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**MONASH** University

## MIGRANT ACCOUNTANTS—HIGH NUMBERS, POOR OUTCOMES

### ■ **Bob Birrell and Ernest Healy**

*By far the largest occupational category of migrants gaining permanent residence under the skilled visa subclasses is accountants. The majority of these accountants are former overseas students trained in Australian universities. Few are obtaining employment as professional accountants. The main reason is that they lack the required English skills. English language test results recorded after they complete their courses in Australia show that most do not possess the English communication skills needed for university level study or for professional work in Australia.*

The current Minister for Immigration, Senator Evans has said: ‘The Prime Minister has made it clear, as I have, that the migration program needs to be sensitive to the economic needs and employment prospects of the country’.<sup>1</sup> The Minister has also stated that these needs are ‘linked to the state of the economy and the demand for labour. A large part of the program—I think about 70 per cent currently—is in the skilled migration area, bringing people in to fill labour and skills shortages in this country’.<sup>2</sup> As Senator Evans has implied, in the present economic circumstances, it makes no sense to be running a record high skilled migration program if it is not meeting this objective.

This article focuses on accountants. They constitute by far the largest single occupation group within the current skilled-migration program. However, their record in obtaining employment as accountants, despite severe shortages in the profession, has been abysmal, even in the boom times to mid-2008. This experience indicates the potential for pruning the current program without damage to its core objective of filling skill shortages.

There is a case for a modest skilled-immigration program, even with a slow down in skilled employment. The Rudd Labor government has inherited a situation where some skills remain in severe short supply because of the preceding Coalition Government’s wilful neglect of domestic

training, especially in the higher education sector.

The best way that the Labor Government can link migration to these shortages is to involve employers in the recruitment process. Employers know where there are genuine skill shortages. If they are prepared to sponsor a skilled migrant to a position within their organisation under the temporary- or permanent-entry migration visa subclasses, this is prima facie evidence of a skill shortage. The only reservation here is that evidence is mounting that some employers are using the employer nomination visa subclasses as a means to hire staff at wages and conditions below those prevailing in the Australian market place.<sup>3</sup> Thus if the focus of the skilled migration program is to be on employer nomination the program needs to be monitored carefully to ensure that it is not being exploited in this fashion.

The previous Coalition Government made employer sponsorship a priority within its permanent entry skilled program. A primary aim of the Coalition Government, according to the Minister for Immigration in 2005 (Amanda Vanstone) was ‘to increase the number of skilled migrants entering under the employer sponsored categories, as it is employers who are best placed to identify the skilled migrants we need’.<sup>4</sup> The Government also encouraged employer use of the uncapped long-stay temporary-entry business

subclass (the 457 visa). The current Labor Government has endorsed these priorities.

Despite the priority given to employer nominations they remain a relatively small component of the permanent entry skilled program. In 2007–08 there were 8,762 principal applicants visaed under the employer nomination visa category, of whom 1,887 were sponsored by regional employers. Though this is an increase on earlier years, in 2007–08 there were far more principal applicants visaed under the points-tested General Skilled Migration (GSM) visa categories, including 14,866 visaed under the offshore Skilled Independent category and another 17,552 principal applicants visaed under the former overseas student skilled categories.<sup>5</sup>

### **NUMBERS OF MIGRANT ACCOUNTANTS**

As indicated, the largest occupational category visaed under Australia's permanent entry skilled migration program is accountants. In 2007–08 there were 52,417 principal applicants visaed under the various permanent entry skilled migration visa categories, including employer nominations. Of these, 9107 were accountants. In 2006–07, the parallel figures were 49,273 and 10,688 respectively. The main source of these accountants was former overseas students visaed after they had completed their training in Australia. In 2007–08, of the total of 9,107 accountants 6,152, or 67 per cent, came from this source and in 2006–07, of the total of 10,688 accountants 8,319 (78 per cent) were former overseas students.

The number of accountants sponsored by employers was tiny by comparison. In 2007–08, there were only 116 accountants sponsored under the permanent entry employer nomination program and just 68 in 2006–07. The story is similar for the 457 visa category. For the period 2006–07, 620 accountants, 250 auditors and 10 corporate treasurers were sponsored out of total of

46,680 principal applicants.<sup>6</sup> By comparison, there were 5,980 principal applicants sponsored on 457 visas who were computing professionals.

Since employer nominations for accountants were so low, this might imply that the alleged shortage is a myth. Alternatively, it may mean that there is a global shortage of accountants with the expertise and communication skills that Australian employers are looking for or prepared to pay the market price for. The analysis below suggests that the latter explanation is the correct one. If so, it raises serious questions about why Australian employers can't find suitable accountants at a time when there is a huge influx of migrants who have gained permanent residence on the basis of their accounting qualifications.

