

26 March 2021

Committee Secretary
Joint Standing Committee on Migration
PO Box 6021
Parliament House
Canberra ACT 2600

Submitted online: https://www.aph.gov.au/Parliamentary_Business/Committees/OnlineSubmission
And via email: migration@aph.gov.au

Dear Madam / Sir

Inquiry into Australia's skilled migration program – part 2 of 2

Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia represent more than 300,000 accounting and finance professionals in Australia and around the world. We make this submission on behalf of these members and in the public interest. Our members work in and support the viability and growth of individuals and businesses in all sectors of the Australian economy.

In our view skilled migration is critical to the nation's future prosperity and growth. As Australia looks to rebuild, this will have even greater importance.

Arguably, Australia's approach to skilled migration has led the way and many other nations have sought to emulate what we do. However, it is important that Australia acts to continue to enhance, transform and future-proof its approach to skilled migration.

CA ANZ and CPA Australia believe that Australia needs to focus more on the quality of skilled migrants and less on their quantity. The following discussion and recommendations are relevant to items 1, 1(b), 3 and 6 of the Inquiry terms of reference, which deal with the objectives, structure and levers of the skilled migration program.¹

If you require further information on the views expressed in this submission, please contact Simon Grant, Group Executive – Advocacy and International at CA ANZ on [REDACTED] or Dr Gary Pflugrath, Executive General Manager, Policy and Advocacy on [REDACTED]

¹ Our first submission to the Inquiry focused on items 1(a) and 2 of the terms of reference. In that submission we recommended changes that should be implemented immediately within the confines of current skilled migration policy settings as Australia and the world tackles a pandemic, as well as urgent action to ward off further deterioration of an ailing talent pipeline - international students. Changes to the minimum annual salary threshold and funding agreement requirements were also recommended for Australia to remain internationally competitive in attracting entrepreneurs, venture capital, start-ups and the best and brightest migrants.

Case study: economic contribution of migrant accounting and finance professionals

The umbrella purpose of Australia's skilled migration program is to attract migrants who make a significant contribution to the economy.² Item 1 of the terms of reference asks whether the program is advancing this intended end. We believe that it has and offer the following case study to highlight the contribution of migrant accounting and finance professionals.

Importantly, while agreeing that the program has achieved its end, it does not mean that the contribution of skilled migrants could not be greater.

Migrant accounting and finance professionals have grown the economy with jobs created through the three Ps (3Ps) described in the Intergenerational Report – Population, Participation and Productivity.³ The table below compares their contributions to each P with that of the general population.

Contribution of accounting and finance professionals to the 3Ps

	Population	Participation			Productivity	
	Share of population aged 18-44	Unemployment rate	Labour force participation rate	Average weekly hours worked	Share with a Bachelor degree or above qual	Average weekly earnings
General population ¹	37%	6.5%	66%	35 - 39	26%	\$650-\$799
Migrant accounting professionals ²	89%	0.0%	100%	37.8	93%	\$1250-\$1499

Sources: Derived using 1. Australian Bureau of Statistics (ABS) Census 2016 and 2. ABS Australian Census and Migrants Integrated Database 2016 accessed through Tablebuilder.

Notes: With the exception of the population measure, for the purpose of comparability, the measures are for general and migrant populations aged 18 and over. Migrant data is for primary applicants only. Accounting and finance professionals are defined as Finance Managers, Accountants and Auditors, Company Secretaries and Corporate Treasurers.

The table shows that, with respect to population: most migrant accounting and finance professionals are of prime working age. This helps counter the effects of withdrawals from Australia's labour pool due to retirements as the local population ages. It suggests that such migrant professionals are more likely to provide a fiscal boost than a drain.

Migrant accounting and finance professionals have high rates of labour force participation and low rates of unemployment. While the reality is perhaps not as strong as the data in the table suggests, due to the suppression of small numbers, they are nevertheless impressive data.

In terms of the significance of migrant accounting and finance professionals to Australia's productivity, the table shows that they are well educated and support business. Most migrant accounting and finance professionals hold a Bachelor or higher level of qualification. Also, earnings provide a proxy measure of the combined impact on productivity of migrant accounting and finance professionals. Theoretically, migrants' high levels of education, global networks, and centrality to the survival and

² See <https://immi.homeaffairs.gov.au/what-we-do/skilled-migration-program>

³ Commonwealth of Australia (2012) 2015 Intergenerational Report Australia in 2055. Refer Chart 1.1 and accompanying explanation on p 3.

growth of businesses should position them well to command high wages. The final column of the table shows the earnings outcomes for migrant accounting professionals relative to the general population.

