

FIRST NATIONS: BOOSTING AUSTRALIA'S PRODUCTIVITY

How First Nations people, knowledge, frameworks
and assets can address Australia's productivity challenges



Acknowledgement of Country

Indigenous Business Australia (IBA) pays respect to elders, past, present, and emerging. We 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 First peoples 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 terms of 'First Nations' and 'Indigenous'.



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Executive Summary

Australia stands at a critical juncture where its long-term economic and cultural prosperity can be inclusive and embrace the leadership, knowledge, and demographic growth of Aboriginal and Torres Strait Islander peoples. This submission outlines how a First Nations-driven **demographic dividend** – rooted in Population, Participation, and Productivity – can contribute to shared prosperity in Australia.

Population

First Nations populations present a unique demographic advantage: **a younger, rapidly growing population with higher fertility and increasing self-identification**. In two decades, Aboriginal and Torres Strait Islander peoples could represent between 4-7% of Australia's population. This expansion offers strategic benefits in cultural revitalisation, political representation, and economic contribution.

Participation

While overall participation rates remain below the national average, education is closing the gap. First Nations individuals with tertiary qualifications now equal or exceed employment rates of their non-Indigenous peers. **Business ownership is surging**, and culturally grounded enterprises are unlocking unique economic pathways. Valuing unpaid environmental related work – such as caring for Country and ceremonial duties – could formalise workforce participation rates and encourage growth beyond traditional metrics.

Productivity

First Nations worldviews of economic frameworks re-imagines productivity not just as output, but as **intergenerational stewardship**. Traditional ecological knowledge, land care practices, and community resilience strategies challenge historically exploitative models, offering smarter, more sustainable innovation. Projections suggest that **increased Indigenous education and leadership could add \$8 billion** in real income annually, and over \$53 billion to cumulative GDP in two decades.

Governance & Innovation

To realise this potential, structural reform is essential. First Nations interests must hold decision-making authority, development and investment in those waters and lands – especially a vast Indigenous estate that covers over half of Australia. Indigenous knowledge positioned at the cutting-edge of research, intellectual property protections, and innovation funding. This calls **for a broader investment logic – one that values long-term outcomes over short-term profit alongside more efficient investment decisions** for projects starting today.

Role of IBA

Indigenous Business Australia (IBA) is well-positioned to serve as a **value-adding, specialist capital provider**, guiding investment into community-led ventures. Its proven capability, financial reach, and cultural trustworthiness make IBA the ideal one-stop-shop for activating underutilised assets across the Indigenous estate. **By aggregating opportunity, mitigating risk, and building institutions, IBA can play a transformative role in unlocking capital flows and empowering First Nations economic self-determination.**

Introduction

Indigenous Business Australia (IBA) welcomes the opportunity to provide a submission to the Treasury's Economic Reform Roundtable. IBA, as a Commonwealth statutory authority, has a mandate to work with Aboriginal and Torres Strait Islander peoples to access knowledge, skills, networks, finance, and capital to meet their economic aspirations. IBA's programs have delivered outcomes to First Nations people for 50 years. This has provided us with insights into how Aboriginal and Torres Strait Islander people, businesses, knowledge, frameworks and assets can help address Australia's productivity challenges and lead to growing prosperity for all Australians.

First Nations people and the drivers of economic development:

Population, Participation and Productivity

The Aboriginal and Torres Strait Islander population is presenting Australia with a 'demographic dividend', which has direct benefits for the Australian economy now and over the next few decades. A demographic dividend where is **significant growth in a population** group¹, combined with an increase in education levels, results in expanded capability and capacity. The increased capability can be converted into a **higher labour force participation rate**, greater employment in higher skilled jobs, which in turn **contributes positively to productivity**. In this way, a demographic dividend becomes a driver for a higher level of Indigenous-led economic growth and development.

Acknowledging a Difficult Recent Past

Many First Nations people are born into lower income households, and face higher barriers to accessible housing, infrastructure, capital health, and education. As such, the doors associated with social and economic mobility remain closed off for many.

Despite this experience, the resilience, tenacity, and courage of Aboriginal and Torres Strait Islander people endures. Aboriginal and Torres Strait Islander people engage readily with partners and allies across society to create, build and provide a future for their families and communities and to protect Country.

Those qualities reflect the rich legacy of cultures, knowledges and understanding of how to live in 'right relations' with Country that is passed down from generation to generation. That legacy will be critical for Australia's future, not just 40 years from now, but perhaps 400 years from now.²

First Nations Offer a Path for Further Australian Progress

In many respects, Aboriginal and Torres Strait Islander people have the insights that can provide civil society, business and governments with a means of addressing Australian policy challenges. In the process, First Nations ideas can also provide a means to address many of those powerful environmental, economic, and demographic forces we will face in coming decades.

¹ For First Nations people, population growth is driven from the relatively higher fertility rate of Aboriginal and Torres Strait Islander women, and an increase in the number of people identifying as of Aboriginal and Torres Strait Islander background.

² Associated with First Nations planning practices involving thinking several generations ahead.

Living in ‘right relations’ with Country will be critical to understanding how to effectively manage climate change on this continent, influencing the types of foods (meats, grains, vegetables, and fruits) we eat and the places where we can safely inhabit and how to mitigate against natural disasters.

That knowledge can inform how to best harness technology and drive innovation in the right direction, with the right intentions, not just to support human advancement, but to appropriately heal and continue to care for Country. Looking beyond the immediate pressures and thinking *intergenerationally*.

First Nations capital and how it supports Australia to think intergenerationally

Genuine intergenerational planning is the heart of Aboriginal and Torres Strait Islander systems of thinking, planning and implementing. Their input, therefore, can invigorate, inform, and enhance the design of intergenerational decision-making. Table 1 below illustrates how the presence of Indigenous access to different forms of capital could support Population, Participation and Productivity **nationally**.

Table 1: Access to different forms of capital to support economic drivers of population, participation and productivity

	 HUMAN & SOCIAL CAPITAL	 FINANCIAL/PHYSICAL & TECHNOLOGICAL CAPITAL	 INSTITUTIONAL CAPITAL	 ON COUNTRY CAPITAL
Population	Indigenous-led education, health, and community networks strengthen population stability and Australian cultural identity.	Indigenous investment in housing, infrastructure, and technology expands economic opportunities and population distribution.	Indigenous governance models influence national policy, shaping population trends and migration.	<p>Connection to Country informs land management and making smart decisions about where people can live sustainably.</p> <p>Adopting First Nations approaches can ensure better relationships with and newfound respect for Country.</p> <p>These approaches can strengthen Australia.</p>
Participation	<p>First Nations leadership in management enhances workforce engagement.</p> <p>Expanded First Nations workforce, skills and training boosts Australia's real income.</p>	First Nations-owned businesses and digital avenues create new workforce pathways boosting both Indigenous and non-Indigenous employment.	Community-led decision-making ensures economic inclusion and diverse participation.	Indigenous-led industry development – including mining, agriculture, conservation, and resource management – create employment opportunities.
Productivity	Traditional knowledge when shared and responsibly applied at the direction of First Nations communities fosters new innovation and economic resilience.	First Nations-led and informed innovation and technological adaptation drives national efficiency, sustainability and long-term growth.	Strong and stable institutions incorporating Indigenous governance models set the direction and incentives for achieving long-term sustainability, innovation, and competitive advantages.	First Nations ecological knowledge enhances sustainable practices and productivity.

Indigenous leadership and knowledge across the four types of capital – **human & social; financial/physical & technological; institutional;** and **On Country** – can contribute powerfully to shaping Australia’s population, participation, and productivity. These interwoven contributions offer a holistic vision for national growth that reflects both cultural respect and economic innovation.

In terms of **population**, Indigenous-led efforts in education, healthcare, and community building cultivate stronger, more stable communities. Human and social capital reinforces Australian cultural identity and lays foundations for inclusive growth. Investments in housing, infrastructure, and technology further enable economic opportunities to flourish in more diverse regions, redistributing population in ways that foster sustainability. Indigenous governance models also guide national policy, influencing migration and regional development. Crucially, Indigenous peoples’ connection to Country supports smart land use decisions, ensuring population expansion occurs in balance with ecological stewardship.

Participation in Australia’s workforce is elevated through First Nations leadership in skills, training, and employment pathways. Expanded opportunities, especially in Indigenous-owned businesses and digital technologies such as AI – and thinking how to engage collaboratively and respectfully with AI without abusing its use – could massively boost engagement for both Indigenous and non-Indigenous workers. Community-led governance promotes economic inclusion, giving voice to diverse groups and ensuring collaborative decision-making. Moreover, Indigenous-led industries – from conservation to responsible mining – generate meaningful employment while maintaining ties to Country and culture.

On the front of **productivity**, Indigenous contributions drive sustainable innovation. Traditional knowledges, when respectfully applied under the guidance of First Nations communities, sparks resilience and economic creativity. Finally, institutions that integrate Indigenous governance models support innovation, sustainability, and competitive advantage, while First Nations ecological knowledge enhances productivity in harmony with environmental care.

Together, these efforts reflect a comprehensive framework in which First Nations perspectives can significantly enrich Australian society – building not only a stronger economy, but a more respectful, culturally grounded and sustainable future.

Indigenous Business Australia (IBA) is a critical institution in support of Aboriginal and Torres Strait Islander-led economic participation. IBA is now positioned at the nexus of the economy and Aboriginal and Torres Strait Islander-led economic development.

For tens of thousands of Aboriginal and Torres Strait Islander people, IBA has been the bridge to activate their aspirations in the mainstream economy. Doing so has had significant positive social, cultural, and economic impacts for our customers, and they have in turn had those impacts on their communities.

By IBA genuinely supporting First Nations people to achieve their economic objectives, their contribution can inform and influence non-Indigenous systems to align with sustainability frameworks derived on this continent over millennia. The following sections detail how Aboriginal and Torres Strait Islander peoples might contribute to delivering a demographic dividend that boost Australia’s prospects through population growth, greater workforce participation, and boosting economic productivity.