### **INTERNATIONAL EDUCATION AND THE SUPPLY OF SKILLED MIGRANTS**

The high level of supply of accountants via the former overseas student visa subclasses is a reflection of the surge in the number of overseas students completing courses in accounting in Australian universities.

The total number of completions of overseas students in Australian universities in Australia (at postgraduate and undergraduate level) increased from 32,380 in 2002 to 73,811 in 2006 (the latest year for which data are available). Just over half of these completions in 2006 were in the management and commerce field of study. By 2006, more overseas students completed degrees in this field of study than did domestic students (see Table 3).

The management and commerce field of study attracts overseas students in large part because it includes accounting. Those who successfully complete the accounting curriculum specified by the Australian accounting accrediting authorities as appropriate for professional entry-level jobs

in the field are eligible to apply for permanent residence. They must also meet other requirements including a minimum level of English (discussed below). Accounting is not the only eligible occupation, but it is arguably one of the least demanding at university level to complete (relative to engineering and medicine—among others). A three-year undergraduate commerce degree or a two-year postgraduate degree, which includes the required accounting subjects, is sufficient to meet the accounting accrediting authorities' curriculum requirements for obtaining a positive skills assessment—a pre-requisite for a permanent residence visa as an accountant. The accounting accrediting authorities require additional professional work and study before an accounting graduate is eligible for full accreditation as a professional accountant. However, this additional work and study is not a requirement for immigration purposes. Finally, former overseas students with Australian accounting qualifications do not have to have any previous work experience in Australia or overseas as accountants.

Unfortunately, the Department of Education, Employment and Workplace Relations (DEEWR) data on university completions is not in a form which allows a full enumeration of those who complete the required accounting curriculum. Some universities report such completions. Others classify accounting within broader rubrics. The anecdotal data from academics teaching overseas students in business faculties is that most overseas students do seek qualifications that will meet the required accounting curriculum. The popularity of accounting courses is attested by the fact that the 8,319 accountants visaed under the former Skilled-Independent Overseas Student visa subclass in 2006–07 constituted 43 per cent of the total 19,352 principal applicants visaed under this visa subclass in that year. Almost all of these

former overseas students would have completed their courses in 2006, because under the rules governing access to these visas, an applicant must apply for the visa within six months of completing their course.

## **THE SUPPLY OF ACCOUNTANTS IN AUSTRALIA**

Over the last few years, the supply of accountants visaed as principal applicants under the skilled-migration categories has exceeded domestic completions in accounting from Australian universities. As noted, the number of principal applicants visaed under these categories as accountants was 9,107 in 2007–08 and 10,688 in 2006–07. For the same reason as noted for former overseas students, it is not possible to identify precisely the number of domestic accounting completions. But a survey of university accounting departments conducted by CPA in 2003 indicated that the number was about 6,560 at this time.<sup>7</sup> There has been a slight increase in the past five years, estimated to be just five per cent by the Joint Accounting Bodies (CPA Australia, National Institute of Accountants, and the Institute of Chartered Accountants Australia).<sup>8</sup> This still leaves the domestic output well short of the influx of migrant accountants.

The reason for the limited increase in domestic graduates, despite the clamour of employers for more, is that the Coalition Government only allocated a tiny number of additional places tied to accounting studies during the period 1996 to 2007. For their part, the universities have had their hands full coping with the rapid increase in demand for places from full-fee paying overseas students. The latter have been given priority because the financial return from an overseas student far exceeds that from a HECS eligible domestic student.<sup>9</sup> Thus, despite employer demand, few universities have allocated additional places from their government-subsidised quota of

domestic students for domestic students in accounting.

By 2006–07, the total number of new entrants to the Australian labour market with accounting qualifications would have been at least 17,000, including the 10,688 principal applicants under the skilled visa categories and perhaps 7000 domestic graduates. By November 2007, the number of employed accountants was estimated at 158,400.<sup>10</sup> The net growth in employment over the five years to November 2007 was estimated to be 17,700.<sup>11</sup> This implies a net growth of just over 3,500 a year. An influx of 17,000 a year should have slaked the market's thirst for accountants. However, this is not the case. Employers continue to complain about shortages and accounting remains on the Australian government's Migration Occupations in Demand List (MODL). Information drawn from Australia's Graduate Destination Survey (GDS) confirms this picture. The 2006 GDS survey results indicate that only 10 per cent of accounting graduates who were Australian residents (while studying) and available for full-time work were still looking for full-time work by May 2007. This compared with 15 per cent of all graduates in all fields who were Australian residents.<sup>12</sup>

Accounting was placed on the MODL in August 2004. To qualify for this listing, an occupation must be in national shortage, as determined by DEEWR, which is based on an analysis of information on employment vacancies in the field and a range of other factors, including forecasts. Given the economic boom, it will be no surprise that accountants have been in demand. As a representative of one of the big four audit and advisory firms (henceforth big four) firms stated:

