



— INQUIRY INTO THE EXTENT AND NATURE OF POVERTY IN AUSTRALIA —

Submission by Indigenous Business Australia to the
Senate Community Affairs References Committee

14 February 2023

IBA
INDIGENOUS
BUSINESS
AUSTRALIA

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

Indigenous Business Australia (IBA) welcomes the opportunity to provide a submission to the Senate Community Affairs References Committee Inquiry into the extent and nature of poverty in Australia.

Historically, Aboriginal and Torres Strait Islander people have been excluded from meaningful participation in economic activity. Since colonisation and the imposition of white systems, Aboriginal and Torres Strait Islander peoples have been removed from their lands, been denied the right to own property or operate businesses, not earned equal pay and faced ongoing prejudice, marginalisation, racism and discrimination.

Exclusionary policies over 200+ years have created barriers to opportunities for Aboriginal and Torres Strait Islander peoples to achieve self-management and economic self-sufficiency; resulted in financial exclusion across nearly all income bands; limited the ability of Aboriginal and Torres Strait Islander peoples to leverage assets, establish or grow intergenerational wealth and reach economic independence; and has left many without financial, budgeting, or commercial experience to realise wealth creation opportunities.

This history of past and continued economic exclusion of Aboriginal and Torres Strait Islander peoples plays a part in the disproportionate number of Aboriginal and Torres Strait Islander people living below the poverty line.

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. The National Agreement on Closing the Gap is an agreement between all levels of government and the Coalition of Aboriginal and Torres Strait Islander Peak Organisations to reduce disparity in Australia. By improving economic access, IBA contributes both directly and indirectly to addressing some of the disparities identified in the priority reform areas captured in Closing the Gap.

When an individual or family are living in poverty, it may consequently impact their ability to obtain and retain employment and education outcomes, have access to secure housing or home ownership and may negatively impact their health and social and emotional wellbeing.

IBA provides financial access to customers who would otherwise not be able to borrow from mainstream lenders due to a range of factors, including the effects of dispossession, discrimination and socioeconomic exclusion that have historically left many Aboriginal and Torres Strait Islander people in perpetual and, at times, intergenerational poverty.

IBA endeavours to bridge this gap by supporting Aboriginal and Torres Strait Islander peoples across Australia through our flagship programs:

- Housing Solutions- providing loans for Aboriginal and Torres Strait Islander families to achieve home ownership through the Indigenous Home Ownership Program
- Business Solutions- providing loans, business finance and training for Aboriginal and Torres Strait Islander entrepreneurs and business owners to start, develop First Nations 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.

Poverty and the impact on Aboriginal and Torres Strait Islander peoples

Poverty in Australia disproportionately impacts Aboriginal and Torres Strait Islander peoples. According to the Australian Council of Social Service (ACOSS), the poverty rate amongst Aboriginal and Torres Strait Islander peoples is 31 percent¹ compared with the non-Indigenous population being 13.4 percent.² Further, poverty amongst Aboriginal and Torres Strait Islander peoples who live in very remote communities is significantly higher, with more than half or 54 percent living under the poverty line.

Although poverty rates of Aboriginal and Torres Strait Islander peoples nationally have declined slowly over the past decade in major cities and inner regional areas, poverty rates have alarmingly increased in remote and very remote areas.³

The poverty line in Australia is defined as being \$489 a week for a single adult and \$1,027 a week for a couple with two children, based on the latest data from the Australian Bureau of Statistics.⁴

Per the 2021 Census, the median total household weekly income range for Aboriginal and Torres Strait Islander households was \$1,500-\$1,749⁵ whilst the median total household weekly income range for non-First Nations Australians was \$1,750-\$1,999⁶.

Whilst the poverty calculation is purely the monetary/economic calculation of poverty, it should be noted that this is a predominantly Western view of poverty and may not indicate the quality of life in which Aboriginal and Torres Strait Islander people value from their respective perspectives.

From the extensive literature and research available, we know that poverty amongst Aboriginal and Torres Strait Islander peoples is inextricably linked with education and employment outcomes, housing, health⁷ and subsequently impacts the disproportionate rates of Aboriginal and Torres Strait Islander people engaged with the criminal justice system.

IBA's statutory mandate plays an indirect role in the reduction of poverty amongst Aboriginal and Torres Strait Islander peoples. IBA's vision is for a nation in which Aboriginal and Torres Strait Islander peoples are economically independent and an integral part of the economy. Our enabling legislation, the *Aboriginal and Torres Strait Islander Act 2005 (Cth)* sets out IBA's purposes, which are:

- 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 persons and Torres Strait Islanders by accumulating and using a substantial capital base for the benefit of the Aboriginal and Torres Strait Islander peoples.⁸

¹ As at 2016- [https://povertyandinequality.acoss.org.au/poverty/poverty-rates-among-aboriginal-and-torres-strait-islander-people-by-region-in-2016/#:~:text=This%20graph%20shows%20that%20the,in%20major%20cities%20\(24%25\)](https://povertyandinequality.acoss.org.au/poverty/poverty-rates-among-aboriginal-and-torres-strait-islander-people-by-region-in-2016/#:~:text=This%20graph%20shows%20that%20the,in%20major%20cities%20(24%25).).