Policy reform: Activating First Nations people, knowledge and Country

To address current trade, investment and economic imbalances and to build a more inclusive growth model, Australia could look to its oldest systems of knowledge. Indigenous cultures have long embraced not just sustainable land management practices but sophisticated decision-making frameworks grounded in intergenerational responsibilities. The ethic of considering the consequences of today's choices for generations ahead is a counterpoint to short-termism that often dominates modern economic choices and decision-making.

By weaving this longer-term outlook into our national approach to productivity – valuing innovation that relies on ancient knowledges, current economic choices with longer-term outlooks and contemporary prosperity generated within a long-term custodianship – Australia can chart a path that delivers enduring wealth creation, prosperity and economic inclusion.

It also invites Australians to rethink productivity beyond the traditional economic measures, and consider a holistic framework for prosperity and the wellbeing of individuals, the economy, society and the natural environment. Productivity is constrained when considered solely in respect to traditional measures of GDP. Decades of economic growth have continued in modern Australian history at the same time as economic inequality has grown and the gap between the material 'haves' and 'have-nots' has grown. Inclusive and fair economic growth is founded on a prosperity that goes beyond current conceptions. Indigenous Australians stand ready to contribute to and building this more economically inclusive future Australia.

This inclusive approach to prosperity and wealth creation could unlock new forms of innovation and community resilience, while ensuring that the gains of growth are more fairly and sustainably shared.

Indigenous Business Australia suggest three policy reforms that can shape the direction of Australia's productivity and sustainability story in a manner that is consistent with the constraints put by the Treasurer:

Reform 1: Indigenous Economic Policy Clarity and Single-Desk Responsibility

Reform 2: Drive Investment Efficiency with Traditional Owner Empowerment

Reform 3: Leverage Australia's Indigenous Demographic Dividend

To unlock greater productivity potential within the Indigenous estate, First Nations leaders and their responsibilities as Lore Men and Lore Women must be accorded greater respect to determine the shape, nature and terms of economic activity on their land and sea Country. We believe that by doing so would promote investment certainty, boost economic investment decisions, reduce the time drag on development pipelines, reduce development friction, and advance the national interest by embedding sustainability, equity, and accountability in Australia's development trajectory.

REFORM 1: Indigenous Economic Policy Clarity and Single-Desk Responsibility

Policy clarity

Australia is well-served when we offer a focal point for First Nations economic development and policy. Indigenous Business Australia is ready to support this interest as per the legislative purpose set by the Parliament, and in-line with our decades of supplying capital to Indigenous business leaders, entrepreneurs, Indigenous organisations, and first homeowners. Through IBA's unique and highly efficient supported-finance-model we have sought to meet the economic aspirations of Aboriginal and Torres Strait Islander people for 20 years, and in terms of home ownership – for 50 years. With newly legislated powers to approach the capital markets, IBA is positioning to scale economic initiatives in ways that can meet demand and to scale to match the growing Indigenous population and the economic opportunities that are mounting on Indigenous lands. Greater Indigenous economic inclusion necessitates new products, greater market intelligence and an energetic Indigenous business sector and concerted economic development in partnership with investors, key agencies and private sector capability partners.

Through IBA's enabling legislation, and recent amendments to borrow and raise capital passed by the Parliament in February 2025, IBA has a mandate and the means to expand its role and remit in supporting the Indigenous-led economy. Supporting innovative Indigenous economic policies, programs and business products for First Nations economic self-sufficiency and self-management is advanced by offering a coherent signal to the capital markets. Bringing greater private sector investment activates the Indigenous estate in a manner not previously seen in modern Australian history. This inclusive and fair economic development boosts Indigenous workforce participation rates, expedites appropriate and efficient investment decisions and aligns policies with development success.

Supporting ongoing economic development requires a balanced approach to our policy environment that recognises that sustainable First Nations economic development is advanced when giving equal weight to social and economic policy priorities. Having an outlook that treats both economic and social policies with the dedication required to lift more Indigenous peoples out of poverty and disadvantage is something that inclusive economic policy and a balanced policy approach has achieved for hundreds of millions of peoples in emerging economies and developing nations around the world. Central to that project of prosperity has been the involvement of the private sector.

Indigenous economic policy clarity that gives the private sector and the broader investment community a single-desk approach. Reducing confusion and answering the question: who do we approach to invest into projects that involve Aboriginal and Torres Strait Islander interests? **Indigenous Business Australia.**

Objective

Achieve policy clarity and responsibility by naming IBA as the Government's leading **First Nations economic development agency**. This signal informs Reform 2 (below) to offer investors a 'one-stop-shop' for economic matters and investment in the Indigenous estate. As more development on-Country necessitates more investors and First Nations interests becoming commercial partners, IBA would look to deliver on its legislative purpose to advance Indigenous economic self-management by building community capacity and expanding their abilities to structure and lead development deals and investment choices.

Immediate Actions

- Finalise the “investment rules” that enable IBA to raise appropriate capital for appropriate investments with Indigenous interests, and expanding the formal relationships with the Department of Finance and the investment community.
- Endorse Indigenous Business Australia as the Australian Government’s lead agency for First Nations economic development. This would clarify institutional responsibility and enlist IBA to contribute to economic policy considerations, deliver economic program design, and lead engagements with the Government principal economic agencies.
- Provide policy clarity whereby First Nations policy, and resources, will be deployed within a “balanced model of development” that gives equal weighting to Indigenous social policy and economic policy; with IBA the lead agency for Indigenous economic development.
- IBA will create an “Office of the Indigenous Economy” within IBA in collaboration with Treasury, Finance, Jobs and Skills Australia, DFAT, ABS and the RBA to publish market research and data.
- Greater collection, analysis and publication of timely market data and information for matters that involve Indigenous interests, in coordination with key agencies across the economic functions of Federal Government.

Measures of Success

- Annual year-on-year increase in the value of co-investment into economic projects with First Nations interests enabled by IBA’s catalyst funding and/or business products.
- First Nations economic data alongside the ABS, publishing a “State of The Indigenous Economy” report annually.
- Creation and promotion of a “pipeline of deal-flow” of Indigenous economic development matters involving Indigenous interests and the broader investment community.
- Closing the Gap economic targets show positive trends attributable to these initiatives.

Policy case

In a public policy sense, Australia lacks an accountable centre for First Nations economic development to drive and deliver greater Indigenous economic participation. Numerous, sometimes competing, entities contribute to a fragment Indigenous economic policy environment. In an ageing nation – where First Nations youth represent a growing share of Australia’s future workforce, business ownership and talent base – a lead Indigenous economic development agency would deliver greater Indigenous economic participation and unlock the value of a dynamic Indigenous demographic assets.

Recognising Indigenous Business Australia as the Government’s lead agency for First Nations economic development addresses this opportunity in a cost-neutral manner and advances the legislative mandate to supporting Indigenous economic self-sufficiency in a manner that accesses and leverages greater private sector investment. This is consistent with the current legislative mandate.

IBA's enabling legislation provides the mandate to foster self-management and self-sufficiency. Indeed, IBA is arguably the only Commonwealth agency to solely support First Nations economic development through the provision of investment and capital, critical to kick start economic development.

With over decades of economic performance and \$AUD2.3 billion in capital under management, IBA is uniquely equipped to drive strategic economic outcomes grounded in Indigenous agency, place-based investment and intergenerational prosperity.

The recently passed legislative powers enabling IBA to raise capital are a game-changer. Increasing IBA's ability to partner, co-invest with First Nations people, and now, with non-Indigenous institutions and the wider private sector in manner consistent with the guidance and oversight of the Department of Finance.

Strategic justification for this approach include:

- ***Institutional Clarity & Economic Coherence***: Positioning a single entity reduces duplication and enables shared integration with key economic agencies, aligns Commonwealth investment logic, gives the Commonwealth Special Investment Vehicles a natural Indigenous partner who is also a Commonwealth statutory authority, reduces capital misallocation; creates greater investment certainty; and reduce adverse selection of investment partners for First Nations people.
- ***Market Confidence & Capital Mobilisation***: Recognised Indigenous leadership fosters market credibility with investors, including market-focussed and customer-focussed solutions; being a market aggregator; risk intermediary; capital connector; and institutional builder; unlocking scalable co-investment into the Indigenous estate and accelerating economic participation.
- ***Demographic Advantage & Workforce Planning***: First Nations Australians are younger, increasingly skilled, and entrepreneurial. A centralised Indigenous economic development entity is essential to promoting their potential in a future marked by Indigenous economic inclusion.
- ***Governance Reform & Regional Economic Growth***: The Office of the Indigenous Economy, within IBA, institutionalises research, analysis and economic leadership while transferring economic data to support Indigenous economic self-management – as regional Indigenous-led economic organisations take on greater business and investment roles.

This reform elevates economic development for First Nations interests into a strategic national priority. IBA shifts from program delivery to economic coordination – positioned to deliver greater investment capital, model opportunity, and enable Indigenous self-determined prosperity.

REFORM 2: Driving investment efficiency through Traditional Owner Empowerment

Policy Clarity

In socio-cultural and cultural heritage matters, within Indigenous governance frameworks, only Traditional Owners can speak for their Country - let's **engage that governance principle in economic matters on-Country** to create investment certainty and to boost investment efficiency.

IBA will work with Traditional Owner interests in their respective First Nations to identify suitable projects that advance Indigenous economic self-sufficiency in a manner that meets their development ambitions, consistent with Indigenous socio-cultural and governance obligations, which create sustainable economic returns. IBA will partner with Traditional Owners and drive investment participation, as per our legislative purpose. This IBA-supported approach will remove investment uncertainty, reduce economic delays, lift Indigenous and investment decision-making.

Objective

Improve efficiency of investment decision-making for projects happening on land that contains Indigenous interests.