[It's] not just the accounting firms that we are competing with ... 10 years ago, if Macquarie Bank recruited 10 graduates, I'd be surprised, right. Now you know

they are coming in and just cleaning out. So you take the investment banks. You take the traditional retail banks that are big graduate employers. By the time you actually add their exponential growth to our exponential growth in demand you start to get a pretty bleak picture that there is not enough coming through. So therefore the demand is far out stripping supply.<sup>13</sup>

The big four together take on at least 1,500 entry-level accountants a year. Such is their difficulty finding suitable recruits that, with the cooperation of the Institute of Chartered Accountants in Australia (ICAA), they have supported the establishment of a conversion course for chartered accountants for non-accounting graduates. Some 416 enrolled in this program in 2008, 45 per cent of whom were employed in the big four. All were domestic undergraduates drawn from a variety of disciplines.<sup>14</sup>

The shortage experienced by the big four and by other employers is more about the standards of the job applicants that they get than it is about the number of recent accounting graduates who apply. According to one of these employers, of the 8,000 applications recently received, 50 per cent would be put to one side straight away. Only 12 to 13 per cent of all applicants received a job offer.<sup>15</sup>

Employers grumble about the standards of both domestic and overseas student graduates, but they are particularly emphatic that very few former overseas students trained in Australia meet their needs.

The employer cited above indicated that only one per cent of the former international students who applied to his firm received an offer. This response is consistent with the information we have obtained from separate interviews with accounting employers. In one of these, with the manager of recruitment at KPMG, it was stated that in 2007 the firm sought to employ

570 entry-level accountants. It received 450 applicants from international students in Melbourne and 500 in Sydney, 950 in all. Only 10 of these were appointed. This outcome is consistent with the findings of Beverley Jackling, who is a professor of accounting at RMIT. Jackling also conducted interviews with major accounting employers.<sup>16</sup>

This interview data parallels the information drawn from the 2006 Census on employment outcomes for former overseas students with degree-level qualifications in accounting. According to the 2006 census, there were 10,407 overseas-born degree-qualified accountants aged 20 to 29 who had arrived in Australia between 2001 and 2006. Almost all (9,703) were born in non-English-speaking countries. Given their age and time of arrival in Australia, most would have been trained in Australia. Only 21 per cent of the 10,407 were employed as accountants by 2006, with another six per cent employed as managers and six per cent as other professionals. Many of the others who were employed were in clerical or service jobs. A third were not in the labour force or were unemployed.<sup>17</sup> By contrast, 85 per cent of the Australia-born degree-qualified accountants in the 20 to 29 age group were employed as professionals or managers, with 68 per cent reporting that they were employed as accountants.

### **WHAT IS THE PROBLEM WITH INTERNATIONAL ACCOUNTING GRADUATES?**

Those speaking on behalf of former overseas students' interests often argue that the problem is that Australian employers are prejudiced and will not give them a go. There is no doubt that employers currently hold negative views about the capabilities of former overseas students. But whether the source of these views is long-held prejudice (perhaps reflecting racist

assumptions) or whether they result from employer experience in dealing with former overseas students is another matter.

The accounting profession in Australia has changed. Entry-level accountants are no longer consigned only to preparing monthly reports on cash flow, profits, or tax. Much of this can be handled by clerks using accounting software packages. The contemporary accountant is expected to be able to examine the business prospects of clients, develop business plans and to pitch for new business. All of this requires sophisticated English language skills. The universal complaint from employers is that international graduates lack the required English skills.

There is data that allow a test of the employers' complaints. In order for overseas students to gain entry to university courses they have to obtain an overseas student visa. This requires a minimum score of 6 (on average) for the four modules on the International English Language Testing System (IELTS) test of English language skills. These modules cover listening, writing, reading and speaking. Some universities stipulate a higher level of 6.5, though in practice they offer pathways into their courses for students who first come to Australia to study English. Such students may take secondary-level courses at Australian schools, or remedial English language courses in ELICOS<sup>18</sup> colleges or pre-university foundation programs, tailored to prepare the students for entry into undergraduate programs (mainly in accounting). Students who opt for these pathways can enter Australia with an IELTS score of 5 or 5.5, depending on the circumstances.

Level 5 is rudimentary English, enough for getting by socially or finding one's way around an Australian city, but way short of what is required for university-level study.

There is wide agreement that a score of 6 on the IELTS test is also insufficient for

university studies, particularly in regard to the comprehension of lectures and the preparation of written essays. Similarly, major employers say that level 6 is well short of the professional level of English required to deal with accounting clients. Overseas students at level 6 or below would still be translating what they hear in English into their own language. It is not until they get to at least 7 that they begin to think in English. This is why professions that place a premium on the capacity to communicate with patients or customers require a minimum of 7 on the IELTS test before allowing an applicant to practice in the field. This is the case for migrants wishing to practice medicine, nursing or physiotherapy in Australia.

