described groups exemplified by the over 250 different language groups. IBA uses the primary term of Aboriginal and Torres Strait Islander people to refer to our customers, acknowledging the distinct cultural differences and diversity across Australia. In recognition of the societal shifts occurring in Australia, IBA has also adopted the secondary term of First Nations.

## Introduction

IBA's vision is for a nation where Aboriginal and Torres Strait Islander people are economically independent and an integral part of the economy.

Historically, Aboriginal and Torres Strait Islander people have been excluded from meaningful participation in economic activity including employment. Because of this ongoing financial and economic exclusion, Aboriginal and Torres Strait Islander people can face additional challenges in pursuing economic development and accessing employment opportunities.

However, there are also many stories of success, positive economic development outcomes and wealth creation.

The substantial growth in the number of Indigenous entrepreneurs and businesses over the past decade is an example of the resilience and ingenuity of Aboriginal and Torres Strait Islander people in addressing the ongoing challenges of financial exclusion, and the steps that are being taken to develop intergenerational wealth, develop new skills and harness new opportunities. IBA is proud of the role we play as a customer-facing service-delivery agency supporting the economic development aspirations of our customers with our products and services.

We acknowledge the ongoing effects of colonisation, genocide, discrimination and disruption to Australia's original economy. Since colonisation and the imposition of white settlement and systems, Aboriginal people and Torres Strait Islander people have:

- been removed from their lands
- been denied the right to own property or operate businesses
- not earned equal pay
- faced ongoing prejudice, marginalisation and discrimination.

Exclusionary policies over 200+ years have:

- created barriers to opportunities to achieve self-management and economic self-sufficiency
- resulted in financial exclusion across nearly all income bands
- limited their ability to leverage assets, grow wealth and reach economic independence
- left many without financial, budgeting, or commercial experience to realise wealth creation opportunities.

The flow on effects of a discriminatory environment, including ongoing policies, and poverty are many of the symptoms that the National Agreement on Closing the Gap attempt to address.

Unfortunately, we envisage that the continued economic challenges being experienced nationally and globally will have a disproportionate impact on Aboriginal and Torres Strait Islander people. The current lack of social and affordable housing, high property purchase prices and cost of living pressures have further impacted Aboriginal and Torres Strait Islander peoples aspiring to purchase their own homes.

IBA welcomes the approach adopted and implemented in the National Agreement on Closing the Gap, focusing on collaboration between all levels of government and the Coalition of Aboriginal and Torres Strait Islander Peak Organisations to reduce disparity in Australia.

## About IBA

IBA was established by the *Aboriginal and Torres Strait Islander Act 2005*, to assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency and to advance the commercial and economic interests of Aboriginal and Torres Strait Islander people accumulating and using a substantial capital asset.

IBA achieves this statutory purpose through our flagship programs which include:

- Housing Solutions- providing loans for Aboriginal and Torres Strait Islander families to achieve home ownership through the Indigenous Home Ownership Program (IHOP)
- Business Solutions- providing loans, business finance and training for Aboriginal and Torres Strait Islander entrepreneurs and business owners to start, develop or grow a business
- Investments and Asset Management- for Aboriginal and Torres Strait Islander corporations and communities to build assets and capital to achieve their commercial and economic aspirations.

## IBA and Closing the Gap

Pursuant to IBA's legislative purpose and mandate, we work with Aboriginal and Torres Strait Islander people who want to turn their economic aspirations into a reality. We support Aboriginal and Torres Strait Islander people to access the key economic enablers of home ownership, business and investment, which counter the effects of dispossession, discrimination and socioeconomic exclusion that have historically contributed to the Closing the Gap disparities.

Of the Closing the Gap targets, IBA is explicitly identified as a responsible agency for *Socioeconomic Outcome Area 9: Aboriginal and Torres Strait Islander people can secure appropriate, affordable housing that is aligned with their priorities and need*. IBA directly contributes to this outcome area through the delivery of the Indigenous Home Ownership Program (IHOP). Whilst the target looks at secure housing outcomes for Aboriginal and Torres Strait Islander people across the housing continuum, the IHOP focuses specifically on home ownership outcomes.