Immediate Actions

- Continued support for Indigenous Business Australia's legislative purpose ensures Traditional Owners lead economic development and investment on lands and waters where they have interests and consistent with their statutory rights and judicial decisions on existent Indigenous rights i.e. property rights at-law.
- Consider the application of Indigenous economic interests in development opportunities on their lands and waters.
- Expand the role and remit of IBA as a key Commonwealth authority that can support Traditional Owners and investors to identify and develop opportunities for sustainable, responsible, profitable and equitable investments on-Country.

Measure of Success

- The monetary value of First Nations inclusions in economic activity on-Country.
- The monetary value of greater Aboriginal and Torres Strait Islander investment and co-investment for on-Country projects.
- The level of Aboriginal and Torres Strait Islander employment in regional and remote Australia as a result of greater investment and economic development.
- Provision of material information regarding private sector investment decisions for development on-Country e.g. an 'Indigenous Investment Prospectus' of prospective investments and those that are 'coming-to-market'.

Policy case

Australia's long-term productivity and inclusive growth can be advanced by unlocking underutilised assets – chief among them, Indigenous-interests, workforce participation and co-investment. While Traditional Owners bear the long-term risks of development they also deserve the corresponding authority to shape investment and economic development. This advances Australia's regional economies particularly, lifts Indigenous economic self-determination and aligns sustainable investment.

When Traditional Owners are a genuine accountable entity they can make informed and sensible decisions about how to undertake economic activity and development on-Country. First Nations knowledge systems offer rigorous, future-oriented frameworks for innovation, governance, and value creation. By embedding these into Australia's economic and investment decisions, the nation invests in the human capital and institutional capability needed to realise inclusive prosperity.

As Dr Ken Henry has recently observed, Australia's failure to recognise natural constraints and embed them in economic planning is now impeding productivity. He notes that "the laws of nature affect the set of feasible choices available to us...lifting productivity growth is going to require much better articulation of the natural constraints." Traditional Owners First Nations communities are uniquely placed to provide the concepts, the narrative and the vocabulary of this discussion. Their custodial knowledge systems integrate ecological stewardship with economic decision-making – offering innovation designed for long-term sustainability and resilience.

Unlocking the next wave of economic prosperity and productivity requires trusted intermediaries. IBA stands ready to act as a value-added, specialist capital provider – connecting Indigenous Australia with suitable capital, advancing due diligence, and advice while upholding sophisticated socio-cultural obligations and Indigenous governance. With over **\$AUD2.3 billion in assets** and partnerships with **over 60 First Nations co-investors**, IBA can crowd-in further foreign and domestic investment by de-risking projects, building trust between parties and supporting informed, Indigenous-led decision-making.

Greater economic agency for Traditional Owners will enhance investor certainty, reduce externalities, and unlock long-term value. By elevating First Nations knowledge and leadership, Australia affirms a model of productivity that is resilient, inclusive, and globally credible.

REFORM 3: Leverage Australia's Indigenous Demographic Dividend

Policy Clarity

First Nations knowledge and knowledge holders are a strategic national asset at the heart of Australia's productivity agenda. By centring Indigenous innovation, we position ourselves as a global leader in place-based, systems-aware development for a sustainable future. Australia's economy and workforce is being presented with an Indigenous "demographic dividend" that, given the right architecture and policy settings, will produce greater innovation, enterprise, entrepreneurship, investment, and knowledge from a young, vibrant Indigenous population. Their growing presence in regional and remote communities offer an invaluable opportunity to bring vitality and to boost regional and remote economies, in particular. Leading in cultural knowledges and their application into many sectors, from Indigenous botanicals to nation-building infrastructure, to shaping AI design and ethics. At the forefront of this approach is ensuring sustainable commercial outcomes for Indigenous interests, enterprises and entrepreneurs. That will require ensuring the right economic policy settings are creating an enabling environment for First Nations Peoples.

Objective

Ensure Aboriginal and Torres Strait Islander young people are enlisted into enterprise through fit-for-purpose business architecture that expands the Indigenous business eco-system.

Immediate Actions

- Boosting IBA's investment into the First Nations innovation and investment ecosystem.
- Partner with First Nations and other organisations to lift Indigenous entrepreneurs.
- Ensure Indigenous inclusions are included in Australia trade arrangements, including listing Indigenous botanicals and other place-based knowledge as "Geographic Indicators".
- Enable access for Indigenous carbon sequestration activities into the EU carbon market.

Measures of Success

- Value of total investment into Indigenous-led startups.
- Business product offerings from IBA that encourage greater investments into Indigenous-led and -owned businesses.
- Indigenous inclusions in Australian trading arrangements.
- The first ever listed Indigenous botanicals named under "Geographic Indicators" provisions in Australian free-trade agreements.

Policy case

First Nations Australians offer far more than economic growth. Indigenous knowledge systems are methodologically rigorous, environmentally grounded, and designed with intergenerational wellbeing in mind. These approaches unlock new insights into resource stewardship, institutional design and sustainable productivity; particularly within Australia's regional, rural and remote economies where Indigenous peoples live in the greatest proportion to the total populations.

Indigenous innovation operates across two complementary domains:

- **Commercial innovation**, generating distinctive products and technologies (such as Indigenous botanicals use in manufactured goods or foodstuffs, and sustainable land management regimes).
- **Knowledge-led innovation**, shaped by First Nations worldviews that reframe governance, enterprise architecture and market-based solutions.

Some examples of Indigenous botanicals used for commercial innovation through foodstuffs in international and domestic markets and listed below.

Botanical	Region	Traditional Use	Current Use / Products
Kakadu plum	NT, WA	Antioxidant-rich food, traditional medicine	Cosmetics and skincare. Food products.
Lemon myrtle	NSW, QLD	Culinary herb, medicinal tea	Food products.
Quandong	Arid Australia	Nutrient-rich fruit, ceremonial uses	Food products. Nutrient supplements
Wattleseed	Many regions	Coffee alternative, nutritious flour	Food products

These plants represent more than products – they’re tied to land, lore, and lineage.

The latter – knowledge-led innovation – holds immense potential to expand Australia’s innovation frontier. It enhances productivity not only through human capital and knowledge spillovers, but by shifting our understanding of value creation – prioritising resilience, inclusivity and long-term impact.

Embedding Indigenous-led innovation starts with culturally grounded business capacity building. When young people are supported by institutions that uphold Country, culture and First Nations ways of knowing, they are empowered to lead innovation with confidence and purpose.

Unlocking this value requires structural reform in four key areas:

- **Control & Governance:** Support First Nations leadership in R&D policy settings, commercialisation and early-stage investment.
- **Data Sovereignty:** Implement national best practice for Indigenous Cultural and Intellectual Property and data governance.
- **Capital Access:** Take the next steps to support and expand the growing First Nations Focussed Investment Funds. Creating a larger pool of capital and sharing the risks and lessons of early-stage investment into Indigenous-led and -owned innovation and business seeding.
- **Infrastructure for Risk-Taking:** Invest in Indigenous-led R&D infrastructure that supports commercialisation on agreed terms and investment collaboration that attracts greater flows of investment capital.

Population: A Strategic Demographic Dividend

Australia's overall population trends

A growing Indigenous population combined with increased and improved education and training will set the stage for an improvement in participation rate and fast track productivity.

In contrast, the non-Indigenous population, which will continue to age over coming decades. The ageing reflects two factors:

1. Australians are living longer
2. Australians have lower fertility rates – below the replacement rate of 2.1 births.

The median age for Australians is expected to increase from 38.4 years in 2021 to around 41 years in 2041.

In the same period, the number of people aged 65 and older is likely to increase by 1½ times.

While migration flows can slow the ageing of the population through the infusion of younger workers in the economy, their fertility rates tend to converge to those born in Australia.

The ageing population is also contributing to an increase in the **economic dependency ratio**, which is expected to increase from around 55% in 2025 to over 60% in two decades.

These factors will have implications for Australian families, the tax system and the economy.

The ageing of the wider population occurred over much of the 20th century. Ironically, the economic prosperity resulting from the demographic dividend achieved following the post-war baby boom had been the very cause for the ageing of the population, supported by lower mortality rates.

The decision to have children is set against other choices such as careers and life-choices. As such, having children is delayed. A socio-economic dimension is also apparent when considering children.³ Socio-cultural priorities can also result in different birth rates.

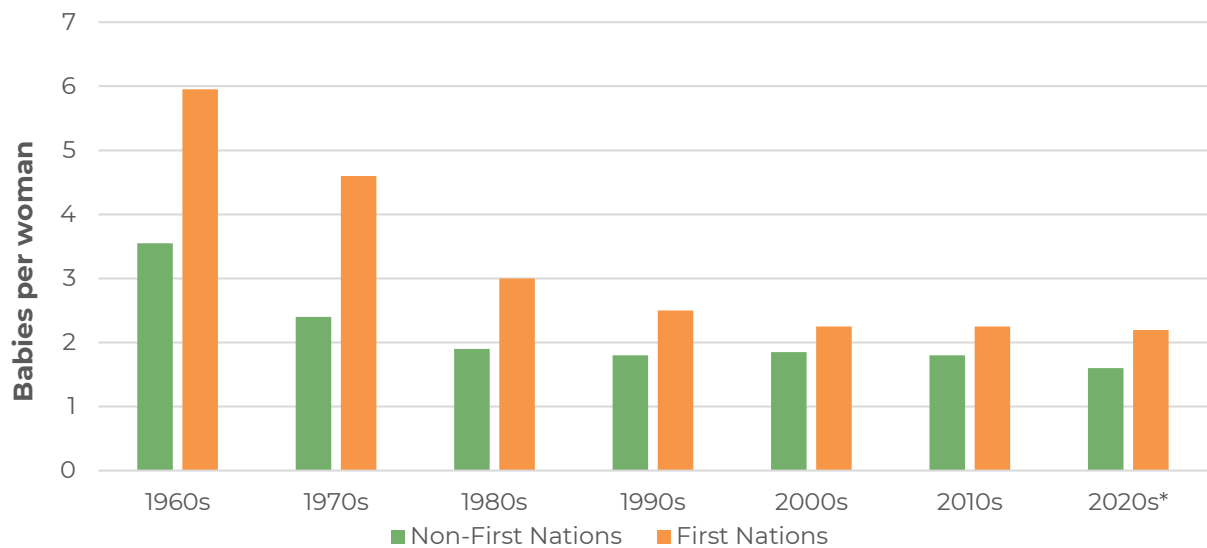
Aboriginal and Torres Strait Islander population trends

Aboriginal and Torres Strait Islander families have higher fertility, regardless of income levels.