Furthermore, there are other key points to note. Nearly half (45 percent) of accounting and finance professionals residing in Australia were born outside of the country.⁴ This means that, in addition to growing the businesses in which they work, through their accounting and finance expertise they can help businesses grow by leveraging their networks in their home and neighbouring countries. In particular, businesses who value and make good use of the cultural and linguistic capabilities of migrant workers are more likely to capitalise on the forecast strong return to growth in the region.⁵ Asian nations are the birthplace for over a quarter (26 percent) of accounting and finance professionals in Australia.⁶

Finally, in our first submission to the Inquiry, we highlighted that accounting and finance professionals have played a critical role in aiding business survival during the lockdowns and positioning businesses to thrive as restrictions are lifted. We support the advice in the Committee's interim report that the list of occupations on the Priority Migration Skilled Occupation List be expanded to include occupations critical to Australia's economic recovery. We urge that Accountants be added to that list. Since our first submission was made we have heard from a significant number of our members and other stakeholders that they are struggling to recruit accounting and finance professionals to vacant roles. These challenges are being experienced by a range of professional accounting firms, from the Big 4 through to small and medium sized firms.

Recommendation:

That, as a matter of urgency, prioritise the migration accounting and finance professionals, given the critical role they play in Australia's recovery and growth.

The potential for skilled migration to play an even greater part in Australia's growth

There is much that is good about Australia's approach to skilled migration. Not in the least is its historical preferencing of skilled migrants, people of prime working age, and highly credentialed and experienced workers.

Item 1(b) of the terms of reference invites views on changes to the current migration program. We propose five reforms designed to maximise the economic contribution from skilled migration, which is critical in an environment where Australia competes with other nations for the best and the brightest from around the globe. They are:

- once COVID-19 has been determined to have been brought under control, adopt a quality approach to migration, in place of the current approach of cascading quantity constraints;
- place greater weight on prospective migrants' potential to contribute to the nation's human capital development;
- shift the focus from occupations to the skills judged important to grow a competent and agile labour force suited to an unknown future of work;
- recognise and reward shorter form credentials alongside traditional formal qualifications; and
- avoid measures that colour prospective migrants' views about where within Australia they settle.

⁴ ABS Census 2016.

⁵ The World Bank's latest projections are that in 2021 GDP in China and will grow by 7.9 percent and 5.4 percent, compared to global growth of 4.0 percent. See World Bank (2021) Global Economic Prospects, January.

⁶ ABS, *op cit*.

Quality approach to migration

The current approach to permanent migration planning each year can be characterised as a series of cascading quantitative constraints – from the overall planning level, to how this is divided by streams, through to how this impacts visa pathways by occupation.

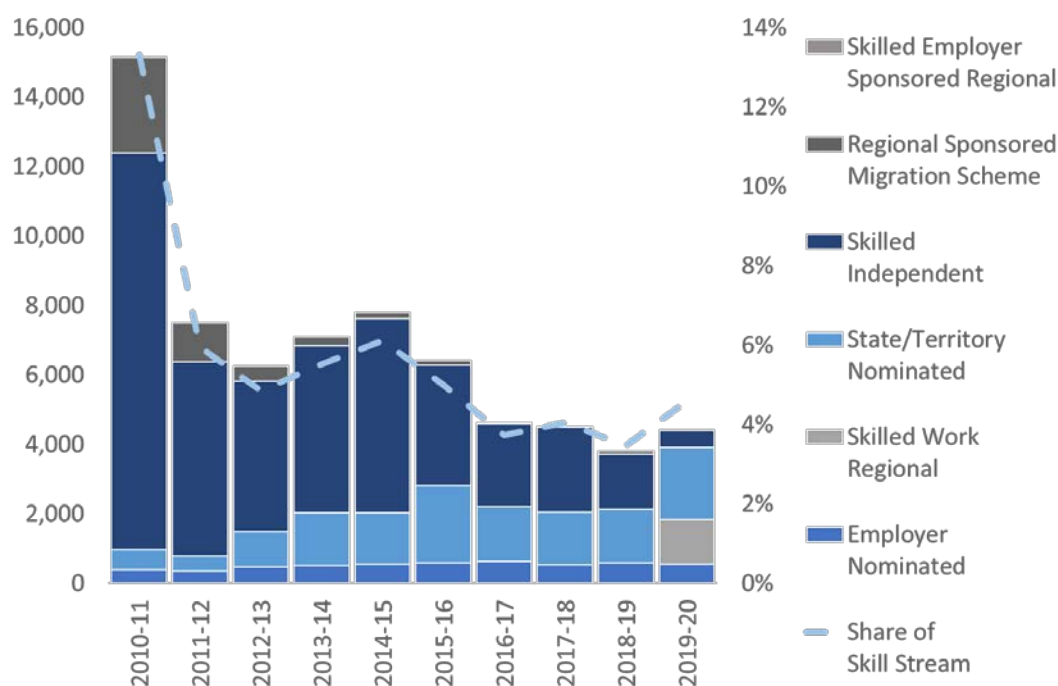
Over time, skilled migrants have increased their share of the permanent migration mix and, since the early 2000s, have accounted for around two thirds of the total. The reasoning – which is sound – is because they are more likely than other streams of migrants to contribute to Australia's future growth.