The big four are moving to this standard as well. In the case of KPMG, all applicants for accounting positions who are former overseas students have to submit a recent IELTS test in which they achieve a minimum of 7 before the firm will proceed with their application. In the case of Ernst and Young, the requirement is an IELTS certificate certifying that the applicant achieved a minimum of 8 for listening, 8 for speaking, 7.5 for writing and 7.5 for reading. Deloitte Touche Tohmatsu specify the same standards as Ernst and Young for former overseas students wishing to join the firm's graduate program in 2008.

#### **ENGLISH STANDARDS OF FORMER OVERSEAS STUDENTS GRADUATING FROM AUSTRALIAN UNIVERSITIES**

The Australian government first sought to encourage former overseas students to apply for permanent residence (PR) in Australia in 1999. It did so by granting an additional five points on the selection grid for applicants with Australian training. Beginning in 2001 it created new visa subclasses catering to former students who applied for PR while still in Australia. To

be eligible the former students had to apply within six months of completing their qualification. As mentioned above, they also received an additional concession that was not available to applicants located overseas: they did not have to have work experience in their occupation. They were, in effect, treated like native Australian graduates. The expectation was that they would be just as attractive to local employers because they would have developed their English communication skills while studying and, being graduates of Australian universities, they would possess the same knowledge base as their domestic counterparts.

These expectations have turned out to be incorrect. Many overseas-student graduates emerge from their university training in Australia with English skills scarcely better than those they started with. A substantial minority, to judge from the English language testing required of those who gain PR on completion of their course, cannot achieve level 6. This is known because prior to the September 2007 reforms to the selection system (discussed below) applicants could achieve PR if they scored a minimum of 6 or 5 on each of the four modules under the IELTS test. Those who scored a minimum of 6 received 20 points on the English component of the points test. Those who scored a minimum of 5 or 5.5 on each of four modules received 15 points. Those who did not achieve 5 were not eligible to make a PR application. For the period prior to September 2007, former overseas students who could only achieve level 5 or 5.5 normally got enough points to gain PR if their occupation was listed on the MODL. In such circumstances they gained an extra ten points. This is why MODL listing at that time, including accounting in 2004, was such a crucial issue for overseas students aspiring to gain PR.

The unintended outcome of this period in the history of migrant selection is that

we have a record of the English language standards of a large number of recently graduated overseas students.

Before 2005–06, the record of language points was an unreliable indicator of English standards. This is because it was not until November 2005 that all applicants for the former overseas student visa categories were required to report the results of an IELTS test. Prior to this time, applicants who had graduated in Australia and who did not wish to take the test were deemed to have achieved level 5 and were given 15 points. Some applicants took this option because, as noted, if their occupation was listed on the MODL, they could still obtain the required pass mark. It is possible that some of these deemed applicants could have achieved 6 on the IELTS test. This uncertainty was less for those visaed in

2005–06, since the majority of those visaed in this year had had to take the test. It is not an issue at all for the year 2006–07, since all of those visaed in 2006–07 had to provide recent IELTS test results.

The results of this testing for those visaed in 2005–06 were published in the December 2006 issue of *People and Place*. The study showed that 34 per cent of applicants who received a former overseas student visa under the 880 visa subclass in 2005–06 received 15 points, meaning that they had not achieved a level 6.<sup>19</sup> The implication was that a sizeable minority of overseas students were completing Australian degree-level courses despite limited English.

DIAC has recently released unpublished information on the outcome for the English component of the selection grid

**Table 1: English point scores for principal applicants visaed under the former overseas student 880 and 881 visa subclasses in 2006–07 for all occupations requiring a university qualifications by main country of citizenship**

	Numbers			Per cent		
	15	20	Total <sup>1</sup>	15	20	Total <sup>1</sup>
China, People's Republic of	2132	3688	5820	37	63	100
India	542	3044	3586	15	85	100
Malaysia	145	847	992	15	85	100
Indonesia	176	649	825	21	79	100
Bangladesh	291	347	638	46	54	100
Hong Kong	234	393	627	37	63	100
Korea, Republic of	168	230	398	42	58	100
Sri Lanka	52	250	302	17	83	100
Singapore	14	252	266	5	95	100
Thailand	86	101	187	46	54	100
Pakistan	42	142	184	23	77	100
Vietnam	48	118	166	29	71	100
Other countries	271	1187	1458	19	81	100
Total	4201	11248	15449	27	73	100

Source: DIAC, visas-issued data, unpublished

Notes: <sup>1</sup> Total does not include cases where English proficiency score data are missing.

An English point score of 15 means the applicant scored 5 or 5.5 on the IELTS test; a score of 20 means he or she scored 6 or more.

for those visaed during 2006–07. As noted, there can be no doubt that for this group, the results represent a full enumeration of the English language testing results for former overseas students who obtained a PR visa in this year. Unfortunately the full range of test results for those seeking PR is not known, since those who did not achieve level 5 could not gain a PR visa. Also, there is no information on the share of those who achieved level 6 or above (and thus 20 points) who obtained level 7 or higher.