² as of 2019-20

³ https://openresearch-repository.anu.edu.au/bitstream/1885/145053/1/CAEPR_Census_Paper_2.pdf

⁴ https://povertyandinequality.acoss.org.au/wp-content/uploads/2022/10/Poverty-in-Australia-2020_A-snapshot_print.pdf

⁵ Total household income as stated weekly (HINASD).

⁶ As above.

⁷ <https://www.indigenoushpf.gov.au/measures/2-08-income>

⁸ Section 146 of the *Aboriginal and Torres Strait Islander Act 2005*.

Intersection of Housing and Poverty

According to ACOSS, the type of housing in which people live in impacts poverty rates, finding that Australians most affected by poverty are renting.⁹ Per the 2021 Census, 41 percent of Aboriginal and Torres Strait Islander households were renting, with 27.5 percent being homeowners with a mortgage and 13.8 percent owing a home outright.¹⁰

Aboriginal and Torres Strait Islander people are more likely to encounter difficulties with homelessness and housing affordability than other Australians.¹¹ The current lack of social and affordable housing, high purchase prices and cost of living pressures have further impacted Aboriginal and Torres Strait Islander peoples aspiring to purchase their own homes.

In the past, IBA has supported people in social housing and on income support to take steps towards purchasing a home with just over 96 percent of our customers being a first home buyer as at December 2022. Whilst the 2021 Census data encouragingly reveals that the rate of home ownership for Aboriginal and Torres Strait Islander households has improved over the last five years, many families will continue to experience exclusion from the housing market. Prices remain high, making it difficult to afford home ownership or rental accommodation based on where many are residing.

Consequently, it has meant that many Aboriginal and Torres Strait Islander households are not able to access the security, safety, and stability that many other Australians take for granted through home ownership. Instead, these families remain in the volatile rental market where many are facing rapidly growing rents and are subjected to discrimination or are experiencing overcrowding and long wait times for social or community housing.

IBA attempts to address this market failure through the Indigenous Home Ownership Program (IHOP). The IHOP's aim is to support Aboriginal and Torres Strait Islander people into home ownership, with a specific focus on first home buyers and low to middle income earners. We do this by providing lower deposits, competitive introductory interest rates, as well as financial literacy support through home ownership workshops.

Of IBA's current home loans portfolio, 0.4% of Aboriginal and Torres Strait Islander homeowners are living below the poverty line during the 2021-22 financial year.

Whilst this is a positive figure, it also identifies that homeownership is generally more attainable for individuals and families who are not living below the poverty line and earn a threshold amount of income each week that is stable and certain.

Given that home ownership is at one end of the housing continuum, it is critical to identify the gaps and needs to best support Aboriginal and Torres Strait Islander people in their respective housing journey, from crisis and supported accommodation, social and community housing, affordable and private rentals, and supported and independent home ownership.

⁹ <https://povertyandinequality.acoss.org.au/poverty/>

¹⁰ <https://www.abs.gov.au/articles/australia-aboriginal-and-torres-strait-islander-population-summary>

¹¹ Per the Housing and Homelessness Agreement Review published by the Productivity Commission.

Impact of IBA's Programs and Services

IBA measures the impact of our programs and services by asking our Aboriginal and Torres Strait Islander customers how they define "success", from a cultural, social and economic perspective. The IBA Impact Report, centres around the hard work, hopes, and aspirations of our customers and further explores whether IBA was a key enabler and facilitator of achieving those aspects that our customers value.

It reveals that for many of our customers, home ownership is primarily about providing safety and stability, allowing customers to focus on other areas such as improving health, education, and employment, and thereby enabling families to aspire for more if they choose.

Whilst the Impact Report does not explicitly focus on poverty amongst our customers, it provides insights around the impact of accessing IBA's products and services in respect of financial security, stability, and employment outcomes. Some of the findings from the [Impact Report 2021-22](#) include:

- 95% of Housing Solutions customers agreed/strongly agreed that home ownership has helped them and/or their family to feel a sense of stability
- 85% of Housing Solutions customers agreed/strongly agreed that home ownership has reduced their concerns about housing instability, eviction or homelessness
- 81% of Housing Solutions customers agreed/strongly agreed that home ownership has improved confidence their financial future
- 78% of Housing Solutions customers agreed/strongly agreed that home ownership has increased their confidence in their current financial position

The impact for Business Solutions customers had a strong outward focus – with those customers emphasising the importance of the positive flow on effects for their employees, wider community, and culture. For instance:

- 94% of the Business Solutions customers agreed/strongly agreed that Indigenous employees at their business have a greater sense of purpose in life by having a job
- 86% of Business Solutions customers agreed/strongly agreed that business ownership has given them pride in their Indigenous culture
- 86% of Business Solutions customers agreed/strongly agreed that business ownership had better enabled them to contribute to the community
- 86% of Business Solutions customers agreed/strongly agreed that business ownership gives Indigenous people a more positive view of business ownership
- 83% of the Business Solutions customers agreed/strongly agreed that Indigenous employees at their business can afford to live a better quality of life by having a job
- 83% of the Business Solutions customers agreed/strongly agreed that Indigenous employees at their business can better support their family by having a job
- 71% of the Business Solutions customers agreed/strongly agreed that business ownership has improved confidence in their financial future

The Impact Report also found that 95% of the Indigenous co-investors indicated a positive or significant positive impact on the financial security and empowerment for their organisation/business, because of partnering with IBA through our Investment and Asset Management division.

The Closing the Gap National Agreement includes 17 targets, collectively aimed at facilitating collaboration between Aboriginal and Torres Strait Islander peoples and governments to overcome the inequality and achieve life outcomes equal to all Australians. The Impact Report 2021-22 also reveals that

through access to the economy, resources, networks and skills, IBA addresses and positively impacts the following Closing the Gap targets, either directly or indirectly:

- Target 7: Increase the proportion of people aged 20-24 years attaining year 12 or equivalent qualification to 96% by 2031.
- 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.
- Target 10: Increase the proportion of people aged 25-64 years who are employed to 62% by 2031.
- 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 14: Increase the proportion of people living in appropriately sized (not overcrowded) housing to 88% by 2031

Further, Australia is a signatory to the United Nations Sustainable Development Goals, with the first goal being 'No poverty', of which IBA's work indirectly contributes to.

Conclusion

The disproportionate rates of Aboriginal and Torres Strait Islander peoples living in poverty in Australia will continue to be impacted by the current challenging economic environment which has seen interest rate hikes, inflation, housing shortages and an increased cost of living, which are exacerbated by the factors such as the global pandemic, the invasion of Ukraine, and the ongoing effects of climate change.

It is critical to understand the contributors of poverty in relation to Aboriginal and Torres Strait Islander people, including the past and continued economic exclusion of First Nations peoples due to dispossession, bias, prejudice, racism, and discrimination. Those wider societal failings are mirrored in the economy, and result in marginalising many Aboriginal and Torres Strait Islander people from meaningfully having access to participate in our economy. Impeded and limited access to the economy directly results in poverty for marginalised communities, and it is critical to understand the complex interconnectedness of poverty, with housing, education, employment and health outcomes.

Reducing and eradicating poverty amongst Aboriginal and Torres Strait Islander peoples will require acknowledging and effectively reducing bias and discrimination within wider society through a decolonised approach to government that appropriately elevates First Nations interests and considerations in key decision-making, continued generational investment in social infrastructure, as well as immediate and urgent tailored supports for impacted Aboriginal and Torres Strait Islander people. Commonwealth, State, Territory, local governments, the financial industry, organisations and the private sector, must continue to collaborate with Aboriginal and Torres Strait Islander communities, organisations and peak bodies to develop First Nations-led solutions to poverty, that are also place-based.

It is also important for governments, policy makers and service providers alike, to understand which groups within the Aboriginal and Torres Strait Islander community are at increased risk of living below the poverty line so as to provide tailored and targeted supports. According to ACOSS, Australians most affected by poverty rely on social security for their income, are renting and amongst family types, sole parent families have the highest poverty rates.¹²

¹² https://povertyandinequality.acoss.org.au/wp-content/uploads/2020/05/Poverty-in-Australia-2020-Part-2-%E2%80%93-Who-is-affected_Final.pdf

This could be further dissected to better understand poverty amongst Aboriginal and Torres Strait Islander people. For example, we understand that amongst our home loan customers, single parent/carer families are more likely to experience greater proximity to poverty. Additional research indicates that Aboriginal and Torres Strait Islander women, households on income support and those residing in remote locations are more likely to be living below the poverty line.

Investment in frontline organisations, particularly Aboriginal and Torres Strait Islander organisations that support individuals and families experiencing poverty, is critical to address poverty now and in the immediate future. Continued investment in enabling agencies like IBA and removing legislative constraints that hinder our ability to increase First Nations' access capital,¹³ are necessary to expand our reach and ability to better support the economic independence of Aboriginal and Torres Strait Islander people through equitable economic access.

¹³ IBA's enabling legislation, the ATSI Act, currently places limitations on our ability to borrow money and raise capital. In August 2021, the House of Representatives Standing Committee on Indigenous Affairs released its Report on Indigenous Participation in Employment and Business and recommended that the Australian Government remove these legislative barriers that could impede IBA from expanding its operations. This recommendation was supported by the previous Australian government, in their response to the Report.