In more recent years, however, skilled migrant numbers have declined in concert with the reduction in the overall migration planning outcome. This is a result of a cascading quantities approach: it constrains the talent Australia can attract and the associated growth opportunity.

The decline is set to get worse in the current financial year as skilled migrant numbers were sliced to just under half of the overall planning level, as capacity was transferred to accommodate the large backlog of unprocessed migration applications from families already in the country.⁷

Cascading quantitative constraints have disproportionately impacted the permanent migration of accounting and finance professionals. From a peak of 13 percent of the total permanent skilled migrant intake in 2010-11, their share fell to between five and six percent up until 2015-16, before falling to 3.5 percent in 2018-19. Most of this reduction is attributable to the progressive lowering of the occupation ceiling for the Independent Skilled migration of Accountants. This was ameliorated only fractionally by the diversion to other visa pathways.

Permanent migration of accounting and finance professionals



Source: Department of Home Affairs (2020) Special data request.

Note: The permanent migration of accounting and finance professionals shown here is the sum of ANZSCO categories Accountants and Auditors, Company Secretaries and Corporate Treasurers.

Three reasons explain why permanent migration planning can be described as a series of cascading quantitative constraints. The first is that, until COVID-19 is brought under control, the numbers that can

⁷ See <https://immi.homeaffairs.gov.au/what-we-do/migration-program-planning-levels>

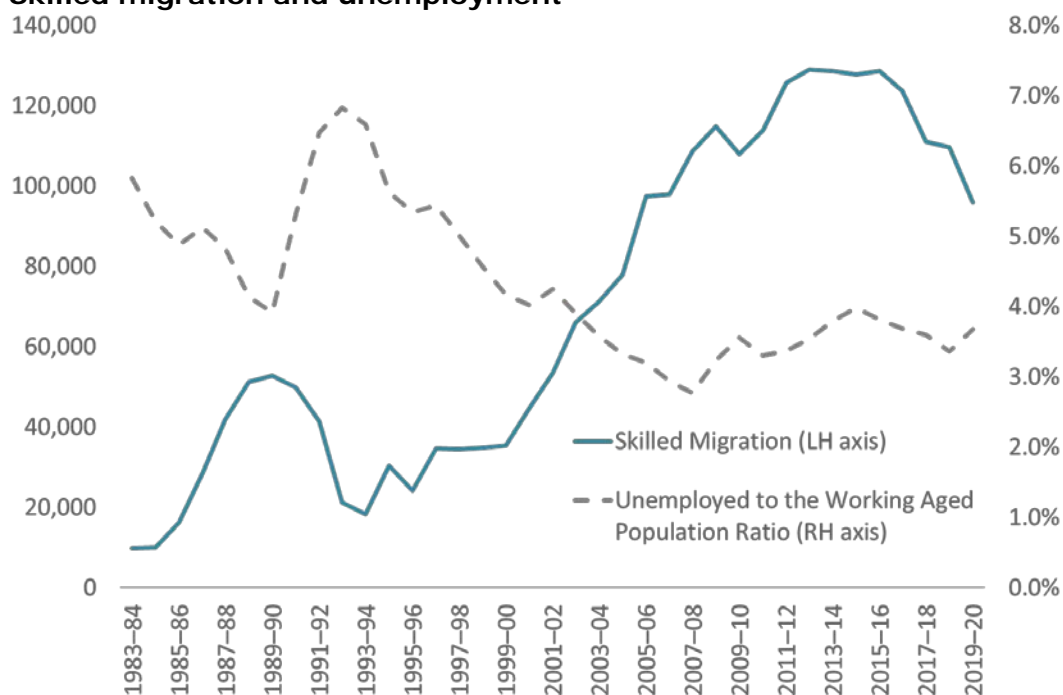
enter Australia have been dictated in a very practical sense by capacity constraints within existing quarantine facilities.

