The Proposed New Approach to Skilled Migration Occupation Lists

Joint submission from CPA Australia and Chartered Accountants Australia and New Zealand to the Department of Employment

Skilled migrants have always played a significant role in shaping Australia’s economic fortunes and they must be encouraged to do so into the future if the country is to successfully compete on the world stage. While the Department of Employment’s proposed new approach to reviewing the skilled migration occupation lists appears to be driven by a desire to be more agile and responsive to changing labour market conditions, the risk is that the approach will encourage the best, the brightest and the most adaptable to take their skills elsewhere, and potentially leave Australia exposed.

This joint submission by the two major professional accounting bodies in Australia – CPA Australia and Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ) – calls for an urgent rethink of the proposed new approach.

Together CPA Australia and Chartered Accountants ANZ represent over 270,000 professional accountants. Our members are distinguished by their degree qualifications and the additional education they undertake post-graduation. They work in diverse roles across public practice, commerce, the not-for-profit sector, government and academia, throughout Australia and internationally.

This submission reviews the proposed new approach from a methodological perspective and provides comment on the datasets that the Department is proposing to use to inform its approach. The methodological considerations are addressed in the first two sections and data issues in the third where:

- Section 1 provides a meta perspective by asking if the purpose of skilled migration is to enhance the economic fortunes of Australia and, if so, whether the proposed approach is the optimal means to achieving this end. If the approach is not optimal, what is missing or needs to change?
- Section 2 takes a closer look at the detail of the Department of Employment’s proposed methodology. Is it robust? Is it likely to produce outcomes that provide a reliable guide for analysing any occupational group and its relationship to skilled migration? and,
- Section 3 provides advice on the data. Are the appropriate datasets being taken into account? Is there anything missing? And what is it that the data is telling us?

The case study of accountants, an occupation that appears on both the Short Term Skilled Occupation List (STSOL) and the Medium and Long Term Strategic Skills List (MLTSSL), is used throughout this submission to illustrate the points made.
Summary of recommendations:

CPA Australia and Chartered Accountants ANZ recommend that the proposed new approach to the skilled migration occupation lists:

- be weighted towards human capital considerations, particularly in respect of the professions;
- is whole of government and takes into account the implications of any changes on international education;
- takes into account the implications of any changes for Australia’s engagement in the global economy;
- if revised in the manner proposed here, is used to inform a policy response of adjusting a points threshold up or down to curb or encourage (rather than stop or start) the flow of independent skilled migrants from listed occupations;
- is undertaken by experts who understand the dynamics of listed occupational markets, and does not utilise a one-size-fits all basis for calculation;
- continues to give preference to occupations with “long lead times”;
- dispenses with the requirement that the majority of migrants who train within a particular field of education are employed within narrowly defined roles connected with those fields;
- takes into account further data and intelligence that provide insights on the future occupational labour market situation, particularly with regards to the MLTSSL;
- takes into account data and intelligence that provide insights on the current and future labour supply for listed occupations;
- takes into account the factors driving the future demand for and supply of people in listed occupations; and,
- treats with caution data on the outcomes of graduates from different fields of education and examines the fuller picture and considerations of particular relevance to each.
1. Methodology - meta perspectives

Three key messages are communicated in this section:

- Skilled migrants positively impact the nation’s human capital and thereby create jobs. The Department’s proposed approach reflects, however, the populist misconception that migrants displace jobs that would otherwise go to Australian citizens as well as an associated bias that the primary value of migrants is to address shortages in the labour markets of specific occupations.

- Skilled migrants have bolstered Australia’s economic fortunes not only through their labour market participation, they have studied in our educational institutions, and have facilitated our engagement in the global economy as its centre of gravity moves east. The Department’s proposed approach focuses narrowly on only the first of these skilled migration impact areas.

- The purpose of the Department’s proposed methodology is to inform what stays, goes, is added, or moved between the two skilled migration occupation lists on a more frequent six monthly cycle. The professional accounting bodies have argued consistently that the previous annual review cycle created uncertainties for a wide range of stakeholders and was destabilising. The proposed six-monthly cycle will only exacerbate these problems. There is a better way.

