

# Socio-economic status

## Review outcomes

- No changes were made to the assessment method for socio-economic status.
  - The Indigenous Relative Socioeconomic Outcomes index and the Non-Indigenous Socio-Economic Indexes for Areas measure will be retained to assess socio-economic status.
  - Socio-economic status of First Nations and non-Indigenous populations will continue to be measured in as much detail as can be supported by the data. For cases where the cost and use patterns shown in the data do not align with the conceptual case, the Commission will aggregate the data or not differentially assess socio-economic status.
- Following the completion of the 2025 Review, the Commission will work with states to:
  - initiate, as part of its forward work program, a review of measures of First Nations socio-economic status, including the Indigenous Relative Socioeconomic Outcomes index, to ensure Commission’s methods appropriately capture differences in socio-economic status among the First Nations population, including the impact of changing identification patterns
  - investigate the appropriateness of using newly available data from the Person Level Integrated Data Asset (PLIDA) to measure socio-economic status among the non-Indigenous population.

## Introduction

- 1 On 6 July 2024, the Commission published the [Draft Report](#) for the 2025 Methodology Review.
- 2 The Draft Report included a detailed analysis and response to issues raised by states and territories (states) in their [submissions](#) on the Commission’s [consultation paper](#).
- 3 State submissions on the Draft Report can be viewed [here](#).
- 4 This chapter includes:
  - an overview of the issues considered throughout the review
  - the Commission’s response and decision on each issue.
- 5 A description of the assessment method can be found in the socio-economic status chapter of the *Commission’s Assessment Methodology*.

## Issues considered

### Granularity

- 6 Within each assessment where socio-economic status is measured, the Commission considers what level of granularity is appropriate. There can be a trade-off between more granular population measures, which allow cost differences to be estimated between groups, and the reliability of those estimates. In response to state comments, the Commission considered whether its approach to balancing these trade-offs remained appropriate.

### State views

- 7 The Northern Territory said the Commission's use of quartiles and quintiles in classifying populations understates levels of disadvantage because the Northern Territory's First Nations populations cluster at the lower end of each band. It said existing assessment methods do not account for this appropriately.
- 8 The Northern Territory said in remote areas the Commission does not necessarily disaggregate by socio-economic status and that this further understates its level of disadvantage.

### Commission response

- 9 The Commission aims to balance data disaggregation with reliability. There is a trade-off between having a large enough population to produce a reliable estimate of national spending on each population group and having a small enough population with the granularity to measure differences between heterogeneous groups.
- 10 The Commission endeavours to have the most detailed disaggregation that can support reliable patterns of state spending. For example, if disaggregated data show higher use rates in the middle quintile compared with a lower quintile (contrary to the overall trend), the Commission may combine the quintiles. This reflects 3 considerations:
- estimates based on small samples can be volatile
  - some geographic data are aggregated from ABS Statistical Area Level 2 or postcodes and do not perfectly align with population data aggregated from Statistical Area Level 1
  - the measure of socio-economic status may not be an accurate proxy for the underlying driver of differential use.
- 11 As part of each review, the Commission retests each assessment to ensure the most granular data possible are used.
- 12 As part of the 2025 Review, the Commission considered the measures of socio-economic status used in the schools assessment. It investigated if more granular measures of socio-educational disadvantage would be appropriate. It compared using the most disadvantaged 25% of students (the approach used in the

2020 Review) with splitting the bottom quartile into 2 sub-groups comprising of the most disadvantaged 10% of students and the most disadvantaged 11–25% of students. The Commission found that using the more granular approach (the most disadvantaged 10% and 11–25% of students) led to inconsistent results in the model. Therefore, the Commission concluded that on balance, to ensure more reliable estimates, it was appropriate to continue using the most disadvantaged 25% of students. More information on this issue is included in the schools chapter of *Review Outcomes*.

### Commission decision

- 13 The Commission decided to retain the 2020 Review approach of measuring the socio-economic status of First Nations and non-Indigenous populations in as much detail as can be supported by the data. For cases where the cost and use patterns shown in the data do not align with the conceptual case, the Commission will aggregate the data or not differentially assess socio-economic status.

### First Nations Socio-economic status

- 14 The Commission uses the Indigenous Relative Socioeconomic Outcomes index to assess the socio-economic status of First Nations populations. It measures socio-economic status separately for First Nations and non-Indigenous people because the socio-economic status of First Nations people in a location is often different from that of the non-Indigenous population living there. The Commission proposed no changes to this approach.

### State views

- 15 The Northern Territory said given the significant non-demographic growth in the First Nations population, the Commission should review the Indigenous Relative Socioeconomic Outcomes index. It said the Commission should ensure the Indigenous Relative Socioeconomic Outcomes index remained a suitable measure of Indigenous socio-economic status. The Northern Territory noted this might occur after the 2025 Review has been finalised.