The second reason is the focus of the policy on addressing issues of population overcrowding, spiralling house prices and environmental concerns in the major urban centres. These issues seem to be driving migration policy and influencing where migrants settle.

The third is the perception that skilled migrants take jobs, which is in contrast with the evidence available. CEDA modelling demonstrates that recently arrived migrants have not had a negative impact on the wages or participation rates of Australian-born workers. To the contrary, results indicate that, in some cases, an increase in migrant concentrations in certain levels of qualification and experience is associated with a positive impact on wages and employment.⁸ This finding is consistent with previous research conducted in Australia, which shows no evidence that the entry of migrants has had a negative effect on the labour market outcomes of incumbent workers.⁹

By extension, the implication is that as long as migrants are of high quality, through their contributions to the 3Ps the likelihood is that they will create more jobs than they take. This point was powerfully illustrated in the presentation by Australia's representative to the Groningen Declaration Network's¹⁰ 2019 annual meeting. His chart, replicated and updated below, demonstrates that as the number of skilled migrants has gone up, the share of the working-age population that is unemployed has gone down.

Skilled migration and unemployment



Source: Thomason, R (2019) Attracting Global Talent, Groningen Declaration Network Annual Meeting, updated.

It stands to reason that, in a post-pandemic world, the quality of migrants will matter more than their quantity. Quantity constraints risk being economically constraining.

⁸ D'Souza, G (2020) Immigration and COVID-19, CEDA, September, p 6 (available at <https://cedakenticomedia.blob.core.windows.net/cedamediacontainer/kentico/media/researchcataloguedocuments/pdfs/ccep-labour-2020-gd-immigration-and-covid.pdf>)

⁹ Breunig, Deutscher and To (2017) The relationship between immigration to Australia and the labour market outcomes of Australian-born workers, *Economic Record*, 93(301), pp 255-276.

¹⁰ The Groningen Declaration Network consists of participants and signatories of over 29 countries worldwide who have come together for the purpose of making digital student data portability happen.

Recommendation:

That skilled migration planning adopts a quality approach in place of the current approach of cascading quantity constraints.

Future of work

It is widely acknowledged that some traditional accounting roles may be phased out as technological advances and new ways of working displace routine, highly repeatable tasks. Research commissioned by CA ANZ calculates that over the course of a decade, by 2028, 27 percent of traditional accounting jobs will disappear.¹¹ Research supported by CPA Australia finds that the impact has been greatest for roles that have historically been the preserve and steppingstone of early career accounting and finance professionals.¹²

Many accounting and finance roles are changing. CA ANZ research predicts nearly half (48 percent)¹³ will change, with so called 'stable roles' being anything but 'stable'. Titles may remain the same; expectations may not. For instance, just as advances in data analytics are underpinning rapidly emerging roles, it has become a critical element of existing roles, such as business and financial analysts. Indeed, one estimate is that two thirds of hiring for data analytical skills will be in existing jobs.¹⁴

Importantly, new roles are being spawned. CA ANZ research foresees that 22 percent of roles filled by accounting professionals over the next decade will be new.¹⁵ Research by CPA Australia, in conjunction with Burning Glass Technologies, identifies finance business partners, advisors, business intelligence analysts and data visualisation experts as rapidly emerging new roles within the profession. On the CA ANZ list are data scientists, cybersecurity architects, service delivery analysts, agile project managers, financial analysts and systems accountants.¹⁶ Apart from the obvious overlaps, what most jobs on these lists hold in common is that they blur professional boundaries. They demand agile workers with transferrable skills.