## Case Study: Indigenous Home Ownership Program



The IHOP was established in 1975 and is IBA's longest standing program. The IHOP supports Aboriginal and Torres Strait Islander people to grow their wealth and economic self-sufficiency through home ownership. Owning a home provides safe and secure housing, which is a key step in establishing economic independence and building inter-generational wealth.

To do this, IBA provides home loans with low deposit requirements, flexible repayment terms and offers tailored customer support and financial literacy education services to help customers prepare for their journey. Many IHOP customers subsequently make the successful transition to mainstream lenders when they are ready, and in refinancing, make more funds available for new IHOP customers to purchase a home.

Since inception of the IHOP, the program has written over 21,000 home loans,<sup>1</sup> improving the lives of thousands of Aboriginal and Torres Strait Islander families,<sup>2</sup> whilst contributing to the overall housing assistance framework in Australia. Through increasing Aboriginal and Torres Strait Islander home ownership, IBA contributes to reducing pressure on the private rental market and social housing. Aboriginal and Torres Strait Islander home ownership is also directly correlated to intergenerational wealth creation, delivering a range of other social and economic benefits.

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<sup>1</sup> As at 28 February 2023.

<sup>2</sup> Housing approximately 67,000 people.

By increasing home ownership amongst Aboriginal and Torres Strait Islander people through the IHOP, IBA is making an important contribution to the overall policy objectives of the National Agreement on Closing the Gap and directly to Target 14:

*Increase the proportion of people living in appropriately sized (not overcrowded) housing to 88% by 2031.*

Target 14 of the National Agreement is to reduce the number of Aboriginal and Torres Strait Islander Australians that are living in overcrowded houses. On average, 3.2 people live in households classified as an 'Indigenous household' by the ABS. As at January 2023, an estimated 67,000 people have been housed through IBA home loans since inception of the Indigenous Home Ownership Program.

In 2019 IBA commissioned a comprehensive [impact analysis of the IHOP](#), to better understand the social and economic impact of the program across its 40 years of operation.

The analysis found that the IHOP generated social and economic outcomes relating to safety, physical health, social and community, mental wellbeing, self-esteem, education, employment and inter-generational wealth. Further, through this thorough analysis of the IHOP, Deloitte Access Economics estimated that IHOP has delivered:

- \$895m in social and economic outcomes for home owners
- \$36m in rental assistance savings
- \$7m in avoided homelessness
- \$483m in economic activity; and
- 1,247 additional jobs.

As explored in [IBA's Impact Report 2021-22](#), IBA's home loan customers report they have been able to provide a safe environment for their own families, with one customer noting, "[m]y kids can grow up in a good neighbourhood in a house that isn't overcrowded." The issue of overcrowding is not so much about having more space, rather the negative flow on effects from long-term overcrowding on health, security and the impact on being able to organise their lives. Having too many people living in one inadequately sized house can make it difficult to maintain a house, limit usage and plan for utility bills, create routines that help with sleep and meal preparation, and space to focus on one's own health or education needs. As one family said, when people have their own homes, they're able "to start a family on good foundations".

At the end of the 2021-22 financial year, IBA's home loan portfolio was valued at \$1.15 billion.

## **IBA's Contribution to Closing the Gap**

IBA contributes indirectly to several other Closing the Gap targets. IBA has released further impact analysis of our programs including our most recent [Impact Report 2021-22](#) which reveals that as a result of providing economic access, the positive impacts directly or indirectly address some of the disparities identified in Closing the Gap. The section below provides examples of how our customers are overcoming those disparities.

## Education and Employment

Target 7: Increase the proportion of people aged 20-24 years attaining year 12 or equivalent qualification to 96% by 2031.

Target 7 aims to increase the percentage of Indigenous youth completing high school. IBA is indirectly contributing to this through home and business ownership programs. IBA's business customers felt that business ownership had allowed them "...to send [their] kids to good schools..." and provide them with opportunities to "... get a better education or better pathways to careers than [their parents]."