The data for 2006–07 shown in Tables 1 and 2 are restricted to those whose occupation required a university credential. To have included trade occupations would have shifted the language scores lower because applicants with trade qualifications tend to achieve lower English language scores than their professional counterparts. The tables combine the language points for

the 880 and 881 visa subclasses. They are the only onshore visa sub-categories where language points are allocated. However, they constitute the great majority of former overseas students who gain PR. Table 1 indicates the points allocated for all former overseas students visaed in 2006–07 by major country of origin. Table 2 details the points allocated to the subset of this group who held accounting qualifications.

The language score outcomes vary sharply by country of citizenship. Table 1 shows that the great majority of applicants from India, Malaysia and Singapore received 20 points, and therefore had scored level 6 or above. This is probably because many of these students attended secondary schools in their homeland where the teaching was conducted in English. By contrast, students from other East Asian countries, notably those from mainland

**Table 2: English point scores for principal applicants visaed under the former overseas student 880 and 881 visa subclasses in 2006–2007 for accountants by main country of citizenship**

			Accountants		Total <sup>1</sup>	Total <sup>1</sup>
	15	20	15	20		
	Numbers		Per cent			
China, Peoples Republic of	1815	2252	4067	45	55	100
India	366	980	1346	27	73	100
Indonesia	124	304	428	29	71	100
Bangladesh	231	158	389	59	41	100
Hong Kong	150	193	343	44	56	100
Malaysia	61	265	326	19	81	100
Korea, Republic of	89	113	202	44	56	100
Sri Lanka	35	91	126	28	72	100
Pakistan	30	56	86	35	65	100
Singapore	2	82	84	2	98	100
Vietnam	31	48	79	39	61	100
Thailand	48	28	76	63	37	100
Other countries	121	457	578	21	79	100
Total <sup>1</sup>	3103	5027	8130	38	62	100

Source: DIAC, visas-issued data, unpublished

Note: <sup>1</sup> Total does not include cases where English proficiency score data are missing.

China, do poorly, as do those from Hong Kong, Thailand and Korea. The share of these students who received 15 points was 37 per cent, 37 per cent, 46 per cent and 42 per cent, respectively. Table 1 shows that, overall, 27 per cent of those visaed who held Australian university qualifications in 2006–07 did so despite being unable to achieve level 6. That is, their English was poor.

The English proficiency of those visaed as accountants was lower than the average for all applicants in these visa categories who achieved PR. Table 2 shows that 38 per cent of the accountants did not achieve level 6. This finding goes a long way to explain why former international students qualified in accounting struggle to obtain professional employment in their field. The outcome is the product of two factors. First, students from East Asia, particularly those from mainland China and Hong Kong, whose English levels tend to be particularly low, make up a large share of the accounting group. Table 2 shows that more than half the accountants come from China or Hong Kong (4410 out of 8130). Secondly, accounting is attracting students from mainland China and the other East Asian countries who have the weakest English language skills. Table 2 shows that 45 per cent of all the accountants from mainland China recorded 15 points, and thus had not been able to reach level 6 on the IELTS test. By comparison, only 17 per cent of all the other former overseas students from China who were visaed in 2006–07 recorded 15 points on the English component of the points test.

### **IMPLICATIONS FOR AUSTRALIAN UNIVERSITIES**

As noted, the enrolment level of overseas students in Australian university business faculties has escalated over the past decade. This escalation has resulted in a change in the balance of overseas and local students

completing accounting courses. Table 3 shows that in 2006 more overseas students completed courses in the management and commerce field of study while they were in Australia (the figures do not include off-shore completions) than did domestic students. The table also includes information on the numbers identified as completing accounting courses. For reasons explained earlier, these figures have to be interpreted with caution since some universities do not record those students who complete courses which meet the requirements of the accounting accrediting authorities. Nevertheless, of those universities that do, the figures indicate that there were 7,705 overseas student completions in accounting compared with 4,383 domestic completions.

The completion numbers in Table 3 are the culmination of a decade or so of innovation in the management and commerce field of study. During this time, a number of universities have aggressively pursued the recruitment of overseas students. Curtin University is the leader in total overseas student completions in the management and commerce fields of study with 3,096 such completions in 2006. They made up 69 per cent of all of its completions in 2006 in this field of study. Central Queensland University (CQU), whose home campus is in the regional city of Rockhampton, was not far behind with 2,609 overseas student completions in the management and commerce field of study. Some 83 per cent of its completions in this field were overseas students. Almost all of these CQU overseas graduates studied at the university's city campuses in Sydney, Melbourne and Brisbane. These campuses have been customised to cater for the needs of overseas students wishing to procure credentials which would provide a pathway to PR. Nearly all of the students in these campuses are overseas students with the vast majority studying accounting or IT.