The net effect of role creations, eliminations and changes is that accounting and finance professionals are moving out of knowledge-intensive, process-oriented roles to become strategic partners that collaborate, solve problems and facilitate transformation.

The experiences of accounting and finance professionals parallel those in other professions. Pre-COVID-19, jobs in all sectors across the economy were already coming, going and morphing at breakneck speeds. The effect of COVID-19 has been to turbo-charge change and send it in directions not previously contemplated.

In other words, the future of work has never been as uncertain as it is now, and the progress of time will serve only to bring a greater lack of clarity. An approach to skilled migration premised on shortages in

¹¹ Hann, S and Bowles, M (2020) What was really happening pre-COVID19? Presentation to AFAANZ Conference, July. Note that accounting jobs are more narrowly defined here than elsewhere in this paper. Included are Accountants, Auditors, Company Secretaries and Corporate Treasurers. Not included is Finance Managers.

¹² Jackson, Michelson and Munir (2020) The impact of technology on the desired skills of early career accountants. CPA Australia.

¹³ Hann and Bowles (2020) *op cit*.

¹⁴ Sigelman, S, Skills not Jobs Pathway to Success in the Emerging Job Landscape, Presentation, Burning Glass Technologies, 2018.

¹⁵ Hann and Bowles (2020) *op cit*.

¹⁶ *Ibid*.

fixed occupations is of limited utility in this future. CA ANZ and CPA Australia recommend two key changes.

The first key change is to broaden the focus from plugging labour market gaps to promoting human capital development. The current approach is akin to driving forward while looking out of the rear-view mirror. It forces an interrogation of historical trends within existing occupation labour markets in order to identify skill shortages. While there is a place for this type of approach, it is better reserved for temporary migration solutions as, by definition, they are 'temporary'. A greater focus on human capital development is forward looking and is appropriate when migrants plan to stay. It cares less about whether prospective migrants have an immediate job to go to and an employer to back them. It cares more about their future prospects, by placing greater weight on prospective migrant characteristics that increase the likelihood that they will grow the nation's productive capacity. That is, points-based pathways should take precedence within the skilled migrant mix.

Recommendation:

That greater weight be placed on points-based pathways that test prospective permanent skilled migrants' potential to contribute to the nation's human capital development.

The second change is to shift focus from occupations to skills, which better aligns to a 'skilled' migration program.

Item 3 of the terms of reference invites perspectives on whether occupations on lists are keeping pace with the changing landscape. CA ANZ and CPA Australia do not think that occupation lists are keeping pace, and even with frequent revision, they potentially never will.

As noted earlier, jobs and roles are coming, going and morphing at an accelerating rate, and at the same time, people are changing jobs and careers at frequencies not seen before. While they may be qualified in certain disciplines, they use and extend their skills and credentials as they switch roles and exploit opportunities to continuously develop over their working lives.

CA ANZ and CPA Australia see this happening with its members. That is, while members have the advanced technical and professional skills¹⁷ expected of accounting professionals, they work in diverse roles across public practice, commerce, the not-for-profit sector, government and academia. They are not all 'Accountants' in the narrow statistical sense of the word. Indeed, our growing memberships are in large part reflective of the value members place on the designation for supporting their labour force mobility, both vertically and horizontally, within Australia and internationally.

Shifting the focus of the migration program from occupations to skills recognises the importance of a competent and agile labour force to the future of work in Australia. Done well, it can preference technical and professional skills that are transferable over multiple occupations, including those that do not currently exist.

Recommendation:

That the focus of skilled migration shift from occupations to the skills judged important to grow a competent and agile labour force suited to the evolving future of work.

¹⁷ 'Professional skills' takes on a particular meaning in the accounting profession and includes intellectual skills, technical and functional skills, personal skills, organisation and business management skills, and interpersonal and communication skills. (Refer <https://www.cpaaustralia.com.au/academics/accreditation-guidelines-for-higher-education-programs/professional-accreditation-guidelines/section-3-professional-skills-competency-areas-and-learning-outcomes>).

Future of credentialling

The current approach to skilled migration recognises and rewards (with migration points) traditional qualifications that are typically broad in scope, take a long time to acquire, and are offered by recognised education institutions. For example, for applicants to migrate to Australia as Accountants they must hold formal qualifications that are at least comparable to an Australian Bachelor degree, and evidence coverage of defined core competency areas. This approach has served Australia well historically.