Many home loan customers said that the stability of home ownership was "...good for our children because they've got a family home and they go to the same school." This stability allows families to focus on their children's education, and as one investment customer says, "[s]table housing leads to generally increased school attendance". One of IBA's home loan customers shared that she had become a kinship carer for her nieces and nephews. Since she bought her own home, she was able to provide them with stability and safety that allowed the children to focus and flourish in school:

"My eldest niece is 10 years old and she's well advanced in her schooling. She's two years above her learning level." This same customer went on to explain that her "...nieces are [now] talking about becoming doctors and veterinarians and ambulance drivers."

Target 8: Increase the proportion of people aged 25-34 years who have completed a tertiary qualification (Certificate III and above) to 70% by 2031.

Target 9: Increase the proportion of youth (aged 15-24 years) who are in employment, education or training to 67% by 2031.

Targets 8 and 9 are about increasing the number of young Aboriginal and Torres Strait Islander people completing tertiary studies and engaging in employment, education and training.

One of IBA's business customers said they "...take on an apprentice every year..." and believed to have a "...90% retention of all those [Indigenous] apprentices...". He went on to explain how his understanding of Aboriginal culture allows him to better support his Aboriginal and Torres Strait Islander staff, including providing life changing opportunities:

"Well we've just had a young boy who's done his apprenticeship with us...We said 'mate, we're going to give you a shot at this'. So he did a plumbing apprenticeship with us. He's just bought his first unit... he's a real success story.... He's an operational manager now for us."

Business customers found high positive impacts on Aboriginal and Torres Strait Islander employees with 100% agreeing that their staff get to learn new skills and knowledge. One customer said that is it important to "[b]uild capacity of Indigenous people," and another shared the satisfaction felt as a business owner "[s]eeing [their] mob change and grow because of an opportunity [they] were able to give them."

Amongst IBA's investment customers, the respondents use 41% of their financial returns to benefit their education and skills development programs and initiatives.

Target 10: Increase the proportion of people aged 25-64 years who are employed to 62% by 2031.
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Target 10 is to increase the number of Aboriginal and Torres Strait Islander people who are employed. In 2020-21 Aboriginal and Torres Strait Islander Australians made up 51.2% of the total jobs supported by IBA, IBA's associates, subsidiaries and program customers, or 1,451 Aboriginal and Torres Strait Islander employees.

Breaking down the 2020-21 statistics reveals:

- for IBA Business Solutions customers, 60.4% of employees were Aboriginal and/or Torres Strait Islander (1233 out of a total of 2,042 employees).
- for IBA subsidiaries and associates, 26.4% of employees were Aboriginal and/or Torres Strait Islander (155 Indigenous employees out of a total of 588 employees).
- within IBA, 30.7% of employees were Aboriginal and/or Torres Strait Islander (63 out of a total of 205 employees).

Through IBA Investments, Aboriginal and Torres Strait Islander organisations are creating more employment, education and training opportunities for people in their communities, as one co-investor shared: "We've grown the organisation from under 10 programs when I came here, we now have 29 programs."

Further, business customers indicated the significant positive impact their owning a business has had on creating a better life for their employees. Amongst business customers:

- 100% agreed that Aboriginal and/or Torres Strait Islander employees at their business were able to learn new skills and knowledge
- 94% agreed Aboriginal and/or Torres Strait Islander employees at their business have a greater sense of purpose in life by having a job
- 89% agreed that Aboriginal and/or Torres Strait Islander employees at their business have an improved level of self-confidence by having a job
- 83% agreed that Aboriginal and/or Torres Strait Islander employees at their business can afford to live a better quality of life by having a job, and
- 83% agreed that Aboriginal and/or Torres Strait Islander employees at their business are better able to support their family by having a job.

Australian research reveals that Aboriginal and Torres Strait Islander businesses are more likely to employ Aboriginal and Torres Strait Islander people, which is backed by our survey respondents' responses. Further, 2 in 3 business survey respondents use Aboriginal and Torres Strait Islander suppliers. IBA's business and investment customers are not only creating purpose for themselves, but great employment outcomes for other Aboriginal and Torres Strait Islander people as well. A majority of both home loan customers (74%) and business customers (67%) said home and business ownership had improved motivation in their work or career.