The objectives of skilled migration policy

In our recent advice on the visa simplification review, CPA Australia and Chartered Accountants ANZ argued that there are three objectives of skilled migration policy which should frame any future categorisation of visas. The same three objectives provide a useful testbed for the proposed new approach. These objectives are to:

- Counter labour market shortages currently evident or projected to emerge due to demand for particular occupations outstripping domestic supply.

- Develop the human capital of the nation. Human capital is used here to refer to all the knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed individually and collectively by individuals in a population. When people rich in these attributes migrate to Australia they develop the human capital of the nation, and thereby bolster its productivity and growth and create jobs.

- Facilitate other work-related purposes, such as the undertaking of specialised work by intra company transfers and foreign correspondents, and supporting Australia’s third largest export industry by providing post study work rights.

The Department’s proposed new approach is weighted almost exclusively towards the first of these objectives. It solicits occupation specific labour market data and analysis to determine whether there is a current or expected shortage. This methodological emphasis reflects a populist misconception.

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1 CPA Australia and Chartered Accountants ANZ (2017) Visa Simplification: Transforming Australia’s Visa System, Joint submission from CPA Australia and Chartered Accountants Australia & New Zealand to the Department of Immigration and Border Protection.
The data in the adjacent figure is derived from responses to an annual survey conducted by the Scanlon Foundation which receives between 1500 and 2000 respondents each year. It demonstrates the public perception that migration is closely linked to the rate of unemployment. That is, if the unemployment rate is high, the majority of those surveyed hold the view that immigration intake is ‘too high’. This reflects the belief of many that during periods of high unemployment migrants take jobs that would otherwise go to citizens.

The reality, however, is that this perception could not be further from the truth. Department of Immigration and Border Protection (DIBP) and Australian Bureau of Statistics (ABS) data show that as the number of skilled migrants has increased, the rate of unemployment has decreased. This is because clever entrepreneurial people positively stimulate the economy and thereby create jobs.

Skilled migrants also often bring with them major resources from their home countries and their expenditure grows the demand-side of the economy. The interplay of these two forces of supply and demand ensure that there are at least as many new jobs created as there are jobs
filled by migrants. In other words, “migrants don’t rob jobs” — they are more likely to create than displace jobs.

We argue that the Department’s approach to advising on what occupations stay, go, are added or are moved between skilled migration occupation lists should be more weighted towards human capital development considerations and occupations that enhance this job creation effect.

Professionals, by definition, embody and apply specialised knowledge acquired over an extended period, are experienced and continually invest in their own professional development. They are, therefore, more likely to fuel this job creation effect than skilled migrants working in trades. While the skilled migration occupation lists may be an important means of addressing shortages in selective trades, the more important role the lists should serve with regards to the professions is to grow the nation’s human capital.

**Recommendation:**

That the proposed new approach to the skilled migration occupation lists be weighted towards human capital considerations, particularly in respect of the professions.

**The broader economic benefits of skilled migration**

The discussion above evidences the importance of skilled migration to the nation’s human capital development. This is one of a number of ways that skilled migrants have served to bolster Australia’s economic fortunes. Two other ways are via the skilled migration-international education nexus, and by facilitating Australia’s engagement in the global economy. As the discussion that follows evidences, these are strong and important relationships. It would appear, however, that neither of these relationships have been taken into consideration in the Department’s proposed methodology.

**The skilled migration – international education nexus**

International education is a large and growing export sector. It is Australia’s third ranked export earner, contributing $22 billion in earnings in 2016. Most of those earnings - 69% - are from higher education.

Any methodological approach to skilled migration needs to reflect the reality that many prospective international students factor the prospect of working and living in Australia into their choice of study destination.

Based on a survey of over 4000 internationally mobile students’ motivations for choosing where they studied, the desire to work in the destination country after graduation was fourth ranked, and the visa situation eighth.³ Both motivations have increased in significance since the survey was first undertaken in 2009.