However, if rigidly maintained going forward, it risks doing Australia a disservice. Increasingly, learners are preferencing opportunities to either signal skills already gained and/or to newly acquire or grow their skills in digestible chunks that support and not pause their career aspirations. Both traditional and non-traditional providers are responding to these preferences by offering shorter form credentials that verify their technical and professional skills.

The professional accounting bodies are examples of non-traditional providers adding shorter form credentials to their suite of offerings for the purpose of supporting the employability of members. The motivation is to recognise professional and academic success through globally portable micro-credentials and, thereby, unlock the potential of members and raise their employability.¹⁸ CPA Australia's micro-credentials span soft skills, technical skills, public practice or a combination, and align to its Accounting and Finance Capability Framework. A CPA Australia micro-credential is represented by a digital badge or, for a stack of micro-credentials, a digital certificate detailing skills obtained and verifying authenticity.¹⁹ Last year CA ANZ launched its Capability Model as a tool to support its members move seamlessly into emerging and new careers or modes of working. The intent is that the Model becomes the underpinning of all CA ANZ's learning and assessment offerings, including the basis upon which micro-credentials are awarded and/or recognised.²⁰

An important outcome of the Review of the Australian Qualifications Framework was recognition of the importance of shorter form credentials and the development of guidelines to support their recognition. The challenge for skilled migration policy is to likewise recognise a broader suite of credentials from both traditional and non-traditional providers.

Recommendation:

That the approach to skilled migration recognise and reward shorter form credentials alongside traditional formal qualifications.

Location matters

Location matters to prospective migrants. Several studies have pointed to quality of life and current and future employment opportunities in destination countries as major drawcards for attracting and retaining global talent.²¹ Therefore, when policies in destination countries attempt to influence the choices of where prospective migrants can settle within those countries, the risk is that high quality migrants look elsewhere. This is the risk Australia runs by attempting to direct migrants away from the major urban centres towards regional locations.

¹⁸ Hann and Bowles (2020) *op cit*.

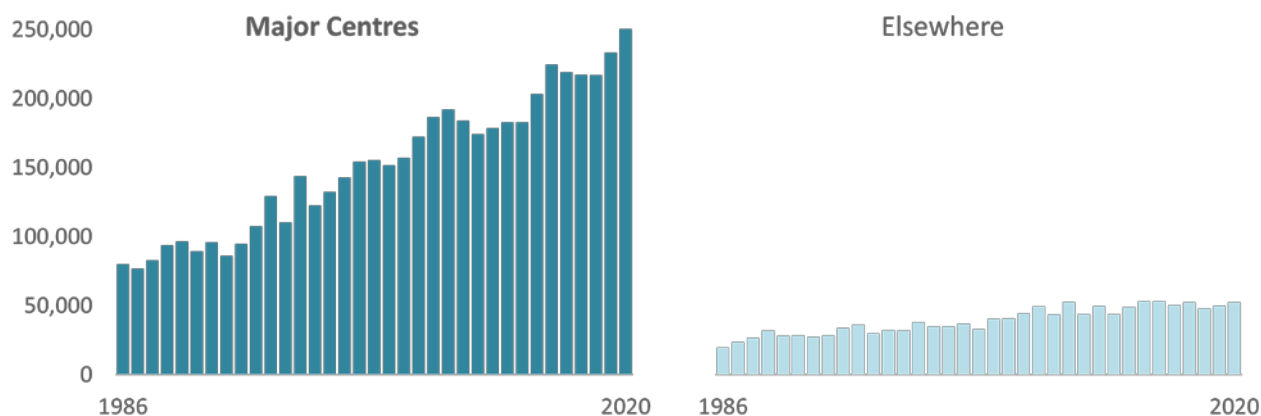
¹⁹ For more information visit <https://www.cpaaustralia.com.au/training-and-events/micro-credentials>.

²⁰ For more information on the current Model and future directions visit <https://www.charteredaccountantsanz.com/learning-and-events/learning/capability-model>.

²¹ See Tuccio, M (2019) Measuring and assessing talent attractiveness in OECD countries, OECD Social, Employment and Migration Working Papers No. 229 for a summary of past research and a relatively recent assessment of the global attractiveness of major destination countries, including Australia.

