

DRAFT

2007 Business Budget Summit

Background paper on Skilled Migration and Workforce Mobility

Is the skilled migration policy meeting the needs of business?

A case study: The Australia Accounting Profession

CPA Australia is Australia's largest professional accounting body representing over 112,000 members working in public practice, industry and commerce and the government/not-for-profit sector. Some 25,000 members work and live outside Australia, mainly in Hong Kong, Malaysia and Singapore.

CPA Australia is authorised by the Federal Government to evaluate the qualifications of persons with accounting qualifications seeking to migrate to Australia. In 2004, noticing the rapid and significant increase in the number of applications to migrate to Australia, CPA Australia commissioned research by Dr Bob Birrell, Monash University to prepare a report on *Migration and the Accounting Profession in Australia* which was published in May 2005. A subsequent extension to this report, *The Changing Face of the Accounting Profession in Australia* was released in November 2006. This case study has been prepared from these publications.

As evidence of shortages of accountants in Australia has emerged, the Australian Government has moved to increase the supply of migrant accountants and other skilled occupations where shortages are evident. The skilled migration program has increased and has targeted its selection criteria towards the recruitment of professionals and tradespersons where there are skills shortages. Accounting has been listed on the Migration Occupations in Demand List (MODL) since September 2004. This listing leads to the allocation of additional points on the selection scale for persons applying under the occupation category of professional accountant.

The impact of the Australian skilled migration policy on the accounting profession has been significant. Australian universities who teach accounting are accredited by the professional bodies. Universities reported to CPA Australia a rapid annual increase in the number of international students selected to study accounting since 2001. This was directly correlated to the Skilled Independent Visa category introduced in 2001 which allowed additional points for Australian education and exempted applicants from the requirement to have one year of work experience in the relevant profession. This meant that international students who graduated from Australian universities could stay in Australia and apply for a Permanent Residence visa without needing a job offer or sponsorship of a relative. This policy change has had a defining impact.

In 2001-02 there were 927 visas issued to former overseas students who applied **onshore** in Australia. This rose to 6,506 in 2005-06. Accountants with permanent residence status upon arriving in Australia almost doubled from 1,787 in 2001-02 to 3,214 in 2005-06. These applicants had applied **offshore** and were subject to the work experience requirements. Applicants who applied onshore in Australia were allowed an advantage in that the 1 year relevant work experience requirement was waived and additional points were allocated for Australian tertiary education. The rationale for this was that international students who had graduated from Australian universities would be proficient in English, and would be trained in the local business context.

DRAFT

The numbers of domestic accounting graduates in Australia has remained relatively static despite demand for university places. This is because of the federal government higher education funding system which has not prioritised additional places to accounting and business degree programs. Dr Birrell reported that in 2005-06 there were approximately 6,500 domestic accounting graduates and 11,000 migrant accountants,

Currently, Accounting as a professional category is the largest single occupational category under the Australian skilled migration program. There is strong evidence of a direct causal relationship between the skilled migration program and the rapid increase in international students choosing accounting as a fast track to an almost guaranteed migration outcome. In 2005-06, of the 6506 permanent residence visas issued to those who applied onshore in Australia, 48% or 3,152 of the applicants were born in mainland China.

The country of origin of the migrant accounting workforce raised questions about the extent to which overseas born accountants from non English speaking backgrounds possess the communication skills, occupational experience and technical skills employers are looking for. This is an important question, when more than half of the growth of qualified accountants is currently coming from Asian and other non English speaking countries.

Is there a brain drain of accountants in Australia?

It is inevitable that there will be net losses of Australian residents in all occupations when those who travel and work overseas do not return. However losses are only serious if they constitute a high proportion of highly trained persons and are not replaced by immigration. In the Australian case the loss in the accounting professional in 2004-05 was equivalent to 1.1% of the employed accounting workforce in Australia. The net gain to the workforce of employed accountants from immigration and international students who stay in Australia was equivalent to about 5.6%. So there is not in fact a brain drain in the accounting profession.

The job market for Accountants in Australia

There continues to be high demand for accounting and finance professionals to meet the business needs generated by the Australian economic boom. There is high demand at the graduate entry level and the financial manager level. In this climate it might be expected that migrant accountants including former international students recently graduated, would readily find professional positions. Unfortunately this is not the case.

According to a recent review of the accounting labour market prepared by recruiting firm, Ambition (2006), migrants seeking positions at financial manager level struggle to compete with local applicants. Australian employers look for local experience or equivalent CPA or CA professional status. There is no problem with the level of technical skills or work ethic of migrant accountants. The issue lies with communication skills and the capacity to work productively with clients and colleagues.

Skilled migration policy review

In 2006 the federal government conducted a review of the skilled migration program. CPA Australia made a submission to that review based on their research findings and the trends observed in the CPA Australia membership. The government endorsed key recommendations of the review, specifically concerning English language skills required for migration selection.