Other regional universities, as well as some metropolitan universities, including Deakin at the Burwood campus, the city campus of RMIT, and the city campus of La Trobe, which is exclusively composed of overseas full-fee students, have also vigorously pursued the overseas student market. As Table 3 suggests, it is characteristic of these universities, or campuses of universities, that there are more overseas than domestic students studying accounting. As a result, overseas students tend not to mix with domestic students and thus have less incentive or opportunity to practice their English. Staffing at these universities is characterised by heavy reliance on casuals.

The Group of Eight universities have also joined the scramble for overseas students studying accounting.<sup>20</sup> They, as well as Macquarie University, have usually built on well-established domestic programs in the business fields, including accounting. Monash and Macquarie are by far the largest in this category. But, as with other universities, the rapid rate of expansion in enrolments has stretched the staffing capacity.

The result of this expansion, according to the Australian Joint Accounting Bodies, is that 'with class sizes on average above an acceptable level, we are aware of the impact this has on the quality of the learning outcomes and therefore graduates' competency development'.<sup>21</sup> This is a delicate understatement. The staff teaching accountancy students confront not just large numbers of students, but often a majority whose English is well short of that required for university level instruction. As has been documented by front line accounting staff, the result is a simplification of the curriculum, of the assignments set and the content of examinations. The staff need to simplify in order to accommodate the limited English language capacities of their students.<sup>22</sup> Accounting departments may aspire to produce well rounded and

articulate graduates, but the reality is that the staff do not have time to help overseas students overcome their communication deficiencies.

These developments are contrary to the wishes of Australian employers. They want graduates who possess high quality generic skills as well as technical accounting skills. The former skills are essential given the emphasis on client interaction and the capacity to analyse and articulate the business situation of customers. Overseas students graduating from contemporary university departments suffer the double disadvantage of limited English skills and limited development of these generic skills. But domestic students are affected as well, since they too have to cope with a staffing situation marked by overworked casuals, as well as classes with large numbers of overseas students whose needs shape teaching methods. This situation helps explain the complaints of the big four consulting firms about local graduates as well as former overseas students.

The analysis does not remove the possibility that employer prejudice is involved in the employment difficulties of overseas students. Some employers may be using the cloak of poor English skills to mask prejudice towards overseas students. Nonetheless, the data analysed indicates that employers' views have an empirical foundation. It cannot be denied that a substantial proportion of former overseas students who seek to gain accounting positions do not possess the requisite English skills.

### **WHAT IS THE SOLUTION?**

There remains a shortage of entry-level accountants in Australia. This is primarily because there has been hardly any increase in the supply of domestic accounting graduates despite a boom in employer demand. The Coalition Government tried the migration solution. It has not worked.

**Table 3: On-shore course completions in accounting and other management and commerce fields of study for overseas and domestic students in Australia, 2006**

	Overseas			Domestic			Total completions		Share of overseas completions to total completions	
	Accounting	Other fields	Total	Accounting	Other fields	Total	Accounting	Other fields		
										Total
Curtin University of Technology	222	2874	3096	87	1327	1414	309	4201	4510	69
Monash University	598	1469	2067	346	1765	2111	944	3234	4178	49
Macquarie University	1078	965	2043	692	1261	1953	1770	2226	3996	51
University of Technology Sydney	8	2006	2014	68	1903	1971	76	3909	3985	51
University of Central Queensland	1384	1225	2609	123	414	537	1507	1639	3146	83
Deakin University	73	1156	1229	49	1555	1604	122	2711	2833	43
Royal Melbourne Institute of Technology	302	1424	1726	231	762	993	533	2186	2719	63
Griffith University	145	1190	1335	30	1267	1297	175	2457	2632	51
University of Western Sydney	256	773	1029	396	1203	1599	652	1976	2628	39
University of South Australia	262	1207	1469	232	899	1131	494	2106	2600	57
University of Melbourne	88	966	1054	69	1407	1476	157	2373	2530	42
University of New South Wales	97	619	716	65	1729	1794	162	2348	2510	29
Queensland University of Technology	143	753	896	276	1333	1609	419	2086	2505	36
La Trobe University	29	1018	1047	14	1137	1151	43	2155	2198	48
Charles Sturt University	123	962	1085	189	891	1080	312	1853	2165	50
Other institutions	2897	11233	14130	1516	11493	13009	4413	22726	27139	52
Total	7705	29840	37545	4383	30346	34729	12088	60186	72274	52

Source: DEEWR, university statistics, unpublished

The obvious answer is to increase the level of domestic training in Australia. It is to be hoped that the Rudd Government's educational revolution will deliver this result in the medium term. In the meantime, the high priority question is what to do about the tide of overseas students who are gaining PR with accounting qualifications. As explained below the immigration selection rules have changed since September 2007, in ways which open up the range of occupations favoured for migration purposes. However, it is highly likely that there will be a continuing demand on the part of Asian students to study accounting. This is in part because such study, as noted earlier, provides a relatively accessible avenue to meet the requirements of the immigration selection system.