With respect to accounting and finance professionals considering Australia amongst their destination choices, prospective migrants from the profession will likely want to settle in either Sydney, Melbourne or Brisbane, simply because that is where most of the jobs are located and where job numbers have been growing. Four out of five accounting and finance professionals live in New South Wales, Victoria and Queensland. Historically, the occupation's labour market in these three states have been growing. Growth in other states and territories has been more subdued.

Figure 1 Employment of accounting and finance professionals by location



Source: ABS (2020) Labour Force Australia, Detailed.

Note: The chart on the left covers New South Wales, Victoria and Queensland. The chart on the right covers all other locations.

Given the geographic distribution and growth in accounting and finance roles, when prospective migrants face greater hurdles to migrate to major centres than elsewhere, there are three potential outcomes. The first is that a few high quality migrants might be able to muster the points necessary to gain entry and secure employment in the major centres. However, with the points threshold having risen to extremely high levels this will be very few. The second is that they are enticed by the relative ease of settling in locations outside of the major centres but struggle to find roles that put their accounting and finance skills to good use. That is, they settle for roles that fail to make best use of their talents. The third is that they turn their attention to other destination countries.

The second and third outcomes are sub-optimal from the perspective of the prospective migrant. They are also less than optimal from an overall economic perspective. That is, the contributions to Australia's productive capacity via the 3Ps from these prospective migrants will either be foregone or less than what they could otherwise be.

That said, we understand the motivations behind Australia's geographically discerning migration policies. Location matters to Australians too. As the populations of Sydney, Melbourne and Brisbane grew, residents of these cities became concerned about population overcrowding and its associated impacts. In 2019, the Scanlon Foundation, which annually surveys public sentiment on matters impacting social cohesion, reported high levels of concern for overcrowding in the big cities and the perceived impacts of migration on house prices and on the environment.²² Respondents who viewed the migration intake as 'too high' were also likely to be critical of the Government's handling of population policy. The Government has responded through measures designed to encourage migrants to settle outside of the major centres.

²² The Scanlon Foundation (2019) Mapping Social Cohesion 2019.

However, public sentiment has changed in a short time. In 2019, the majority view of respondents to the Scanlon Foundation survey (57 percent) judged that governments had managed population growth fairly to very badly.²³ By July 2020 this view was held by only a minority (37 percent).²⁴ One explanation is that encouraging migrants to settle in the regions has been well received. Another, more likely explanation, is that population pressures in the major centres have eased as more people are leaving the country than arriving, and as internal migration has been away from the major centres.

Looking first at external migration, by the middle of last year Net Overseas Migration (NOM) had slipped into negative territory.²⁵ Official projections are that NOM will fall to around -72,000 by the end of 2020-21.²⁶ Expectations that borders will remain closed until into the next financial year²⁷ suggest that there will continue to be net losses for some time yet.

Turning our attention to internal migration, over the three months to September 2020 capital cities across Australia experienced a combined net loss of 11,200 people through internal migration.²⁸ The greatest contributor to this loss was Sydney followed closely by Melbourne. While the aggregate loss is large, it continues, rather than reverses, a trend that has been occurring for some time. Sydney has recorded a net loss of population through internal migration every quarter for the past two decades. Melbourne has recorded net losses since 2017.

In other words, COVID-19 has amplified a trend where locals are seeking a sea- or a tree-change. Working from home arrangements, which many employers and employees have gladly continued post pandemic lockdowns, have made it easier for people to move away from the major centres. House prices in the regions grew by seven percent over 2020, compared to two percent growth in the capital cities, making it the first time in more than 15 years that the former has outpaced the latter.²⁹ This trend is likely to persist over the current year as more people come to realise that they “can have the best of both worlds.”

Recommendation:

That measures that distort where prospective migrants settle are avoided.

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²³ *Ibid.*

²⁴ The Scanlon Foundation (2021) Mapping Social Cohesion 2020.

²⁵ ABS (2020) Australian Demographic Statistics, catalogue number 3101.0.

²⁶ Commonwealth Government of Australia (2020) Mid-Year Economic and Fiscal Outlook 2020-21, December.

²⁷ See, for example, Snape, J (2021) International travel off the cards for 2021, coronavirus border restrictions likely to remain in place, ABC News, 18 January.

²⁸ ABS (2021) Regional internal migration estimates, provisional, Sep 2020.

²⁹ Terzon. E (2021) House prices rise with regional market outperforming capital cities, CoreLogic data shows, ABC News, 4 January.