This is a trend that has been apparent for as long as statistics have been collected about First Nations people, since the 1967 Referendum (Chart 1).

³ Schultz, T. P. (2006). Fertility and income. *Understanding poverty*, 125-142.

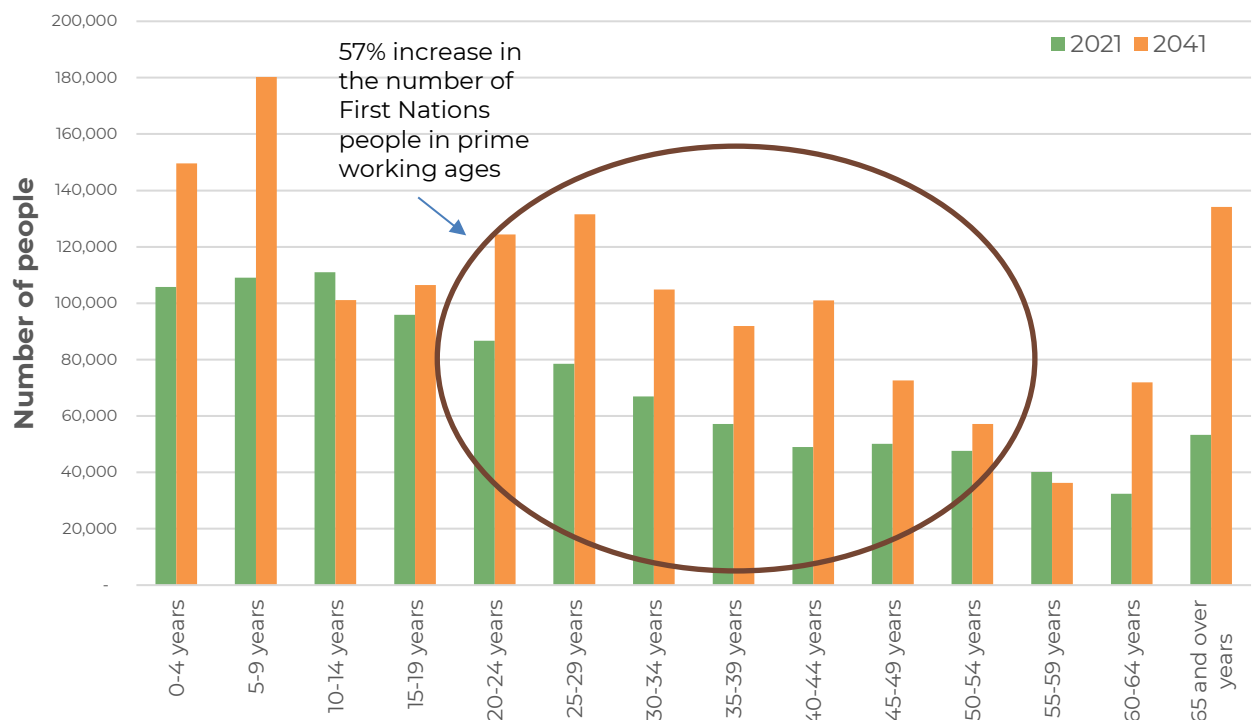
Chart 1: First Nations and non-First Nations fertility rates over decades, 1960s-2020s



Source: Carmichael, G. A. (2020). Indigenous fertility in Australia: Updating Alan Gray. *Journal of Population Research*, 37, 123–139, Australian National University. (2022). *Impacts of policies on fertility rates: Overview*. Australian Government Population Unit. *Results are only partial for the 2020s.

Heightened Indigenous population birth rates have delivered a younger population profile. Based on current trends, over the next two decades, the **proportion of First Nations people within the prime working ages of 20-54 years could increase by 57%** (Chart 2).

Chart 2: First Nations people projected demographic growth by age cohort, 2021-2041



Source: ABS Aboriginal and Torres Strait Islander population projections (2021-2031) and IBA.

The Aboriginal and Torres Strait Islander population is still growing and is far younger than the wider Australian population – with a median age of 24 in 2021 (compared with 38 years for all Australians). The First Nations population is also the youngest single ethnic group in Australia.

In 2021, the estimated residential population (ERP) of Aboriginal and Torres Strait Islander people was 983,470. Conservative estimates of population growth (including the ABS) suggest that the First Nations population may grow by 49%-52% by 2041, reaching an estimated 1.4-1.5 million people.

If current Indigenous population growth trends continue at the pace measured in the last Census (of 4.6% CAGR between 2016-21, having accelerated from 3.4% between 2011-16), **the number of First Nations people could grow to over 2.4 million people by 2041.**

Currently, Aboriginal and Torres Strait Islander people make up around 3.8% of the Australian population. Estimates of the Australian population in 2041 range from 30 million to 34 million. As such, the Indigenous population could make up anywhere between 4% to over 7% of the Australian population by 2041.

Two key factors are behind Aboriginal and Torres Strait Islander population growth:

1. The higher fertility rate of Aboriginal and Torres Strait Islanders, and
2. Reduced social stigma and discrimination in identifying as Aboriginal and Torres Strait Islander.

Having a **younger First Nations population presents a growth driver for the Australian economy** and a demographic dividend it has provided that will continue over coming decades (Chart 3).

Chart 3: Population pyramid of First Nations and non-First Nations Australians, 2025



Source: ABS Aboriginal and Torres Strait Islander population projections (2021-2031), ABS Population Projections, Australia (2022-2071).

The headline dependency ratio for both populations is broadly similar, between 55%-60%, but the headline figures hide a deeper story about dependency (Table 2).

Table 2: First Nations and non-First Nations dependency ratios, 2025-2045

Ratio 2025	First Nations	Non-First Nations
Dependency ratio (<15 and 65+ as a share of 15-64 years population)	60.4%	55.3%
Under 15 dependency ratio (<15 as a share of 15-64 years population)	50.4%	27.6%
Over 64 dependency ratio (65+ as a share of 15-64 years population)	10.1%	27.7%

Ratio 2045	First Nations	Non-First Nations
Dependency ratio (<15 and 65+ as a share of 15-64 years population)	~63%	~62%
Under 15 dependency ratio (<15 as a share of 15-64 years population)	~48%	~27%
Over 65 dependency ratio (65+ as a share of 15-64 years population)	~15%	~35%

Source: ABS Aboriginal and Torres Strait Islander population projections (2021-2031) and IBA, ABS Population Projections, Australia (2022-2071).

In 2025, the under 15 dependency ratio for First Nations people is estimated at around 50%. Young people make up the vast majority of dependents for Aboriginal and Torres Strait Islander people, compared with around 28% youth dependency for non-First Nations people. **Most of these youth will join the workforce in the next 15 years.**

In contrast, non-First Nations communities have a much higher dependency ratio when it comes to over 64s, with a dependency ratio of 27.7%, compared with 10.1% for First Nations.

The overall dependency ratios are expected to converge for both populations by 2045, to around 62-63%. But the caring burden for non-First Nations people looking after the elderly is expected to grow even larger, reaching almost 35%. That compares to Aboriginal and Torres Strait Islanders people, who's over 64 dependency ratio may only grow to 15%. The under 15 dependency ratio would likely only come down moderately for First Nations communities, underlying the expectation that **First Nations people will continue to present a source of domestic population growth over several generations.**

Further, we can assume that overall, most children born into a First Nations household (including with one partner being non-Indigenous), would likely identify as an Aboriginal and/or Torres Strait Islander person (based on increasing rates of Australians identifying as First Nations in net terms as measured through analysis of the Australian Census Longitudinal Dataset). That assumption contributes to the higher population growth in comparison to other Australians.

Additionally, **Indigenous household formation rates are outpacing population growth** due to how the ABS classifies households in the Census. A household becomes an 'Indigenous household' if one or more Aboriginal and Torres Strait Islander people live within it. As such, if an Indigenous person partners with a non-Indigenous person, that household becomes an 'Indigenous household'. The household formation growth rate has accelerated from 4.7% CAGR between 2011 and 2016 to 6.0% between 2016 and 2021 (faster than population growth). Assuming a constant 6.0% growth rate, the number of First Nations households could grow to over 1 million by 2041 – **more than 3 times** the level in 2021.

Further, we can assume that the vast majority of children born into a First Nations household (including with one partner being non-Indigenous), will then be identifying as an Aboriginal and/or Torres Strait

Islander person. That assumption contributes to the higher population growth in comparison to other Australians.

Implications of a changing Aboriginal and Torres Strait Islander population

The demographic change could present a significant economic and socio-political opportunity if structural barriers are removed or reduced, that will redefine Australia through:

- **Cultural revitalisation:** More Indigenous practitioners of cultural heritage, more socio-cultural revitalisation, and stronger transmission of language and tradition across generations.
- **Economic contribution:** With the right education, healthcare, and job opportunities – this growth could translate into robust Indigenous-owned businesses, workforce participation, and entrepreneurship.
- **Community self-determination:** More Indigenous peoples means more chances to reinforce local governance, land rights, and sustainable development grounded in Indigenous knowledge systems.

This isn't just a matter of numbers – it is a narrative that could redefine Australia in more inclusive and dynamic ways. Indigenous leadership in education, health and community networks has the potential to strengthen regional and rural and remote economies, adding population stability and expanding our cultural identity. A growing Indigenous population contributes capital and creates opportunities through investment in housing, infrastructure, and technology, and provides a countervailing force to the steep demographic decline expected in non-Indigenous Australia in coming decades. Adopting Indigenous governance models can also shape national policy setting, providing a means to find new ways to address old challenges, and enable more decision-making that is designed to bring parties together and form consensus, not just majoritarianism.