Any solution to better employment outcomes for migrant accountants must start with the English language standards of overseas students. Overseas students need at least level 7 on the IELTS test if they are to complete university studies to a professional level and if they are to meet employers' expectations. There has been some movement in this direction in a few universities. However, to enforce such a standard would require most overseas students to take a long and expensive program of English language training before beginning their courses. Individual institutions are reluctant to act, because to do so would rapidly bleed their enrolments to institutions that did not require high English standards. A good indication of this stance is the results of a Commonwealth Department of Education, Science and Training meeting of representatives of universities and vocational colleges to discuss the matter in August 2007. The report from this meeting, prepared by Australian Education International, the Commonwealth government's agency responsible for international education, declared:

There is no support to limit the number and variety of Australian pathway programs leading to higher level studies and very little support for a move to a single, universal English entry standard. The issues are widely seen as being too complex to be amenable to a single simplistic solution.<sup>23</sup>

This impasse could be broken if the accountancy accrediting bodies acted to require a minimum level of 7 when they assess the suitability of applicant's credentials before they apply for a PR visa. The accrediting bodies are empowered to make judgements about whether these credentials are adequate for professional practice in Australia. As noted, several of the accrediting bodies in the health field have specified a minimum English level of 7. CPA Australia has indicated that it favours such a move. In November 2006, Ann Johns, CPA director of education stated that: 'CPA supports raising the testing level to Level 7 competency, which is closer to the level required for communications on complex accounting issues'.<sup>24</sup> So far, however, there has been no action on the part of the accounting bodies to implement such a proposal.

### **DIAC SHOULD ACT UNILATERALLY**

The only Commonwealth government agency with the capacity and perhaps the will to change this situation is DIAC. DIAC is fully aware of the dire employment situation of migrant accountants and of the role of English language skills in producing this outcome. It should require the accounting accrediting authorities to show cause as to why they are accrediting applicants from overseas and Australia as ready for professional practice in Australia when their language scores fall short of the required professional level.

If the accrediting authorities in accounting and other fields (including the

Australian Computer Society for IT graduates) do not act, DIAC could act unilaterally to increase the English language standard for a student visa, and/or require all those seeking a skilled migrant PR visa to possess a minimum IELTS level of 7.

The Coalition Government, via the agency of the Department of Immigration, had already moved in the direction suggested. In September 2007, it introduced some key reforms to the skilled migration categories. One was an increase in the minimum level of English to 6 for those applying for non-trade occupations under the Skilled Independent overseas and onshore visa subclasses. Also, extra points were allocated to those who record level 7 or above on the IELTS test. This ruling will exclude the sizeable minority of overseas students who cannot reach level 6. A second measure was the introduction of a transitional visa for students after completing their Australian courses.

This 18 months duration transitional visa is available to those former overseas students who cannot reach the pass mark of 120. Most applicants who achieve IELTS level 7 will reach this pass mark and thereby gain permanent residence. The majority (around 75 to 80 per cent of applicants since September 2007) have had to accept the transitional visa.<sup>25</sup> The implication is that only a minority of former overseas students who attended Australian universities are able to obtain level 7 when tested after completing their course. Those who cannot reach level 7 can apply for PR at the end of their transitional visa period. To do so successfully, they will need to have completed a professional year of study in their discipline, in addition to their masters or undergraduate course, or a year of employment in their field, or attain level 7 on the IELTS. The professional year is a course with a minimum 44 weeks of study, which is designed to help graduates gain employment skills and assist them to find

work in their chosen occupations. As of 2008, DIAC-approved professional years for IT and accounting graduates were operating.

Another major, but little-noticed, aspect of the September 2007 reform package was that it largely removed the impact of the MODL factor. This, as we have seen, contributed to the popularity of accounting. The reforms stipulated that MODL points would only be allocated if the applicant had had at least one year's experience in the occupation concerned in Australia. As a result, there is no longer any advantage in studying accounting relative to any other 60 point occupation not on the MODL list.

It is likely that under the post-September 2007 rules most former overseas students will undertake a professional year, since few will find employers willing to provide the one-year work experience in their professional field. Once the professional year is completed, under the present rules, the majority of former students will be able to obtain PR because they will gain an additional 10 points—thus in effect replacing the MODL points. The professional year should enhance their employability, since it includes modules covering business and professional communication, Australian workplace culture, a brief, unpaid internship and relevant professional skills. But, crucially, successful completion of the professional year does not require achievement of 7 on the IELTS test.