Honing in on Australia, a study by Deakin academics found that post study migration opportunities are a major factor behind choice of study destination by international students of accounting, engineering and nursing.⁴ Employment opportunities and the desire to gain international work experience are the main

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reasons participants cited for remaining in Australia after graduating. Uncertainty in the composition of the skilled migration occupation lists, and in particular the move to a six-monthly review cycle, will destabilise the recruitment of international students and will quite probably result in the best and brightest of them not even considering Australian higher education providers for their study.

**Recommendation:**
That the proposed new approach to the skilled migration occupation lists is whole of government and takes into account the implications of any changes on international education.

Facilitating engagement in the global economy as its centre of gravity moves east

The centre of economic gravity is shifting east. Strong economic growth in China, India and South-East Asia will continue as will their global importance.

The eastward shift in economic gravity creates huge opportunities given Australia’s geographic proximity to where this growth is occurring. However, as the centre of economic gravity shifts, Australia’s success will be based on choice, not chance.

Compare the source countries of future growth with the profile of skilled migrants from just one occupation on both the skilled migration occupation lists – accountants. In the piechart below, China and India are shown to account for 44 per cent of the permanent skilled migration of accountants. Both countries now rank well ahead of the United Kingdom. Other South Asian nations, Nepal and Bangladesh, are also large contributors.

This is a positive for Australia as skilled migrants facilitate networks and trade with growth economies. They also provide Australia with the cultural and linguistic diversity to transact and do business with these economies. To make decisions about the place or otherwise of an occupation on the skilled migration occupation lists without taking into account considerations such as these risks undermining the success of Australia’s engagement in the global economy.
An uncertain and destabilising approach

The review of what stays, goes, is added, or moved between skilled migration occupation lists, is now planned to occur on a more frequent six-monthly cycle. While this appears to be driven by a desire to be more agile and responsive to changing labour market conditions, the potential for significant change, and the increased frequency of this potential, risks prospective high quality skilled individuals electing to migrate elsewhere.

The table below illustrates the outcomes and experience for accountants. This has included:

- changes in maximum number of accountants that can migrate under independent pathways each year;
- the removal and reapplication of a ‘flag’ indicating the heightened level of scrutiny of labour market conditions for accountants and signalling the risk of future removal;
- machinery of government changes, such as responsibility for review of the skilled migration occupation lists moving between agencies and departments; and
- the persistently late communication of review outcomes.

### SOL/MLTSSL outcomes and experience for accountants

<table>
<thead>
<tr>
<th></th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
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<tr>
<td>Occupational labour force (000s)</td>
<td>164.1</td>
<td>171.2</td>
<td>193.0</td>
<td>188.1</td>
<td>189.1</td>
</tr>
<tr>
<td>Occupational ceiling (share of occupational labour force)</td>
<td>6%</td>
<td>3%</td>
<td>1.3%*</td>
<td>1.3%*</td>
<td>2.5%</td>
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<tr>
<td>Occupational ceiling (cap)</td>
<td>9720</td>
<td>5478</td>
<td>2525</td>
<td>2500</td>
<td>4785**</td>
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<tr>
<td>Actual</td>
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<td>5053</td>
<td>2225</td>
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<td>mid June</td>
<td>end June</td>
<td>towards end June</td>
<td>end June</td>
</tr>
</tbody>
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**Note:**
* Derived by dividing the occupational ceiling by the occupational labour force.
** Subject to pro rata arrangements (refer http://www.border.gov.au/Trav/Work/Skil#tab-content-3)
The recurring risk that accountants may be removed from the MLTSSL, and previously the Skilled Occupation List (SOL), creates uncertainties for students, education institutions, employers and assessment authorities alike. At a minimum this frustrates effective planning. Here we can draw on our own experience as assessment authorities. The current system provides no time for a return on investment for assessment authorities to upgrade their infrastructure when government relies upon these authorities as partners in ensuring the quality and authenticity of the pool of skilled migrants.