Further, research reveals **a younger population supports entrepreneurship, while too many older workers in society slows entrepreneurship**.⁴ This provides a confluence of opportunities for greater First Nations-led entrepreneurship, assuming Aboriginal and Torres Strait Islander people do not face discriminatory barriers limiting their pathways into business ownership.⁵

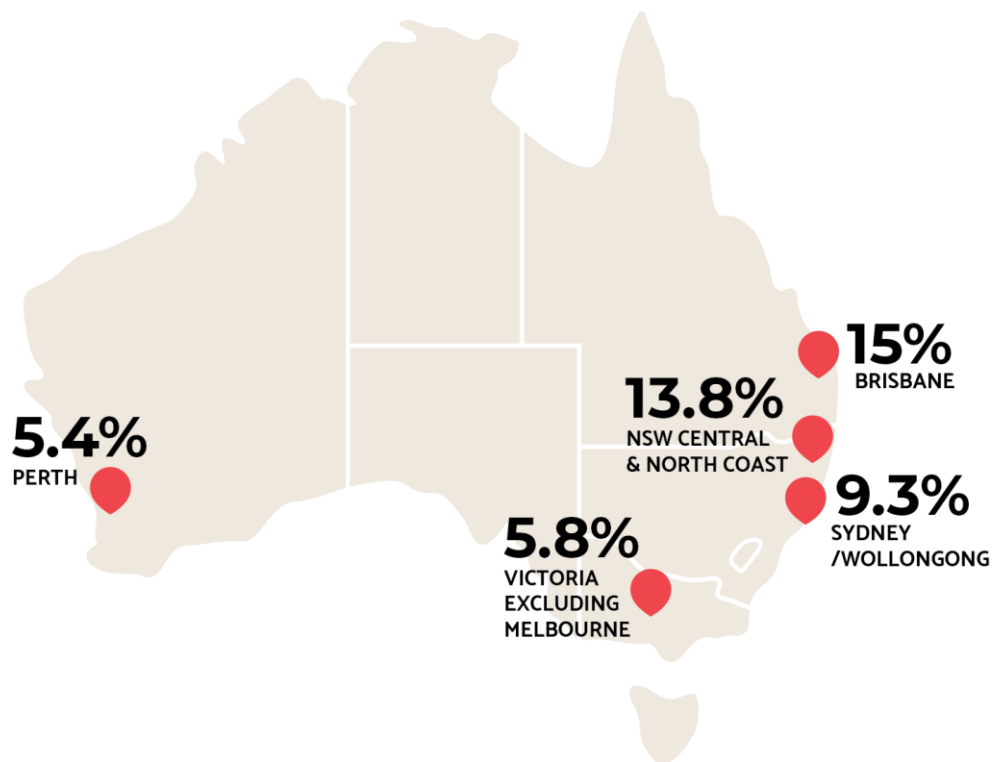
The regions with strong First Nations Population Growth

Five regions are expected to contribute to around 50% to the estimated growth in the population to 2041⁶, as illustrated in the diagram below.

⁴ Liang, J., Wang, H., & Lazear, E. P. (2018). Demographics and entrepreneurship. *Journal of Political Economy*, 126(S1), S140-S196.

⁵ Shirodkar, S., & Hunter, B. (2021). The impact of implicit bias on Indigenous business ownership rates in Australia. *Australian Journal of Labour Economics*, 24(1), 1-24.

⁶ Based on Acil Allen estimates of growth to 2050 by ABS Indigenous regions.



While Government efforts to support First Nations communities has had specific focus in northern Australia in recent years, estimates suggest greater returns on investment could consider expanded economic development in growing population centres as well.

The projected increase in the Aboriginal and Torres Strait Islander population (Table 3) will therefore present one of the necessary preconditions required to achieve the expected demographic dividend. But population growth is not a sufficient condition, increased labour force participation and enhancing productivity are also required to encourage economic growth.



Table 3: Aboriginal and Torres Strait Islander population projections by Indigenous region, 2021-2041

ABS Indigenous region	2021	2041	% change	% contribution to pop. growth
Dubbo	18,633	27,185	45.9%	1.7%
North-Eastern NSW	31,736	47,158	48.6%	3.0%
North-Western NSW	9,370	11,131	18.8%	0.3%
NSW Central and North Coast	116,051	186,868	61.0%	13.8%
Riverina – Orange	39,389	60,982	54.8%	4.2%
South-Eastern NSW	21,202	33,320	57.2%	2.4%
Sydney – Wollongong	103,329	150,964	46.1%	9.3%
Melbourne	38,217	58,369	52.7%	3.9%
Victoria exc. Melbourne	40,479	70,074	73.1%	5.8%
Brisbane	114,561	191,372	67.0%	15.0%
Cairns – Atherton	34,122	59,694	74.9%	5.0%
Cape York	10,308	12,167	18.0%	0.4%
Mount Isa	9,804	11,951	21.9%	0.4%
Rockhampton	34,458	57,517	66.9%	4.5%
Toowoomba – Roma	26,510	41,245	55.6%	2.9%
Torres Strait	6,776	6,584	-2.8%	0.0%
Townsville – Mackay	36,580	60,250	64.7%	4.6%
Adelaide	38,235	58,299	52.5%	3.9%
Port Augusta	10,454	14,166	35.5%	0.7%
Port Lincoln – Ceduna	3,380	4,708	39.3%	0.3%
Broome	6,784	9,338	37.6%	0.5%
Geraldton	8,883	9,781	10.1%	0.2%
Kalgoorlie	7,430	10,501	41.3%	0.6%
Kununurra	7,058	11,597	64.3%	0.9%
Perth	52,398	79,875	52.4%	5.4%
South Hedland	12,051	18,277	51.7%	1.2%
South-Western WA	19,388	28,850	48.8%	1.8%
West Kimberley	6,014	6,986	16.2%	0.2%
Tasmania	33,857	49,236	45.4%	3.0%
Alice Springs	7,538	10,240	35.8%	0.5%
Apatula	9,937	10,111	1.7%	0.0%
Darwin	20,263	24,491	20.9%	0.8%
Jabiru – Tiwi	12,470	17,161	37.6%	0.9%
Katherine	11,298	12,354	9.3%	0.2%
Nhulunbuy	10,863	14,180	30.5%	0.6%
Tennant Creek	4,118	4,263	3.5%	0.0%
ACT	9,525	15,266	60.3%	1.1%
Australia	983,470	1,496,510	52.2%	

Source: Acil Allen modelling commissioned by IBA, 2024.

Participation

The second approach necessary to ensure a demographic dividend boosts Australia's overall economic prospects is enhanced participation in the economy. The primary measure for participation is the labour force participation rate. It provides a measure of the proportion of people 15 years and over who are either in employment, or are unemployed but actively looking for work, as a share of the whole 15+ population. These are people that are engaged in the labour market and are contributing to the economy directly through their work and the incomes they generate.

Australia's participation rates

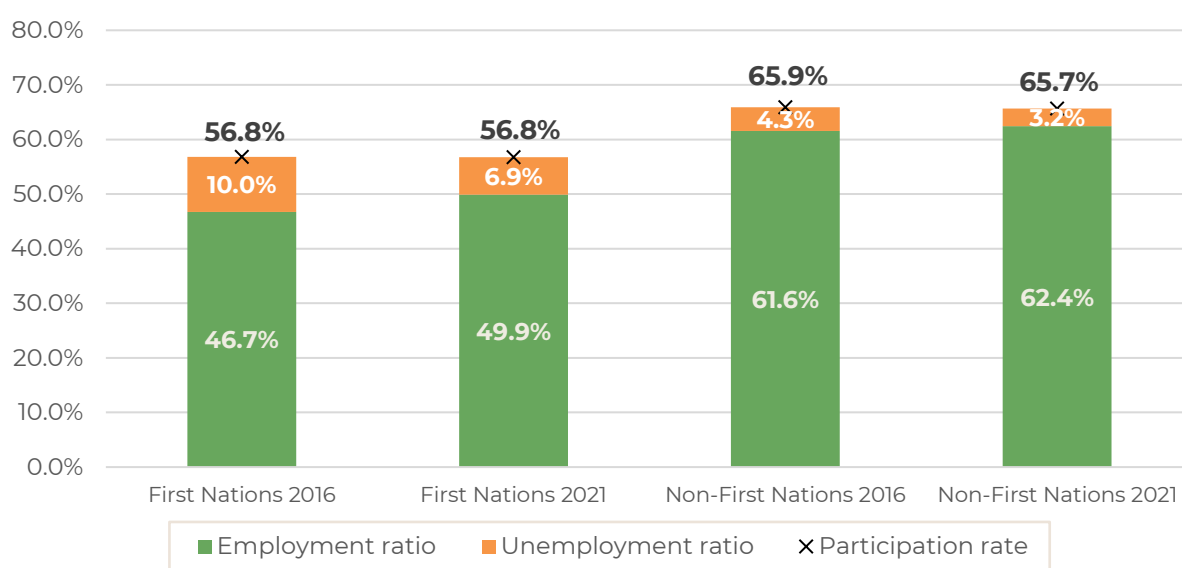
The participation rate for Australia is currently 67.1% (June 2025), which is just below the record high of 67.2% in January 2025. The Treasury's Intergenerational Report (IGR) however projects that with the ageing of the population, the participation rate will decline to 63.8% by 2062-63. In addition to this, the average hours worked by the whole population is expected to decline from 20 hours per week to 19 hours per week.

Having said that, the participation rate of currently underrepresented groups may increase over the next few decades, offsetting some of the overall decline from the ageing population, in particular, women and older Australians. We anticipate this to apply to Aboriginal and Torres Strait Islander Australians too.

First Nations participation rates

The ABS does not collect specific monthly data on Aboriginal and Torres Strait Islander labour force status. The only estimate of the Aboriginal and Torres Strait Islander participation rate comes from the 2021 Census of Population and Housing. **The 2021 Census participation rate for Aboriginal and Torres Strait Islander people was 56.8% of the working age population** at that time, which was unchanged from the 2016 Census (Chart 4). That compared to a participation rate for non-First Nations people of 65.7%, which was slightly lower than in 2016 (65.9%).