## Housing, Safety, Health, and Wellbeing

Target 13: Reduce the rate of all forms of family violence and abuse against Aboriginal and Torres Strait Islander women and children by at least 50% by 2031, as progress towards zero.

Target 13 is to reduce the rate of family violence and abuse against Indigenous women and children. In relation to safety and security:

- 92% of responding home loan customers revealed that home ownership provided a more secure place to live,
- 82% of responding home loan customers revealed it provided a safer place for their children,
- 68% of responding home loan customers indicated that it allowed them to live in a safer location, and
- 46% of responding home loan customers noted that it reduced their exposure to violence or other behaviour problems.

Further, IBA's initiative Strong Women Strong Business provides Aboriginal and Torres Strait Islander women entrepreneurs, a platform of mentorship and a place to connect with other women in business. The program includes access to tailored business supports and previously hosted the inaugural Strong Women Strong Business conference.

Coinciding with the above benefits, home ownership is also integrally linked with employment and educational outcomes (as discussed above). The complementary nature of education, employment and the safety that home ownership affords reduces exposure to extreme, volatile and dangerous situations, which often occur in environments where scarcity is prevalent. The reduced exposure to those environments in turn reduces the likelihood of being in highly stressful situations, which may lead to less violence and less contact with the criminal justice system.

IBA also recently introduced a new domestic and family violence initiative. IBA has seen firsthand that, when there is a relationship breakdown and customers have entered into joint loans, challenges can arise. If there is family violence and/or financial abuse, the situation is even more difficult. Financial safety is an important part of supporting families. In recognition of this, IBA created a suite of training resources so our staff can support affected home lending and business customers. Tailored products, services and tools can assist anyone impacted by, and/or moving on from, family violence situations.

## **Embedding the Priority Reforms at IBA**

IBA acknowledges that all government departments and entities are responsible for, and play a part in, embedding the four priority reform areas, contained within the National Agreement. The priority reforms articulate a way forward to transform how governments work with Aboriginal and Torres Strait Islander people. IBA's approach to embedding the priority reform areas requires improvement, however below are some of the initiatives we have developed that contribute to several of the priority reforms.

### *Priority Reform 1: Formal Partnerships and Shared Decision Making*

Outcome: Aboriginal and Torres Strait Islander people are empowered to share decision-making authority with governments to accelerate policy and place-based progress on Closing the Gap through formal partnership arrangements.

Target: There will be formal partnership arrangements to support Closing the Gap in place between Aboriginal and Torres Strait Islander people and governments in each state and territory enshrining agreed joint decision-making roles and responsibilities and where Aboriginal and Torres Strait Islander people have chosen their own representatives.

IBA has developed a formal Partnerships Framework, focusing on establishing purposeful partnerships with Aboriginal and Torres Strait Islander community partners, as well as non-Indigenous partners where there is an opportunity for beneficial outcomes and synergies for our customers.

As a corporate Commonwealth entity, IBA feeds into the Commonwealth Government's Closing the Gap Annual Report. Through that partnership stocktake, IBA reported that for 2022, we entered into 4 formal partnerships with Aboriginal and Torres Strait Islander providers. IBA also entered into a further 5 strategic partnerships with non-Indigenous providers that benefit our Aboriginal and Torres Strait Islander customers.

### *Priority Reform 2: Building the Community-Controlled Sector*

Outcome: There is a strong and sustainable Aboriginal and Torres Strait Islander community-controlled sector delivering high quality services to meet the needs of Aboriginal and Torres Strait Islander people across the country.

Target: Increase the amount of government funding for Aboriginal and Torres Strait Islander programs and services going through Aboriginal and Torres Strait Islander community-controlled organisations.

Through IBA's Business Solutions and Investment and Asset Management programs, First Nations entities including the Aboriginal and Torres Strait Islander community-controlled sector, can apply for business supports, finance and co-invest in our fund products and direct investments.

We currently do not have the data to clearly understand our impact in supporting and increasing the amount of funding available specifically to Aboriginal and Torres Strait Islander community-controlled organisations, however there is scope to change our systems to monitor and identify this.