At worst, the recurring risk of removal may incentivise some of the best and brightest students and migrants to pursue opportunities in competitor markets, thereby undermining Australia’s human capital development and future growth potential. Historically this has been an annual frustration. The intent to review the skilled migration occupational lists on a six-monthly cycle makes it doubly so.

The intention of using a traffic light approach, furthermore, will send confusing signals to an already jittery market. The potential for confusion and misinterpretations of the different coloured lights risks perverse and unintended behaviours. An amber light, for example, could fuel a flood of applications from prospective migrants from the impacted occupation as they bring forward plans before a window closes. Alternatively, it may cause international students to switch between fields of education. Both behaviours have been observed in the past when false rumours regarding changes to accountants’ place on the SOL have gained a foothold.

CPA Australia and Chartered Accountants ANZ have long argued against an approach to skilled migration where the potential for dramatic change at short notice is great. We have consistently called for a reformed approach where the flow of skilled migrants for each occupation is governed by adjusting a points threshold up or down based on labour market conditions and other relevant considerations. Our contention was, and continues to be, that this alternative is simple, flexible, provides more certainty for all, and lessens the regulatory burden.

Such an approach also facilitates more emphasis being given to the human capital development objective of skilled migration, subject to what characteristics attract points. That is, if the threshold number of points means that only the best and the brightest are eligible to migrate, it is irrelevant if the numbers attracted who surpass that threshold are large given the arguments above regarding the likelihood of a positive dynamic that will positively impact labour market conditions.

This proposal has been tested with and received the seal of approval of Applied Economics who in their advice to the professional accounting bodies concludes that a “scheme that allows smooth transition to a sliding point scale rather than delivering an ‘on-off’ effect will support more nuanced, reliable and well-focused policy.”

**Recommendation:**

That the proposed new approach to the skilled migration occupation lists, if revised in the manner proposed here, is used to inform a policy response of adjusting a points threshold up or down to curb or encourage (rather than stop or start) the flow of independent skilled migrants from listed occupations.

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2. Methodology – the detail

Given the Department’s stated intention to review all occupations on the two skilled migration occupation lists and the proposed six-monthly cycle of review, the allure of a seemingly objective and automated methodological approach is understandable. However, an approach that for each listed occupation assigns points to data outcomes, sums the points, then divides the total by an occupational-specific number, does not bode well for an informed approach to skilled migration.

Skilled migration policy should be informed by an understanding of:

- the labour market for each occupation;
- the transferrable skills and/or adaptability of skills in each occupation; and
- what underlies observed data outcomes.

What is not clear from the consultation paper is what elements of the previously employed methodology will be carried over. We share our advice on what should stay and go under the final header in this section.

Occupational labour markets

Occupational labour markets are often segmented markets. Different market dynamics may apply not only on the basis of location (we acknowledge that there is an intention to take this into account), but also on other bases, such as speciality, experience and seniority. This means that observations with respect to one segment cannot safely be assumed to extend to the whole. Yet that is the implied assumption in the Department’s proposed methodology.

The Department of Employment’s recent labour market analysis for accountants helps to illustrate this point. There it is concluded that there is no current shortage of accountants in Australia. Amongst the evidence base supporting this conclusion is media commentary to the effect that graduates of accounting are struggling to find work, particularly international graduates. While there are grounds for challenging that conclusion (see discussion in the next section about graduate outcomes), even if we accept this to be true, it does not support a conclusion of no shortage. The graduate entry level is not where the most significant recruitment difficulties and shortages are manifesting. Finding experienced people to fill mid to senior tier roles is where employers struggle most. The practices of some, such as offshore outsourcing, have only served to exacerbate this situation, as it has meant that employers have hampered their own ability to develop talent and promote from within. While this is causing employers to rethink their recruitment strategies, it has also necessitated including skilled migrants in those strategies.

In the absence of understanding the dynamics of the different segments of occupation specific labour markets the risk is that too often the wrong conclusions will be drawn from the observed data.

The underlying stories behind observed data

The example discussed above points to a broader issue that, by itself, observed data outcomes provides a poor basis for decision making. What matters is what underlies and drives those outcomes. The following provides a further example to hammer home this point. The discussion in the next section on data issues raises even more.