Chart 4: Participation rates for First Nations and non-First Nations people, 2016-2021



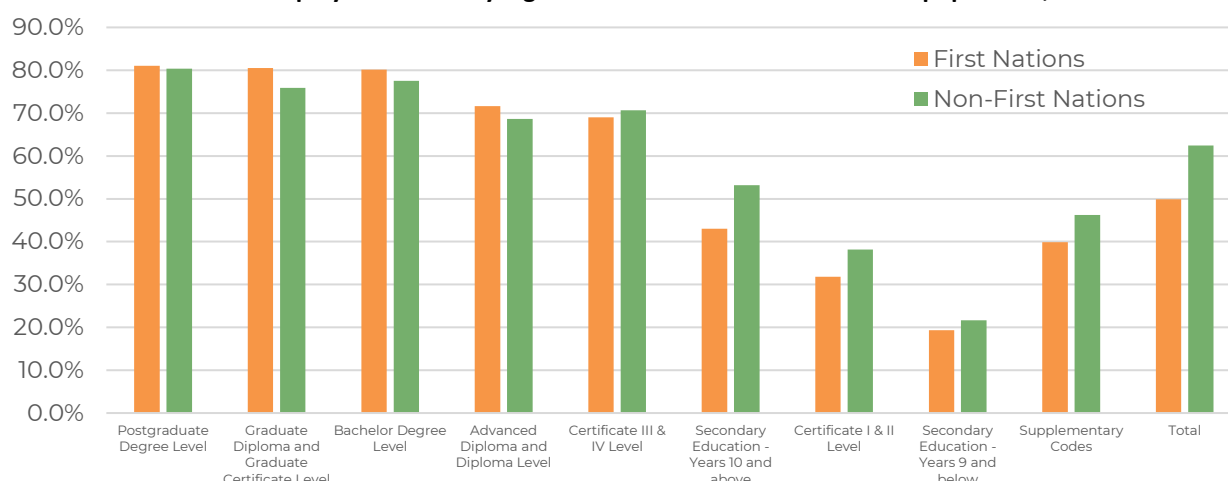
Source: ABS Censuses of Population and Housing, 2016-21

While the participation rate for Aboriginal and Torres Strait Islander people remained unchanged between 2016 and 2021, the employment to population ratio increased from 46.7% in 2016 to 49.9% in 2021. At the same time, the unemployment to population ratio for Aboriginal and Torres Strait Islander people reduced from 10.0% in 2016 to 6.9%.⁷ As such, while the participation rate has overall remained unchanged, **the proportion of employed Aboriginal and Torres Strait Islander people has increased** and the proportion that are unemployed has decreased. It means that arguably, **more Aboriginal and Torres Strait Islander people are actively participating and benefiting from the economy than ever before.**

In addition, the Census allows us to compare the participation rates of Aboriginal and Torres Strait Islander people and non-First Nations people based on education levels. Education and skills accumulation are critical drivers of participation. Chart 5 reveals that Aboriginal and Torres Strait Islander people who have a university education (i.e., postgraduate, bachelor, and graduate diploma levels) had higher employment to population rates than non-First Nations people. It means that **the employment gap has not just been closed, First Nations employment surpasses non-Indigenous employment rates when a person has a tertiary qualification, including at diploma level.**

Employment rates remain higher for non-First Nations people who have certificate and high school levels of education. At the same time, **men with a certificate level qualification and women with a diploma level education tend to have higher rates of business ownership**, for both First Nations and non-First Nations men and women.⁸ Australia's tertiary education sector is focussed on supporting people into employment. Rather **the pool of entrepreneurial talent from which to draw upon are more likely to be those with a certificate or diploma qualification.** As such, identifying avenues into business ownership for Aboriginal and Torres Strait Islander people with such qualifications could provide significant growth opportunities into the First Nations business sector.

Chart 5: Employment rates by highest level of education for the 15+ population, 2021

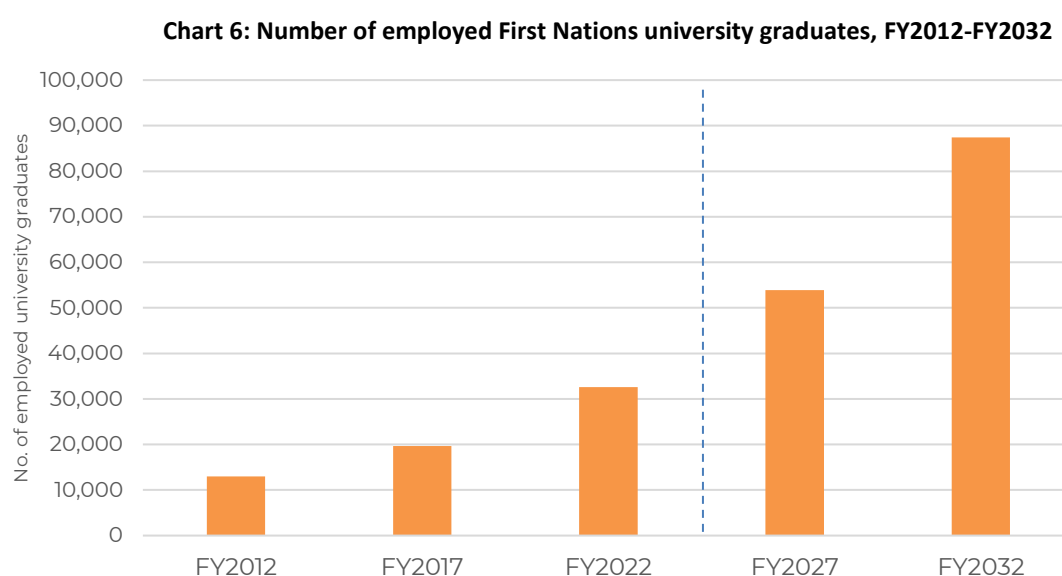


Source: ABS Census of Population and Housing 2021

⁷ Note the unemployment to population ratio (unemployed divided by the 15+ population) is different to the unemployment rate (unemployed divided by the labour force).

⁸ Shirodkar, S., & Hunter, B. (2019). Factors underlying the likelihood of being in business for Indigenous and non-Indigenous Australians. *Australian Journal of Labour Economics*, 22(1), 5-28.

We anticipate the number of employed First Nations university graduates will increase markedly over coming years. Based on estimates for growth, **the number of employed First Nations people with a university qualification could increase to over 87,000** over the next decade (Chart 6).



Source: ABS Census of Population and Housing 2021 and IBA.

Implications for Australia from higher Aboriginal and Torres Strait Islander participation rates

Increasing Aboriginal and Torres Strait Islander participation rates holds enormous potential for strengthening Australia’s economic and cultural foundations through four interrelated forms of capital. First Nations leadership in education, training, and skills development enriches **human capital**, lifting workforce engagement and driving national productivity. Equally, **institutional capital** is enhanced through community-led decision-making, which builds trust, inclusion, and economic collaboration by ensuring diverse voices guide policy and development.

In the realm of **financial and technological capital**, Indigenous-owned businesses and digital enterprises create greater employment pathways that support sustainable economic growth across regions. These initiatives benefit both Indigenous and non-Indigenous Australians and foster innovation rooted in cultural values. Meanwhile, **“On-Country capital”** could underpin Indigenous-led engagement in industries such as mining and resources, renewable energy, environmental conservation, Defence contracting, agriculture, and tourism. These sectors channel ancestral knowledge and cultural heritage into Australia’s modern economy, building resilience and long-term value.

Despite this, the true extent of First Nations participation is frequently under-reported. Many community members engage in vital cultural work – ecological burns, ceremonial responsibilities, caring for community, traditional knowledge preservation and transmission, and land management – that may not be financially compensated but contributes profoundly to the wellbeing of Country, the broader natural estate and Australia’s remote, rural and regional economies. These quiet champions take on responsibilities that would otherwise fall to public institutions, offering services and stewardship grounded in deep ecological understanding. Recognising these contributions by developing accurate and

inclusive measures of participation – that reflect cultural labour and environmental custodianship – will ensure First Nations peoples are seen not only as contributors to the economy but as indispensable partners in building a stronger, fairer, and more sustainable Australia.

Productivity

Productivity is the third path to ensure a First Nations demographic dividend that could lift Australia's overall prosperity. It is in this space that truly exciting prospects to incorporate First Nations ideas, frameworks and ingenuity can deliver the biggest gains.

Over recent human history, labour productivity has improved the lives of people around the world. Invention is a means through which productivity is enhanced. That is not just through the creation of innovative products but also drawing upon different frameworks and perspectives for thinking about issues and viewing the world. Innovation based on engineering has been just as critical as social and cultural innovations that have opened our minds to see the world in different ways. Doing so opens new avenues for invention, which can further enhance productivity and living standards. In that respect, ancient First Nations frameworks for thinking about the world offer new ways for non-First Nations economic actors to consider our activities, particularly through a sustainability lens that focuses on the role of maintaining and Caring for Country.

The four key drivers of productivity growth are investment in:



People – education and training



Capital – machinery and equipment, infrastructure, finance



Innovation – research and development of new products, invention



Institutions – those necessary to create an enabling environment for improved productivity

Investment in these areas can facilitate the spreading of new technologies and ideas and provide efficient infrastructure that expands capacity. Competition-enhancing policies can help underpin this, bolstering business incentives to invest and enabling the most productive businesses to grow. Arguably, most important is the investment in people, providing them the means through specific training and education, as well as the motivation to go out and shape the environment around them.

Australian productivity trends

Treasury's 2023 IGR makes a technical assumption that the rate of productivity growth is going to decline to 1.2% per year over the next few decades years. This is lower than the 1.5% predicted in the 2021 IGR, which was based on a 30-year average in Australia.

More recently however, productivity growth in Australia has been weak, reflecting a continued structural shift in our economy to services, the costs of climate change and diminishing returns from past reforms.