### Commission response

- 16 The Indigenous Relative Socioeconomic Outcomes index was developed in 2001 by the Centre for Aboriginal Economic Policy Research at the Australian National University and has been updated using census data every 5 years.<sup>1</sup> Throughout these updates, socio-economic outcomes for First Nations populations have differed markedly between areas. There has been relative stability in the ranking of regions over time.

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<sup>1</sup> Centre for Aboriginal Economic Policy Research, [Area-level socioeconomic outcomes for Aboriginal and Torres Strait Islander Australians in the 2016 and 2021 Censuses](#), Australian National University Website, 2023, accessed 16 September 2024.

- 17 Non-demographic growth in the First Nations population, led by an increasing propensity to identify as First Nations, has been strongest in the south-eastern states. Newly identifying First Nations people may not have the same level of disadvantage as First Nations people who continually identify as First Nations in the same area. Newly identifying First Nations people would reduce the average level of disadvantage of First Nations people in an area. The Commission's use of the Indigenous Relative Socioeconomic Outcomes index and remoteness is designed to ensure the socio-economic status of different groups of First Nations people are captured.

### **Commission decision**

- 18 As part of its forward work program, the Commission will seek to review the appropriateness of measures of socio-economic status for the First Nations population.

### **Non-Indigenous Socio-Economic Index for Areas**

- 19 In the 2020 Review, the Commission used the Non-Indigenous Socio-Economic Indexes for Areas to measure socio-economic status for the non-Indigenous population. This measure is updated 5-yearly using ABS census data.
- 20 The Person Level Integrated Data Asset (PLIDA), coordinated by the ABS, allows for linking of personal level data across a range of agencies. These data have matured since the 2020 Review and offer the potential to produce a measure of socio-economic status for the non-Indigenous population.
- 21 The Commission identified a preliminary approach using these data, combining 3 measures of socio-economic status. The measures included the proportion of people:
- receiving selected Department of Social Services pensions
  - with prescriptions for certain lifestyle related conditions
  - with a high income.
- 22 This combined measure predicts independent outcomes driven by socio-economic status with similar accuracy to census-based measures in the census year. It is available annually and in intercensal years may represent a better measure of socio-economic status.
- 23 The Commission considered whether these data should be used to produce a more contemporaneous (annual) measure of socio-economic status. The Commission considered the accuracy, robustness, coverage and policy influence of the data as well as the implications on simplicity and stability of the measure.

## State views

### Annual measure of socio-economic status for non-Indigenous people

- 24 Most states supported investigating an annual measure of socio-economic status. New South Wales suggested including additional variables, such as housing stress.
- 25 Some states said the Socio-Economic Indexes for Areas was the more accurate measure at census time but that PLIDA could be used to update these measures annually.
- 26 Some states had strong concerns about PLIDA being used to measure socio-economic status. Western Australia and South Australia emphasised the need for rigorous testing of the measure, with any discrepancies from ABS measures or unexpected volatility being thoroughly examined.
- 27 All states supported working with the Commission on further analysis going forward.

### Reliability

- 28 Some states felt that 3 indicators would not be sufficient for a comprehensive index. Victoria was particularly concerned by the lack of employment and education indicators.
- 29 Some states had concerns over the use of medical indicators, noting that policy differences and access to services could bias the results. Queensland and the Northern Territory expressed concerns that individuals in remote areas faced barriers to accessing prescription drugs and Department of Social Services pensions.
- 30 Some states were concerned by the inclusion of a high-income indicator. They felt that it would not be helpful in distinguishing levels of need among disadvantaged populations and would miss disadvantaged individuals in areas with diverse incomes.

### Simplicity and stability

- 31 Victoria said that using PLIDA data could increase inconsistencies between measures of socio-economic status of First Nations populations and non-Indigenous populations.
- 32 Queensland said any new measure should be tested against the Non-Indigenous Socio-Economic Indexes for Areas and be rescaled to this every 5 years.
- 33 Some states noted a trade-off between contemporaneity and stability. Western Australia cited the potential volatility impact of using only 3 indicators. South Australia noted the benefits of stability in assessments.

## Commission response

- 34 The Commission considers there is potential for PLIDA data to allow for material improvements to socio-economic status measures by allowing for a higher level of contemporaneity. However, there is a need for further analysis and testing of the PLIDA data before implementing any change. The Commission will continue to

investigate the appropriateness of PLIDA data in consultation with states with a view to incorporating it in a future review.

### **Commission decision**

- 35 The Commission will retain the Non-Indigenous Socio-Economic Indexes for Areas measure to assess socio-economic status in Australia. The Commission will undertake further work on PLIDA data in consultation with states following the 2025 Review to inform consideration of using the data in a future review.

## **GST impacts of method changes**

- 36 There are no method changes to this assessment.