APPROPRIATELY ASSESSING THE INDIGENOUS POPULATION

1. Thanks for the submissions on priority issues, in particular the comments on how we should develop methods to appropriately capture the changing characteristics of the Indigenous population

2. We have previously engaged with you on this issue, most significantly through *CGC 2012-04 Relative Indigenous Disadvantage.* This focused on the possibility of using one of three broad approaches. This has been framework for consideration by most States.

STATE VIEWS

A proxy of residual disadvantage

3. In CGC 2012-04, we examined a wide range of potential indicators for this approach. No State supported this approach.

4. Victoria, Queensland and Tasmania most clearly articulated their concerns. They consider it would be virtually impossible to devise a measure which is demonstrably policy neutral. They were also very concerned that even if Indigenous people in one State had a high level of disability in one very narrow area (say, low birth weight babies), it would be very problematic to extrapolate this and assume that Indigenous people in that State would also have a high level of disability in other broader areas (say, total health expenditure).

Individual measures

5. Victoria and the ACT are concerned that producing even finer levels of disaggregation of a very small population group would lead to greater complexity. They consider that an approach based on datasets that cannot reliably support such disaggregation could lead to a false sense of precision and would not necessarily improve HFE outcomes.

6. The Northern Territory considers that this approach may help us to understand the changes in Indigenous identification, but does not say how this approach could help us to develop improved assessments.

7. No State has advocated this as an approach to meet the requirements of the terms of reference.

Area based measures

8 Western Australia is strongly of the view that an Indigenous specific SEIFA type index is the most appropriate way of improving the Indigenous assessment. Queensland also supports examining the possible use of these type of measures. South Australia and the Northern Territory also expressly support area based measures, although not necessarily a SEIFA type index[1].

CGC STAFF RESPONSE

9 We accept the universal State view that a proxy of residual disadvantage is not a workable solution. We consider that an individual measure approach has drawbacks, but have not yet ruled out that approach. On the basis of State responses, we consider that the approach most likely to produce a reliable and acceptable method to appropriately capture the changing characteristics of the Indigenous population is an area based measure, specifically some form of Indigenous specific SEIFA type index, along the lines recommended by Western Australia.

10 One possible area based measure is that developed by the Centre for Aboriginal Economic Policy Research (CAEPR) at the ANU called the Indigenous Relative Socio-economic outcomes (IRSEO) Index.
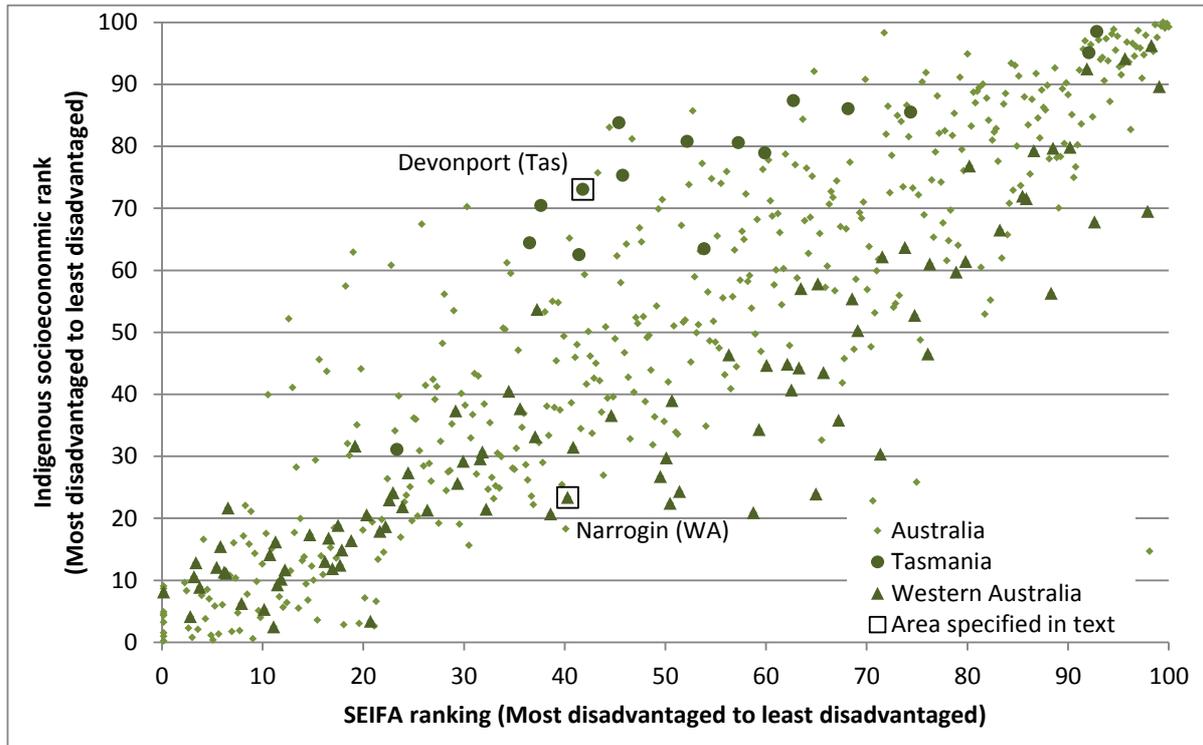
How would an Indigenous specific SEIFA appropriately capture the changing characteristics of the Indigenous population?

11 There are socio-economic differences between the Indigenous populations in different States. In the 2010 Review, we used SEIFA to capture these differences.