As such the assumption for productivity growth, a key driver for incomes and GDP growth, is based on the 20-year, and not 30-year, average.

If using the 2021 IGR assumption that productivity growth was 1.5% over the next 40 years, Treasury estimates that real GDP would be 9.5% higher in 2062-63. That presents a significant difference in incomes and quality of life for all Australians.

Critical to supporting productivity growth in Australia is the infusion of different ideas and frameworks into practices. The rapidly expanding presence and impact of Aboriginal and Torres Strait Islander people in Australia's economy is influencing and shaping discussions for relating with one another and how we should operate on this continent. The Indigenous approaches are often strengths-based, using the environment – including human influence – to protect and serve the interests of Country. So fundamental are the differences in First Nations and non-First Nations frameworks, that they offer an entirely different set of principles for engaging with Country.

How First Nations Peoples Participation and Inclusion can enhance Australia's Productivity

The 60,000+ years of continuous cultural and social engagement with the land mean that Aboriginal and Torres Strait Islander communities have a much deeper practical and philosophical understanding of interactions across the ecosystem, and how to make use of those systems to ultimately enable Country and the population to flourish. First Nations community voices and discussions centred around

Living in Right Relations — A First Nations Philosophy for Innovation

Living in right relations is a First Nations worldview built on principles of interconnectedness, responsibility, and respect. It sees relationships between people, with the land, waters, animals, and ancestors as essential to a balanced life. **This holistic outlook encourages stewardship and reciprocity**, positioning all as part of a shared web of life.

By placing relational values at the heart of governance, education, and development, this fosters inclusive and accountable systems, that identify and reduce economic 'free riding'. Sophisticated, decentralised decision-making that incorporates intergenerational knowledge creates economies that are more sustainable and resilient. Practices rooted in care and transparency offer effective and more efficient alternatives.

In the realm of **innovation** and **productivity**, right relations open new possibilities to explore physical sciences based on working in partnership for mutual benefit with nature. It can fundamentally change the relationship we have with nature. Just as historic agricultural practices have domesticated grasses (e.g., wheat, rice, barley and other grains) at the detriment of forests, Australia's Indigenous Nations engaged with the natural environment and Country to evolve together in more conscious, sustainable and nourishing ways. It becomes a partnership. It involved engaging with the natural environment i.e. our grasslands, waters, seas, forests and savannas in ways that valued biodiversity; crafting scientific practices grounded in seasonal knowledge shared by Elders.

It is possible to revive approaches to living in right relations with Country. This could mean designing **biomimetic technologies** that mimic natural systems not just for efficiency, in ways that *enhance* ecosystem health. Think of energy systems that behave like nutrient cycles. Tuning into the intelligence of Country—not just using its resources but listening in order to return to lives of abundance on-Country. In this place. Again.

sustainability are challenging historic exploitative models, designed to ‘subjugate’ the environment. The insights from drawing upon First Nations frameworks would not only enhance to our relationship with land and resources, they would support us to live in ‘right relations’ with Country.⁹

Innovation and technological adaptation derived from the **First Nations knowledge base can create innovation and boost commercialisation, elevate sustainability and deliver long-term growth consistent with Indigenous worldviews and frameworks that are multi-generational in outlook.**

Thinking through new lenses and perspectives will open opportunities for First Nations-led business and economic activity that could have significant productivity benefits over time, particularly in maintaining and expanding biodiversity, and effective sequestering carbon in nature.

This Indigenous-informed and -led approach generates benefits in support of public policies, and private sector efforts to meet their own sustainability objectives. This includes being open to innovation no matter where it comes from. When it comes to land management for economic, environmental, social and cultural purposes, we should acknowledge that not only do Aboriginal and Torres Strait Islander communities have abiding obligations in caring for Country, they also have much of the knowledge on *how* to best care for Country. As such, we should look at opportunities to elevate Aboriginal and Torres Strait Islander community views and perspectives. Such an approach can support productivity enhancements that do not just consider the narrow interests of profitability, but also the ecological and socio-cultural impacts on communities and Country.

Government can play a role. Elevating Aboriginal and Torres Strait Islander perspectives could not come at a more pressing time, when current approaches to economic activity, science, decision-making and agreement-making are intensifying the effects of climate change.¹⁰

The increasing presence of First Nations inputs will reflect the skills, education, training, capabilities, and capacity of Aboriginal and Torres Strait Islander people, now and into the future. There is a significant store of knowledge and wisdom within First Nations communities that if listened to, could enhance innovation.

Separately, as noted in the previous section (Chart 7), employment rates of First Nations people with a university qualification are as high, if not higher than non-First Nations people. Based on a realistic set of assumptions, the projections provided in this paper indicate that the proportion of First Nations people with a tertiary qualification could grow rapidly over the next few decades:

- Postgraduate degree: 2% (2021-22) to 6% (2041-42)
- Bachelor degree: 9% (2021-22) to 21% (2041-42)

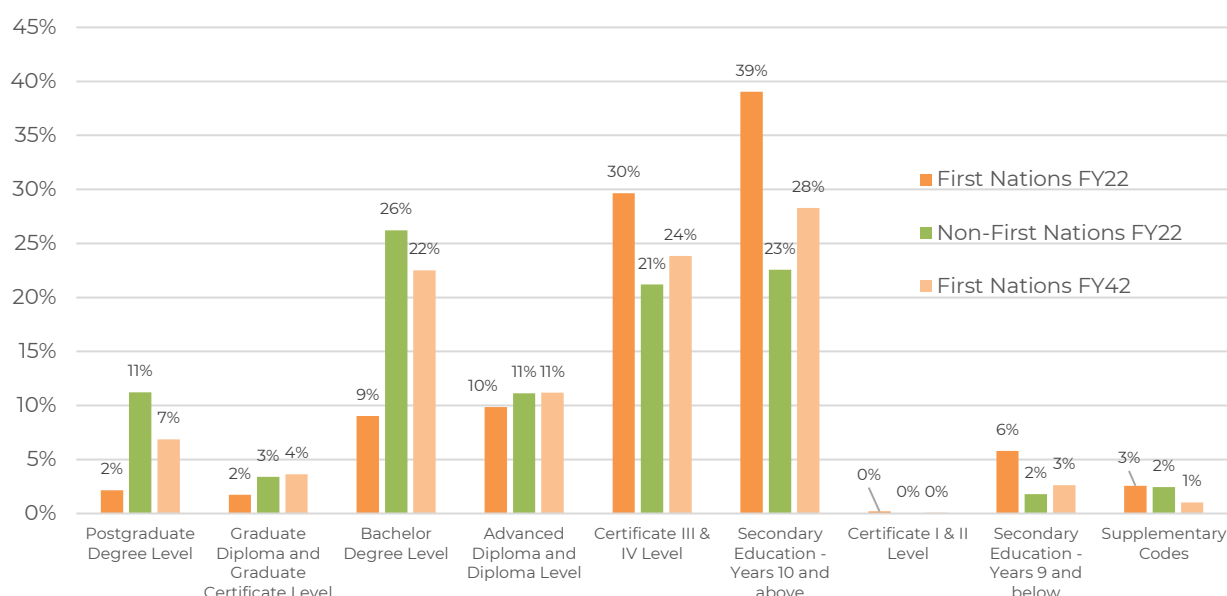
The increasing proportion of Aboriginal and Torres Strait Islander people with a tertiary qualification will magnify the number of First Nations people in workplaces, earning higher incomes, and in decision-making positions across the private sector and in government. The current number of Aboriginal and Torres Strait Islander people in those positions are already shifting the dial and changing the nature of how many businesses are working. Indeed, recent research reveals that business that have First Nations

⁹ Yunkaporta, T. (2023). *Right Story, Wrong Story: Adventures in Indigenous Thinking*. Text Publishing.

¹⁰ Lynas, M., Houlton, B. Z., & Perry, S. (2021). Greater than 99% consensus on human caused climate change in the peer-reviewed scientific literature. *Environmental Research Letters*, 16(11), 114005.

managers (i.e., people in leadership and decision-making positions) are more likely to employ and retain First Nations staff, which covers both First Nations businesses, but also non-Indigenous businesses.¹¹

Chart 7: Share of employed by highest level of completed education, FY2022 – FY2042



Source: IBA internal analysis based on ABS Census of Population and Housing 2021.

Impact on productivity and GDP from higher First Nations educational attainment

International research reveals the significant productivity benefits from rises in educational attainment amongst First Nations people. Research estimates that increasing Canadian Aboriginal educational attainment, employment and incomes to the same level as non-Aboriginal populations would contribute an additional 0.037 percentage points to Canadian productivity each year and reflects the economic value of improved human capital.¹²

An increase in Aboriginal and Torres Strait Islander people with tertiary qualifications could also contribute to Australia's productivity growth in a similar way, through the creation of new ideas drawing upon ancient knowledge systems and structures. When applied responsibly, with discipline and with respect to First Nations cultures, those views can create new insights into our current and future context. If the projections in Chart 7 above play out, Australia's **annual** real income could be around \$8 billion higher by FY2042 (Chart 8).¹³

Estimates provided in this analysis indicate, over the next 20 years, the increase in incomes from a higher proportion of First Nations people achieving the projected educational attainment could have a cumulative impact on Australian GDP of over **\$53 billion** (in FY2022 dollars).