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This example draws again from the Department of Employment’s analysis of the current labour market for accountants. The chart below is another part of the evidence brought to bear to support a conclusion that there is no current labour market shortage for accountants.

**Proportion of vacancies filled (%), average number of applicants and suitable applicants per vacancy (no.), Accountants, 2007 to 2017**

![Chart](image)


When Applied Economics looked at the equivalent chart from the 2016 analysis they cautioned against the conclusion reached, stating that:

“... just as importantly, these data suggest that, while the aggregate number with accounting qualifications may exceed the number of jobs, it can be inferred from the data ... that there are considerable shortages of people with the right mix of skills and experience that employers require.”

If the proposed method of calculation takes the data at face value, leading to the removal of accountants from one or both of the skilled migration occupation lists, this would only serve to make worse an already dire situation.

**Recommendation:**

That the proposed new approach to the skilled migration occupation lists is undertaken by experts who understand the dynamics of listed occupational markets, and does not utilise a one-size-fits all basis for calculation.

**The previous approach**

The consultation paper states that the Department’s new proposed approach will adopt elements of the Skilled Occupational List (SOL) methodology, including the “long lead time” definition.

CPA Australia and Chartered Accountants ANZ support the inclusion of this element of the previous approach as it preferences occupations with specialised skills, as measured by the number of years

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required for completion of qualifications. As pointed out above, professionals, such as accountants, embody and apply specialised knowledge acquired over an extended period, are experienced and continually invest in their development. They enhance the human capital of the nation and possess skill sets that may be widely applied or adapted within the labour market.

An element of the previous approach that should be dispensed with is the requirement that the majority of migrants who train within a particular field of education are employed within narrowly defined roles connected with those fields. That is, the presumption that all who study accounting should wind up as accountants. The reality is that our members, CPAs and CAs, work in diverse roles across all sectors and utilise their accounting skills in ways not recognised by the current siloed approach to defining occupations. They variously hold leadership, management, business, finance, banking, investment, analytical and many other roles within all organisation types. Some are entrepreneurs, venturing out on their own. More than any other generation that has gone before, Generation Z, aspire to be their own bosses, run their own businesses and contract their services on a project-by-project basis in the peer economy. Accounting provides a firm foundation for their success.

Recommendations:
That the proposed new approach to the skilled migration occupation lists:

- continues to give preference to occupations with “long lead times”; and
- dispenses with the requirement that the majority of migrants who train within a particular field of education are employed within narrowly defined roles connected with those fields.

3. Data issues

Data issues associated with the proposed new approach are that:

- there is little proposed that provides insights into the future labour market situation over the medium to long term;
- no account is taken of factors impacting future occupational labour supply;
- missing is intelligence on what is driving occupational labour demand and supply; and
- there are issues with some of the proposed data sets.

Expectations over the medium to long term

CPA Australia and Chartered Accountants ANZ support factoring in the Department’s own five-year projections of occupation specific employment. The employment of accountants is projected to increase by a strong 6.9% over the five years to 2022. This intelligence is of particular relevance to the MLTSSL which, by definition, concerns itself with pre-empting and addressing the labour market situation expected to manifest over the medium to long term.

Historical data or descriptive statistics regarding the current situation is arguably of limited value, as neither are good predictors of the future.

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Where the labour market for accountants is concerned, data and information that provide a better lens to the future include:

- the analyses and projections of others;
- commencements, enrolments and completions of programs of accounting, as this provides a sense of upcoming changes to the future supply-side situation (refer next); and,
- intelligence on the drivers of occupational labour demand and supply (refer discussion following the next).

With regards to the first point, valuable sources are the reports of industry experts (such as IBIS World), contracted research (such as the Applied Economics analysis), and the intelligence of recruiting agencies who have their ear to the ground.

Recommendation:
That the proposed new approach to the skilled migration occupation lists takes into account further data and intelligence that provide insights on the future occupational labour market situation, particularly with regards to the MLTSSL.