This is the missing link in the chain. If an overseas student candidate for PR cannot attain level 7, this means that his or her studies are likely to have been completed at a sub-professional level and that their prospects of professional employment in Australia are limited.

## Postscript

On 17 December 2008 the Australian Government announced that during the 2008–09 program year it will give priority to PR applicants with occupations on a new Critical Skills

List (CSL). Accountants are on the list. However only those accountants with good language skills (IELTS 7) or who have completed the professional year will be included in the CSL.

## References

- <sup>1</sup> Senator Chris Evans, Evidence presented to the Senate Legal and Constitutional Affairs Committee, 21 October, p. 25
- <sup>2</sup> *ibid.*
- <sup>3</sup> B. Kinnaird, 'current issues in skilled entry subclass 457 visa', *People and Place*, vol. 14, no. 2, 2006, pp. 58–62; see also commissioner Barbara Degan, *Visa subclass 457 Integrity Review: Final Report*, DIAC, October 2008.
- <sup>4</sup> Media Release, Senator the Hon Amanda Vanstone, '2005–06 Migration (Non-Humanitarian ) Program, 14 April 2005
- <sup>5</sup> There are three visa subclasses within this category. By far the largest is the 880 subclass which is available to former overseas students who do not have eligible sponsoring relatives in Australia. Since May 2005 they must be able to score at least 120 points on the points assessment test under the General Skilled Migration program. In 2007–08 there were 14,590 visas issued under this subclass. The second visa subclass is category 881 which also requires 120 points but allocates 15 points for sponsorship by an eligible relative in Australia (includes brother or sister, niece and nephew). In 2007–08 there were 1819 visas issued to principal applicants under this subclass. Finally there is category 882 which does not require a points test. This is available to former students who have an eligible relative in a designated area. In 2007–08 there were 1143 visas issued to principal applicants under this subclass. Since September 2007 these three visa subclasses have been given new numbers. They are now 885, 886 and 487.
- <sup>6</sup> Data from Department of Immigration and Citizenship (DIAC) unpublished. Full year data for 2007–08 were not available at the time of writing.
- <sup>7</sup> B. Birrell and V. Rapson, *Migration and Accounting Profession in Australia*, CPA Australia, 2005, p. 4
- <sup>8</sup> The Australian Joint Accounting Bodies, Evidence presented to the Review of Australian Higher Education, 29 July 2008, p. 8
- <sup>9</sup> HECS stands for Higher Education Contribution Scheme. It describes the terms on which almost all government-subsidised students attend universities in Australia.
- <sup>10</sup> Department of Education, Employment and Workplace Relations, *Australian Jobs*, 2008, p. 31
- <sup>11</sup> *ibid.*
- <sup>12</sup> B. Kinnaird, *Graduate skills shortages and international student experience*, Presentation for 27th Annual Conference of the National Association of Graduate Careers Advisory Services, 5 December 2007
- <sup>13</sup> Quotation taken from C. Poullaos and E. Evans, 'The ICAA pathways project: Identifying the issues', Paper prepared for discussion at a meeting of the University of Sydney Pacioli Society, 27 November 2008, p. 14
- <sup>14</sup> *ibid.*
- <sup>15</sup> *ibid.*, p. 16
- <sup>16</sup> B. Jackling, 'The lure of permanent residency and the aspirations and expectations of international students studying accounting in Australia', *People and Place*, vol. 15, no. 3, 2007, pp. 37–39
- <sup>17</sup> B. Birrell and E. Healy, 'How are skilled migrants doing?', *People and Place*, vol. 16, no. 1, 2008 (supplement), p. 12
- <sup>18</sup> English language intensive course for overseas students
- <sup>19</sup> B. Birrell, 'Implications of low English standards among overseas students at Australian universities', *People and Place*, vol. 14, no 4, 2006, p. 58
- <sup>20</sup> The Group of Eight universities is a coalition of eight universities that regard themselves as Australia's leading universities.
- <sup>21</sup> The Australian Joint Accounting Bodies, 2008, *op. cit.*, p. 2
- <sup>22</sup> For example, see J. Nagy, 'Fit for intended use: a manufacturing metaphor applied to international business students and learning outcomes', *People and Place*, vol. 16, no. 3, 2008, pp. 9–18; T. Burch, 'Teaching and learning accounting with overseas students', *People and Place*, vol. 16, no. 1, 2008, pp. 12–20.
- <sup>23</sup> Australian Education International, *Final Report, Outcomes from a National Symposium; English Language Competence of International Students*, August 2007, November 2007, p. 9
- <sup>24</sup> S. Morris, 'Migrant accountants found wanting', *Australian Financial Review*, 22 November 2006, p. 15
- <sup>25</sup> P. Speldewinde, 'General Skilled Migration Reforms: Impacts and Prospects', *AIEC Conference, Brisbane*, 10 October 2008. Peter Speldewinde is the Director, Skilled Migration, in DIAC.