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**Indigenous Expenditure Report  
Project Update March 2010**

This Bulletin provides an overview of Indigenous under-identification in service use data and discusses the implications this has for the split of expenditure on mainstream services between Indigenous and non-Indigenous Australians.

Information Bulletin number 3 provided an overview of the method used to determine expenditure related to services related to Indigenous people. An important part of this method is to use 'measures of service use' (such as the Indigenous proportion of students) as a proxy of the distribution of costs among service users, and a basis for prorating expenditure between Indigenous and non-Indigenous people.

Under-identification of the Indigenous status of service users in data collections can lead to an under-estimation of expenditure related to services to Indigenous people. One of the objectives of the Indigenous Expenditure Report is to identify areas where data quality should be improved over time.<sup>1</sup> Until such improvements occur, the Indigenous Expenditure Report method makes adjustments where under-identification exists.

*Defining Indigenous under-identification*

Indigenous under-identification is 'a measure of the degree to which service users do not self-identify, or are not identified in administrative systems, as Indigenous'.

For any given cohort of services users, the Indigenous status of individuals can be 'correctly identified', 'incorrectly identified' or 'not known'. This information may be collected in different ways, depending on the service provided. For many public services, users are asked whether or not they are Indigenous (for example, by indicating this on administrative forms for an educational enrolment). Alternatively, it may be the responsibility of the service provider to specify Indigenous status, which relies on 'guesswork'. As a result, the exact numbers of Indigenous service users are not always known.

*Estimating the unknown*

Collections of service use data generally have little information on Indigenous status of those that have not responded to the Indigenous identification question in their collection.

For these collections it is often assumed that all people have correctly identified as Indigenous or non-Indigenous, but adjustment is required to account for the non-response.

There are several possible approaches to estimating the characteristics of non-respondents. These different approaches are applied on a case by case basis in the Indigenous Expenditure Report, according to the type of service. Depending on the

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<sup>1</sup> Improving Indigenous identification will require the cooperation of agencies and bodies responsible for administering the collections from which service use measures are drawn.

method chosen, the non-response population is assumed to have one of the following distributions:

- *all (100 per cent) non-Indigenous* — all non-respondents are assumed to be non-Indigenous. This assumption is equivalent to ‘non-Indigenous status not identified’.
- *the same distribution as those that are identified Indigenous/non-Indigenous* — non-respondents are assumed to be Indigenous and non-Indigenous in the same proportion as respondents that are identified. This approach has the same effect as disregarding the non-respondents in the sample.
- *the same distribution as the residential population* — non-respondents are assumed to be Indigenous and non-Indigenous in the same proportion as the residential population
- *a lesser proportion of Indigenous respondents* — non-respondents are assumed less likely to be Indigenous than non-Indigenous. This approach requires a second assumption about the proportion of Indigenous respondents. For example, if the proportion of identified Indigenous respondents is 20 per cent, this approach may assume the proportion of non-identified respondents that are Indigenous is 18 per cent.
- *a greater proportion of Indigenous respondents* — non-respondents are assumed more likely to be Indigenous than non-Indigenous. This approach requires a second assumption about the proportion of Indigenous respondents. For example, if the proportion of identified Indigenous respondents is 20 per cent, this approach may assume the proportion of non-identified respondents that are Indigenous is 22 per cent.<sup>2</sup>

The Indigenous Expenditure Report method uses a combination of these methods, based on what was agreed to be most appropriate for each expenditure area. Based on this information, the total amount that government spends on Indigenous users of a service can be estimated.

#### *How the Indigenous under-identification factor is used*

The level of Indigenous under-identification estimated for any given service is incorporated into the calculation of a ‘service use measure’. This reflects the approximate number of Indigenous users of the service as a proportion of the general population, as well as any difference in the cost of providing the service to these users (which is known as the ‘cost-differential’, and will be explained in the next bulletin).

Forthcoming information bulletins in this series will explain cost differentials and provide a report outline. If you have any questions, would like to contribute views to the Indigenous Expenditure Report project, or want to receive Indigenous Expenditure Report updates, please contact the Secretariat ([gsp.ier@pc.gov.au](mailto:gsp.ier@pc.gov.au)).

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<sup>2</sup> There are no known studies that determine the true reasons why Indigenous or non-Indigenous respondents do not identify, therefore in the case of the lesser or greater proportion approaches, application is matter of judgement.