The recommendations were based on evidence that the communication skills and English language proficiency of many migrants did not reach the level required for professional level appointments in Australia. In particular, Chinese born accountants, including those trained in Australia, were often severely disadvantaged.

Changes effective from 1 September 2007 will result in a reduction in the number of accountants gaining permanent residence visas. The overall points level has been raised, with applicants needing a significantly higher English language test score (IELTS 7.0) or for recent completion of at least 12 months skilled Australian work experience in their nominated occupation or a closely related occupation, or having completed a professional year such as the CPA Program.

CPA Australia's role in assisting employers

In response to the difficulties experienced by migrant accountants and the skills shortage reported by employers, CPA Australia saw it had a role to play in assisting its Associate members into professional positions in the Australian workforce. A pilot program was launched in 2006 to assist migrant members to develop work readiness skills and gain Australian work experience.

The Career Transition Program is funded by the Victorian State Government and developed and administered by CPA Australia. The objectives of the program are to bridge the gap between the skills needs of employers and skilled migration, and to provide generic skills training to enable migrant accountants to work in the Australian business context. A feature of the program is to fund paid work experience, which gives employers an opportunity to recruit candidates for work experience positions which could lead to permanent positions.

Outcomes of the Career Transition Program pilot

The Career Transition Program pilot has been very successful, with a majority of participants currently in work placements or in ongoing employment. Others have found contract work and are continuing with their CPA Program studies.

The success stories include a participant who was stacking supermarket shelves, and is now commencing a 3 year Graduate Program. He was one of three accountants selected to do the Graduate Program, from 190 applicants.

Participating employers have included:

- Small businesses where those with hiring power are committed to recruiting 'outside the boxes'.
- State government departments which have identified recruitment and retention issues that they wish to address.
- Monash University and Melbourne Water also offered placements.

DRAFT

CPA Australia is now receiving queries from numerous employers who were seeking qualified and experienced accountants. Future directions for the Career Transition Program involve mapping of employer needs and requirements and feeding this into the internal vetting process. There is a need to reach out to employers to educate them about the successes of this pilot and to develop their ability to react to the changed recruitment environment in this era of skills shortages.

It is clear that many Associate Members who have migrated to Australia and are searching for employment in their field are not job ready. Therefore, ways in which to educate the broader Associate Membership of the importance of being job ready are being activated i.e. developing business communications skills, and familiarity with Australian workplace environment. To date members are being sent details of low cost, quality "Skills for Migrant Professional" courses offered by Polytechnics. These courses do offer placements but we need to investigate the impact of these placements on ongoing employment outcomes. Anecdotal evidence suggests that such courses contribute greatly to the rebuilding of confidence in professionals who access these courses.

Summary key points

1. There is a direct correlation between the Accounting occupation being listed as an Australian priority for skilled migration, and demand for university courses in Australian universities. This resulted from a different set of criteria for permanent residence for foreign nationals with Australian qualifications making it easier to apply for skilled migration and stay in Australia once graduated.
2. Australian employers are reluctant to employ migrant accountants from non-English speaking backgrounds as their communication skills are found to be lacking even when English language proficiency score has been met.
3. Additional communication skills training needs to be provided for skilled migrants from non-English speaking background. The Australian Federal Government does not, at this time, fund transitional skills training for skilled migrants. The Victorian State Government funded a successful pilot work experience program with CPA Australia to assist skilled migrants into professional positions.
4. Recent changes to the skilled migration policy effective from 1 September 2007 will result in a reduction in the number of accountants gaining permanent residence visas. The overall points level has been raised, with applicants needing a significantly higher English language test score (IELTS 7.0) or for recent completion of at least 12 months skilled Australian work experience in their nominated occupation or a closely related occupation, or having completed a professional year such as the CPA Program or the CA Program.
5. There remains a skills shortage of professional accountants in Australia despite high migration levels. There is a lack of support by Government and business to invest in careers transition training needed to bridge the gap in communication skills.

DRAFT

6. It remains a difficult road for a migrant professional accountant from a non-English speaking background to gain appropriate employment for their skills and experience in Australia.

DRAFT

New Zealand Skilled Migration and Workforce Skills Shortage

Characteristics of the New Zealand skills shortage

The New Zealand workforce has long suffered from the departure of young, university educated people to explore the world. Traditionally 25-30 year olds departed for the United Kingdom. What has changed in recent years however, is the duration of their absence. In the previous generation, the overseas experience was largely a time to travel and work was casual. Now it is common for young New Zealanders to stay away longer and work in their chosen profession to further their careers overseas. This has been assisted by a change in the British immigration policy which makes it possible to extend a working visa once in employment.

The impact of the outgoing migration trend on the accounting profession and New Zealand business has been to exacerbate the skills shortage at the level of Financial and Management Accountant. At this level, typically reached by a newly qualified CPA/CA professional with up to 3 years working experience, there is an increased number of compliance positions due to a more complex regulatory framework.