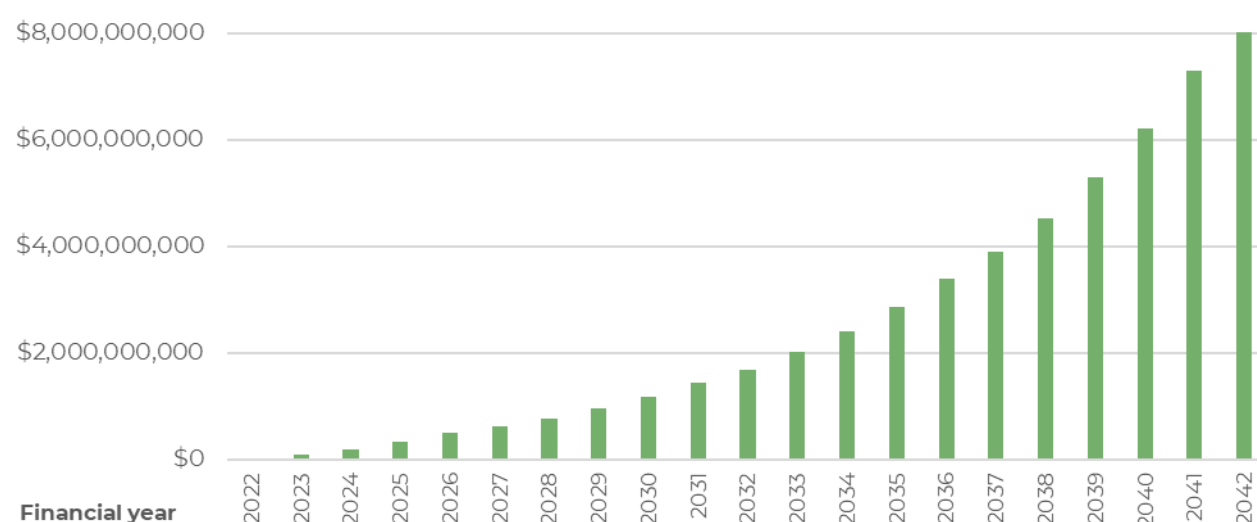
¹¹ Eva, C., Bodle, K., Foley, D., Hunter, B. H., & Shirodkar, S. (2025). Making Indigenous employment everyone's business: Indigenous employment and retention in non-Indigenous-owned businesses. *The Economic and Labour Relations Review*. Advance online publication.

¹² Sharpe, A., Arsenault, J. F., & Lapointe, S. (2007). The Potential Contribution of Aboriginal Canadians to Labour Force, Employment, Productivity and Output Growth in Canada. *Centre for the Study of Living Standards*.

¹³ If productivity growth contributed to a 1% increase in real incomes per year.

But arguably, this is a conservative estimation. If higher levels of education increase Aboriginal and Torres Strait Islander decision-making power, the cumulative impact on Australia's GDP is potentially even more substantial. We can only guess the real impact from a greater share of First Nations voices in higher decision-making positions, and how those voices shape the direction of Australian innovation.

Chart 8: Annual increase in real incomes from higher First Nations educational attainment, FY2021-FY2041



Source: ABS Census of Population and Housing 2021 and IBA internal analysis.

Arguably, the rapid increase in the number of First Nations business owners is the most significant and exciting change in First Nations affairs in a generation. We estimate that the number has grown by over **50% in the 5 years to 2021 to reach an estimated 29,200 business owner managers**. The social benefit is substantial, with Supply Nation conservatively estimating that **\$1 invested in a First Nations business will have \$3.66 in social outcomes achieved**.¹⁴ Further, Aboriginal and Torres Strait Islander business owners are between 10 to 100 times more likely to employ other First Nations people than other businesses.^{15 16} In addition, recent research shows that the main driver for increasing First Nations employment, including in non-First Nations organisations, is having Aboriginal and Torres Strait Islander people in management positions. Having First Nations leaders in organisations shifts the power dynamic and provides the critical supports and foundations that create culturally safe working environments and retain more Aboriginal and Torres Strait Islander staff. Therefore, the role of First Nations employers and First Nations managers and leaders will be critical to support the increase in Aboriginal and Torres Strait Islander employees over coming decades. That could further boost productivity and innovation, through the inclusion of more First Nations firms, and First Nations workers, who infuse their ideas into Australia's innovation ecosystem.

¹⁴ Supply Nation. (2025). The sleeping giant rises: Understanding the social value created by Indigenous businesses and its contribution to Closing the Gap. Supply Nation.

¹⁵ Eva, C., Bodle, K., Foley, D., Harris, J., & Hunter, B. (2023). The importance of understanding Indigenous employment in the Indigenous business sector. Australian Journal of Social Issues.

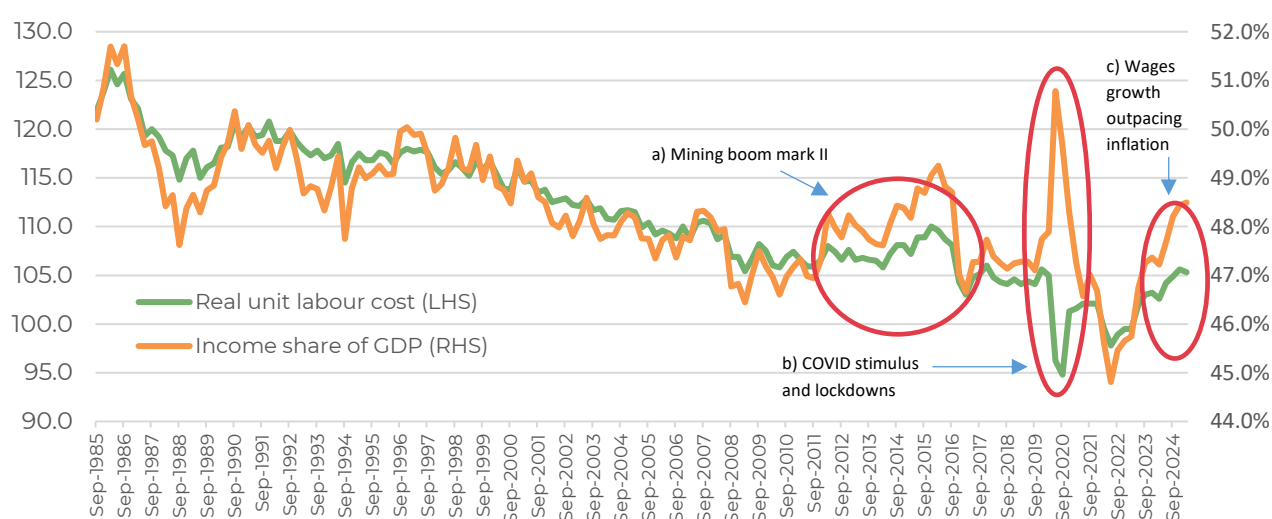
¹⁶ Hunter, B. (2015). Indigenous employment and businesses: whose business is it to employ Indigenous workers? Canberra, ACT: Centre for Aboriginal Economic Policy Research (CAEPR), The Australian National University.

Is productivity growth improving living standards?

Putting aside the last decade, Australia's labour productivity has risen rapidly in the post-war period, reflecting a more efficient advanced economy where technology is dispersed widely. Workers have benefitted from this growth in meaningful ways – from less exposure to hazardous working conditions through automation to access to tools and technologies that enhance daily life, including the integration of AI in people's lives. These advances have expanded what individuals can accomplish, both professionally and personally. Despite these gains in capability, the link between productivity growth and improvements in material living standards has weakened.

One of the clearest signals of this shift is the long-term decline in the income share of GDP. While Australia once saw a majority of its national income flow to labour, the income share of GDP fell to as low as 45% in recent times, a continuous decline from the 55–60% seen in the 1970s. Chart 9 reveals the close correlation between declining real unit labour costs – **a measure of improving productivity** – and a declining income share of GDP. This trend suggests that although workers are producing more, a smaller proportion of that value is returning to them in the form of wages and benefits. Real unit labour costs have also fallen over time, indicating that labour is becoming less costly relative to output – a pattern that aligns with increased returns to capital.

Chart 9: Productivity reducing real unit labour costs and income share of GDP, 1985-2025



Source: ABS National Accounts, March 2025 and IBA

Contributing to this dynamic is the relative decline of workers' power in the economy. Over time, structural changes – including weaker collective bargaining, the rise of insecure forms of work, and global competitive pressures – have reduced labour's influence over how the proceeds of growth are distributed. As a result, the benefits of productivity gains are no longer shared as broadly or predictably as they once were, raising questions about fairness, resilience, and long-term social cohesion.

Three deviations from this pattern have occurred over the last two decades where productivity improved (i.e., real unit labour costs remained low or declined) and the income share of GDP increased:

- the investment phase of the mining boom mark II, which saw heavy investment in mining construction, creating massive increases in employment

- b) COVID-19 where policies of stimulus (e.g., JobKeeper) ensured workers received income, while lockdowns meant businesses had to tool down which saw unit labour costs decline markedly
- c) Recent wages growth outstripping inflation resulting from a tight labour market.

These deviations display periods where the economic circumstances – and right settings – can result in improved living standards for workers and improving productivity outcomes. It shows that the right policy settings can play an important role. Ensuring that First Nations frameworks, systems and approaches can influence the direction of innovation can lead to potential equity improvements over time.

Conclusion

Australia's future prosperity is intertwined with how meaningfully it engages with and empowers Aboriginal and Torres Strait Islander peoples – not as stakeholders to be consulted, but as architects of Indigenous inclusion and contributors to Australia's national prosperity.

This paper has illustrated that the demographic momentum, economic capability, cultural knowledge, and innovation potential within First Nations. As Australia grapples with an ageing population, environmental disruption, and growing inequality, the prospective contribution of Indigenous Australians offers a generational opportunity to reset our economic compass.

To truly benefit from this demographic dividend, policy and investment must pivot toward inclusion, consent-based decision-making, and cultural integrity.

First Nations frameworks for 'caring-for-country', and towards each other, challenge extractive models of exclusion and exploitation. Indigenous-held wisdom, when paired with rising levels of education, enterprise, and economic inclusion creates an Australian foundation for bold transformation.

Whether through place-based development, knowledge-led innovation, or strategic investment intermediation by Indigenous Business Australia, the pathway to an inclusive national growth lies in genuine partnership. Elevating First Nations aspirations and economic inclusion is a practical and profound strategy for strengthening Australia's economy and long-term productivity.

The question isn't whether First Nations Australians will shape the country's future - it's whether Australia is ready to adopt an inclusive approach with Indigenous Australians - respectfully, courageously, and with purpose. If so, the possibilities are nothing short of transformative.