Future occupational labour supply

The future labour supply of any occupation will be impacted by:

- new entrants into the occupational labour force - graduates of programs of accounting, movements to accounting from other occupational groupings as people reskill, and migrants; and
- exits from the same – emigration, movements away from accounting to other occupations, and death.

The case study of accountants provides a compelling illustration of the importance of the supply side. While the trajectory of accounting graduates points north, this has everything to do with the numbers of international students studying accounting and nothing to do with domestic student numbers. More than two out of every three graduates of accounting are from overseas. This ratio will grow as international student enrolments have been increasing while domestic enrolments have flatlined. Even if there were no current shortage of accountants, a future shortage would be the guaranteed result if accountants were to come off the MLTSSL, as internationally mobile students either switch fields of education or choose to study accounting elsewhere.

To take into account only the demand side and not what is happening on the supply side tells only half the story.

Recommendation:
That the proposed new approach to the skilled migration occupation lists takes into account data and intelligence that provide insights on the current and future labour supply for listed occupations.
Future occupational labour market intelligence

Projecting the future labour market situation of any occupation necessitates an understanding of what the labour demand and supply drivers are.

The demand for accountants, for example, is a function of economic conditions, changes in the regulatory environment, and technological advancements. Historical trends are poor predictors of the future if, for instance, new legislation requirements for sustainability reporting generates a step up in the demand for accountants.

Recommendation:
That the proposed new approach to the skilled migration occupation lists takes into account the factors driving the future demand for and supply of people in listed occupations.

Data quality

The discussion in the previous section raises issues with regards to the data and interpretation of same used in the Department’s skills shortage analyses.

Another area where CPA Australia and Chartered Accountants ANZ advise the need to tread carefully regards graduate outcome data.

Where international graduates of Australian accounting programs are concerned, graduate outcome survey data is an unreliable indicator. The number of international students captured in this survey is small. Further, given that the survey asks for employment outcomes to be indicated within only four months of completing the requirements for their qualification, the outcomes for international students who return home for a period may be misleadingly low. When two in every three accounting graduates are international graduates, these are significant shortcomings.

How the graduate outcome data is interpreted matters. Too often the focus has been on the trajectory only, which for accountants has been heading south. The analysis should also take into account:

- the relativities. That is, how the graduates of one field of education fare relative to the rest. In the chart over the page on the left the trajectory for accounting graduates lies consistently above the same for graduates of all fields of education in all years shown.
- all roles and not just whether graduates have secured full time employment. As evidenced in the chart over the page on the right, the decline in full time roles secured by accounting graduates witnessed since 2008 is in large part offset by growth in part time and casual work. During the GFC this may well have been a consequence of the cautionary behaviours of employers. In the current environment it is more likely to reflect the increasing demands of employers for project specific engagement and the high ratio of part time to full time positions in new jobs.¹⁰
- further study, which is the immediate future preference of many graduates who wish to gain an edge when they eventually do choose to join the labour market.

¹⁰ For example, employment rose by a net 19,800 positions in September 2017, most of which (up 13,700) were part time. ABS, Labour Force, Australia, Sep 2017. http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0
Recommendation:

That the proposed new approach to the skilled migration occupation lists treats with caution data on the outcomes of graduates from different fields of education and examines the fuller picture and considerations of particular relevance to each field.

4. Who to contact

CPA Australia and Chartered Accountants ANZ appreciate that the Department will wish to refine its proposed new approach with some urgency, particularly given notification that the review of occupations on the lists is to commence shortly. We stand ready to constructively assist; we are happy to clarify or elaborate on any of the points made in this submission, and to discuss with you how to pragmatically move forward. Key points of contact at each of the professional bodies are Jasonne Grabher, Head Education Policy, CPA Australia (✉ jasonne.grabher@cpaaustralia.com.au, ☏ 03 9606 9933) and Mark Rice, General Manager Commercial, Chartered Accountants ANZ (✉ mark.rice@charteredaccountantsanz.com, ☏ 02 9290 5522).