Another gap has opened up. Senior professionals who have stayed overseas for some considerable time now find it difficult to re-enter the workforce in New Zealand. This is largely because of the smaller market and because their experience may be so specialised that such roles don't exist in New Zealand companies. When suitable roles are not found it is likely that they either return from where they came, or move to Australia.

Overseas students

Recruitment agencies report* that overseas students studying at New Zealand universities have very little opportunity for professional employment and permanent residence once they have graduated. This is a universal experience for all graduates, not only accounting and commerce graduates. Overseas students automatically qualify for a 6 month work permit once they have completed their degree. While 6 months would normally be a reasonable time period to secure a job, there is such intense competition for graduate positions that overseas students are at a disadvantage.

The vast majority of overseas student graduates are from China and Korea. Many lack the English and business communication skills needed. New Zealand employers are likely to favour applicants who are residents. Overseas student graduates who are unable to secure a job within 6 months must then return to their country of origin.

Overseas qualified professionals

The Work to Residence visa is available for people who are either in New Zealand on a temporary working visa, or are recruited by New Zealand businesses before they arrive in the country. Once an offer of employment is secured, an applicant can apply under the Skilled Migration Category. They are then permitted 9 months on a Work to Residence visa to complete the permanent residence application process. From 10 April 2007 such applicants are no longer required to work for 3 months in New Zealand before commencing the permanent residency application.

*interviews with Auckland recruitment agencies Clayton Ford, Phoenix & Face-to-Face Recruitment

DRAFT

New Zealand employers are very cautious about employing skilled migrants, whether they are graduates from local universities or experienced people coming into the country. Recruitment companies report* that employers have taken a risk in employing a skilled migrant on a work permit, only to find that as soon as the employee has secured their visa they leave to pursue a more desirable position. This leaves the employer wearing considerable recruitment and training costs. It also adds fuel to the perception that employing a skilled migrant is higher risk for New Zealand employers.

Businesses can participate in the immigration expos held in key countries by the Department of Immigration. This can be an effective way for businesses to make first hand contact with qualified applicants seeking to migrate to New Zealand.

Migration pathways for business people

There is an Entrepreneur category for people to apply for residency who have established a business in New Zealand on a work permit or long term business visa. There is also an Investor category if a person has \$2 million to deposit with the New Zealand Government for a 5 year period, or to invest in an approved business considered to be advancing the economy.

This policy is changing in November 2007 to encourage active investment. The English language skill requirement reduces in direct proportion to the amount invested, and the age limit is relaxed.

	Current policy	1. Global Investor Category	2. Professional Investor	3. General (Active) Investor – points system
Investment capital	\$2M for 5 years. Deposit with the government.	\$20M for 4 years. At least \$5M active.	\$10M for 4 years. At least \$2M active	\$2.5M for 4 years. Must be at least semi-active.
Min. business experience	5 years	4 years	4 years	4 years
Max. age	Up to 54	None	Up to 64	Up to 54
Min. English language requirement	IELTS 5	None	IELTS 4	IELTS 5
Min. settlement funds	None	None	None	\$1M
Min. time in NZ	20% in total	20% every year	30% every year	40% every year

*interviews with Auckland recruitment agencies Clayton Ford, Phoenix & Face-to-Face Recruitment

DRAFT

Is the New Zealand skilled migration policy meeting the needs of business?

In 2005/06, 100,000 people were issued with work permits, which was a 21% rise on the previous year. About 52,000 were approved for permanent residence, more than 60% of whom were approved under the skilled or business categories.

The Employers and Manufacturers Association report that 30% of New Zealand businesses cite the skills shortage as being the number one limitation to business growth.

Discussion questions

1. Can the overseas student graduates who have completed professional degrees at New Zealand universities be seen as an opportunity for New Zealand? Would employers be more willing to employ such graduates under the work to residence scheme if communication skills were improved? Who would be responsible for the transition skills training? Government, business, universities or a partnership?
2. Would a system that secured a skilled migrant to an employer for a 1 year period or more, help to protect employers and provide an incentive to offer jobs to skilled migrants? Employees could buy themselves out by covering recruitment and training costs.
3. Is New Zealand overselling the lifestyle benefits at the expense of realistic expectations about salaries and career opportunities? What other incentives can New Zealand businesses offer to attract skilled migrants and returning New Zealanders?

DRAFT

To the Agenda Committee,

The initial brief for this document was to summarise the CPA Australia case study. Brief comparisons with NZ follow to give the document local context.

Material for this draft has been drawn from CPA Australia research, the NZ Department of Immigration, NZ recruitment agencies and media.

Opportunities to extend this discussion material include input from:

- Stephen Tindall re: KEA (Kiwi Expats Abroad)
- Peter Menzies, Committee for Auckland
- John Meeuwsen, Chair ITOs (Industry Training Organisation)

Regards,

Hayley Nicholls
Consultant to CPA Australia
NZ Branch