12 In *CGC 2012-03 Measuring socioeconomic status*, we considered whether SEIFA was an appropriate measure of socio-economic status of Indigenous people. We concluded that SEIFA measured socio-economic status for Indigenous people because low SES Indigenous people tend to live in low SEIFA areas, while higher SES Indigenous people tend to live in areas with higher SEIFA scores. This is shown in Figure 1.

13 Within a region, low SES Indigenous people will tend to live in lower SES areas than high SES Indigenous people. However, this does not mean that in different States comparable Indigenous people would live in comparable areas.

14 Figure 1 also suggests that Indigenous people in Tasmania are considerably less disadvantaged than Indigenous people in an area of Western Australia with a similar SEIFA score. For example, Devonport (Tasmania) and Narrogin (Western Australia)

---

[1] South Australia recommends attempting a classification of 'permanently metropolitan' and 'non-metropolitan', while Northern Territory recommends examining a measure based on Indigenous population shares in different areas.

have SEIFA rankings of around 40 (40% of areas have lower SEIFA scores) but Devonport is among the least disadvantaged Indigenous communities (73% of areas have lower Indigenous relative socio-economic outcomes (IRSEO)), while only 23% of Indigenous communities have a lower IRSEO than Narrogin.

Figure 1   Indigenous socioeconomic rank by SEIFA rank, Indigenous areas, 2006

15   This supports the conclusion that we reached in CGC 2012-04, that disaggregating using IRSEO might lead to a more comparable measurement of Indigenous disadvantage across States than disaggregating the Indigenous population into high and low SES using SEIFA.

Policy neutrality

16   In *CGC 2012-04* we stated that 'Of the area-based measures we have considered, IRISO best addresses the issue of differences in [socioeconomic status] between States. However, using this geographical classification leads to the prospect of policy contamination. With 68% of the Indigenous population in the bottom IRISO quintile living in the Northern Territory, the Northern Territory policies on expenditure on Indigenous people would have a major influence on the GST allocated to it.' A couple of States responded to this in their recent submissions.

17   We have since discovered that our 68% estimate was an erroneous interpretation. As Table 1 shows, 68% of Indigenous people in the Northern Territory were in the most

disadvantaged quintile, but only 42% of the most disadvantaged Indigenous nationally are from the Northern Territory, 58% live elsewhere. This reinterpretation has alleviated, but not removed, our concerns about policy contamination.

Table 1   State shares of Indigenous population by IRSEO quintile, 2011

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	%	%	%	%	%	%	%	%	%
Least disadvantaged	23	16	39	1	4	10	5	3	100
2nd least disadvantaged	46	6	25	7	6	7	0	3	100
Middle quintile	35	6	30	16	5	2	0	5	100
2nd most disadvantaged	35	5	29	19	6	1	0	4	100
Most disadvantaged	16	0	18	17	7	0	0	42	100
Total	31	7	28	12	6	4	1	12	100

Source: ABS ERP

Indigenous and non-Indigenous indexes

18   If we move to having an Indigenous specific SEIFA, we are then faced with the question of what should we use for the non-Indigenous population. In most areas, the non-Indigenous population represents a large majority the total population, and so SEIFA is a reasonable proxy for the non-Indigenous population's SES. However, in large parts of the Northern Territory, and in other parts of the country, this is not the case. As such, we are inclined to use separate Indigenous and non-Indigenous indexes.

19   CAEPR has produced a non-Indigenous Relative Socio-economic outcomes (NIRSEO) Index. There is a strong attraction to using an index that is readily available. However, staff have some concerns with NIRSEO.

20   This was designed to be used in conjunction with IRSEO. Just as SEIFA is built up from Statistical Area 1s (SA1s), NIRSEO is built up from Indigenous areas. The Northern Territory contributes 62 areas to the analysis, while the ACT contributes 3. 20% of the areas in the sample have more than 25% of their population being Indigenous. As such, the nature of non-Indigenous disadvantage in those areas is reflected in the way NIRSEO measures disadvantage for non-Indigenous people.

21   This has a potential to introduce errors into our assessment of the impact of socio-economic status for the non-Indigenous population.

22   We are also concerned with the variables selected to create NIRSEO. CAEPR chose different variables in IRSEO and NIRSEO from those used in SEIFA, because:

23   *'There are variables in the standard SEIFA indices that may not be as relevant or have a different meaning for the Indigenous population compared to the non-Indigenous population. For example, the presence of CDEP programs in a number of areas at the time of the 2011 Census makes the interpretation of the*

unemployment rate quite difficult. Alternatively, the cut-offs for some of the variables like income or rent may not reflect the distribution of Indigenous outcomes.

24   As such NIRSEO may not be the ideal indicator to use for measuring the socio-economic status of the 97% of the population that are not Indigenous.

25   We have begun discussions with the ABS about producing a SEIFA index using data for the non-Indigenous population.

CONSULTATION

26   We need to progress our work on measuring Indigenous characteristics relatively rapidly. As such, we are scheduling a teleconference with States for late September to gather State views on our proposed approach. However, we welcome any feedback or comments on our options before that meeting on our conclusions and general approach so far, as well as specifically on the value of:

- Separate indigenous and non-Indigenous geographic indexes of socio-economic status.
- The use of CAEPR's IRSEO index as the Indigenous index
- Using SEIFA, NIRSEO, or an Indigenous specific SEIFA as the non-Indigenous index.

27   I have attached a draft of the CAEPR paper on IRSEO 2011, along with the index. The 2006 census index paper, and the associated Indigenous and non-Indigenous indexes can be found at:

- http://caepr.anu.edu.au/Publications/WP/2009WP50.php