Further, IBA is in discussions with various Aboriginal and Torres Strait Islander community-controlled housing organisations to provide supports to them and their tenants who aspire to home ownership.

### *Priority Reform 3: Transforming Government Organisations*

Outcome: Improving mainstream institutions: governments, their organisations and their institutions are accountable for Closing the Gap and are culturally safe and responsive to the needs of Aboriginal and Torres Strait Islander people, including through the services they fund.

Target: Decrease in the proportion of Aboriginal and Torres Strait Islander people who have experiences of racism.

IBA serves the Aboriginal and Torres Strait Islander communities in which we have the privilege to work in and approximately 30 per cent of our staff identify as being Aboriginal and/or Torres Strait Islander. Therefore, we acknowledge the importance of Priority Reform 3 and undertake to actively transform our organisation to ensure we are operating in a culturally safe and responsive manner, both with our interactions with customers and internally with our Aboriginal and Torres Strait Islander staff.

#### *Priority Reform 4: Shared access to data and information at a regional level*

Outcome: Aboriginal and Torres Strait Islander people have access to, and the capability to use, locally relevant data and information to set and monitor the implementation of efforts to close the gap, their priorities and drive their own development.

Target: Increase the number of regional data projects to support Aboriginal and Torres Strait Islander communities to make decisions about Closing the Gap and their development.

In 2019, IBA in partnership with the University of Melbourne and MURRA Indigenous Business Master Class Program, hosted the Indigenous Business Sector Research and Policy workshop. The workshop was generated out of a conversation about the complex idea of linking up empirical data held by Indigenous Business Sector institutions. The motivation for this critical question was to understand what data is currently collected, and how might the data be mapped in order to give researchers, policy experts and the Indigenous business sector more broadly, an informed snapshot of the current state of Indigenous business growth in Australia. The workshop also discussed the importance of Indigenous data sovereignty.

As an outcome of that workshop, IBA commissioned a preliminary study using the Australian Bureau of Statistic's Business Longitudinal Analysis Data Environment dataset to provide a snapshot of the Indigenous business contribution to the Australian economy.

IBA has also pursued collaborative research including with our Impact Reports, where we have partnered with Indigenous evaluation expert and Arrernte man Dr Kevin Dolman, sought and obtained AIATSIS ethics approval and ensured that our internal research working group includes Aboriginal and Torres Strait Islander staff.

## **Factors Affecting Progress on Closing the Gap**

Noting IBA's contribution thus far to progressing the Closing the Gap priority reforms and socioeconomic targets as discussed above, the factors that have affected progress from our experience includes the following:

- Lack of clear alignment of socioeconomic targets
  - Whilst IBA contributes to the housing socioeconomic target, the target is not about home ownership specifically and rather, looks at reducing overcrowding. Therefore whilst IBA indirectly contributes to that target, it is difficult to quantify our programs' actual impact on that very specific measure.
- Data availability and lack of appropriate data inputs
  - IBA could improve on our data capability to ensure that we are capturing the requisite information within our agency to adequately measure and report on our progress with the Closing the Gap framework. For example we do not identify which customers are organisations that are part of the Aboriginal and Torres Strait Islander community-controlled sector therefore it is difficult to measure our contribution towards Priority Reform 2.

- Data sharing and data sovereignty
  - Government agencies are reluctant to share and provide data outside of their own agencies, which could and should benefit the respective Aboriginal and Torres Strait Islander communities in which we collect the data from.
- Closing the Gap continues to be largely health focused
  - IBA considers achieving economic independence as a key factor that will assist in Closing the Gap. Although the National Agreement saw a refresh of the Closing the Gap framework and a reset of the approach, inclusion of socioeconomic targets that measure economic participation would be beneficial.

## Conclusion

The refreshed Closing the Gap National Agreement provides an opportunity to reset the way in which government approach the socioeconomic targets, in partnership with the Coalition of Aboriginal and Torres Strait Islander Peak Organisations and Aboriginal and Torres Strait Islander communities generally.

IBA will continue to look at ways to better improve and increase our contribution to the socioeconomic targets and embedding the priority reform areas into IBA's culture and way of conducting business.