

Review of the Points Test

KPMG submission

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Executive summary

As a leading professional services firm, KPMG Australia (KPMG) is committed to meeting the requirements of all our stakeholders – not only the organisations we audit and advise, but also employees, governments, regulators and the wider community.

We strive to contribute to the debate that is shaping the Australian economy and welcome the opportunity to provide a submission in response to the Department of Home Affairs Discussion Paper: *Review of the Points Test* (the Discussion Paper).

Australia's migration policy framework has supported Australia to become one of the most successful multicultural societies in the world and KPMG strongly supports the important role it plays in enriching communities and contributing to economic growth.

The points test plays an important role in attracting and retaining the right mix of foreign talent. The visa pathways that currently are subject to the points test as part of the assessment criteria attract talented migrants who are seeking to make a long-term commitment to Australia, and who often have limited alternative pathways to remain in Australia, such as via company-sponsored options.

While we are a consistent proponent of the benefits that skilled migration brings to Australia, nonetheless KPMG supports the Australian Government's announcement in the Budget that the 2024–25 Permanent Migration Program planning level is to be set at 185,000 places and that 132,200 places (around 70 per cent) would be allocated to the Skilled stream. The post-Covid influx has been at historically high levels and the availability of houses, transport, schools and other infrastructure is an important policy consideration.

With the planned reduction in net overseas migration, it has never been more important to ensure that skilled migrants are prioritised. This approach is consistent with KPMG recommendations in our submission *"A Migration System for Australia's Future"* in December 2022. While not the focus of this Discussion Paper, KPMG considers that a coordinated housing supply strategy should support the government's migration strategy to ensure that any stress on the housing sector is minimised.

KPMG also broadly agrees with the Government's migration strategy findings released in December 2023 that the points test is not operating in a way that will lead to the selection of migrants best able to contribute to Australia's long-term needs.

Having stated this, we have focused our observations and suggestions to reform the points test on areas where we believe there will be the greatest return for the Australian economy. The points test can play an important role in driving the right economic outcomes for Australia, while also incentivising decisions of skilled migrants that benefit both the migrant and the Australian economy. To ensure benefits are maximised, we consider the following areas should be the focus of reform:

- Attracting a younger age demographic to remain in Australia;
- Ensuring that Australia attracts and retains talent with strong employment prospects, or who have skills which are in demand and deliver economic benefit to Australia; and
- Incentivise skilled talent to live and work in locations where their skills and attributes are most needed.

In previous submissions to government, KPMG has also recommended that government settings should help facilitate an increase in migration arrivals and complement the uplift of domestic workforce skills and education efforts. This should include efforts to make migration gender equitable, targeting skilled women migrants, and providing better support to women who come to Australia under their partner's visa and subsequently have limited work and other opportunities.

Lastly, we continue to advocate for broader reform that facilitates mutual recognition of qualifications in like jurisdictions. This will ensure that skilled migrants can contribute immediately where their qualifications meet certain deemed mutual recognition requirements.

If you would like to discuss the contents of this submission further, please do not hesitate to reach out.

Yours sincerely,

Mark Wright

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Recommendations

RECOMMENDATION 1:

KPMG recommends including criteria for migrants who have secured full-time employment in Australia.

RECOMMENDATION 2:

KPMG recommends including criteria for migrants who choose to settle in high priority locations in Australia.

RECOMMENDATION 3:

KPMG recommends the weighting of points test criteria should be considered in conjunction with government measures to address migrant worker exploitation.

RECOMMENDATION 4:

KPMG recommends including criteria for migrants who have work experience in an area related to their tertiary qualifications.

RECOMMENDATION 5:

KPMG recommends developing a Priority Occupations List in conjunction with states and territories.

RECOMMENDATION 6:

KPMG recommends introducing a sliding scale to allocate points based on age.

RECOMMENDATION 7:

KPMG recommends an increased focus on government settings that help facilitate the increase in migration arrivals to complement the uplift of domestic workforce skills and education efforts.

RECOMMENDATION 8:

KPMG recommends that the points test that was in place at the time the Expression of Interest ("EOI") was submitted so as not to disadvantage applicants who have already lodged expressions under the existing points-tested visa pathways.

RECOMMENDATION 9:

KPMG recommends that the points test should be reviewed annually with the intention to update as required at least every 5 years, in line with the Government's proposed 5-year migration planning going forward.

Background

About KPMG

KPMG is a global organisation of independent professional firms, providing a full range of services to organisations across a wide range of industries, governments and not-for-profit sectors. We operate in 146 countries and territories and have more than 227,000 people working in member firms around the world. In Australia, KPMG has a long tradition of professionalism and integrity combined with our dynamic approach to advising clients in a digital-driven world.

KPMG currently employs 30 staff in its Immigration Services business, which was established in 1988 with a focus on providing immigration advice and assistance to businesses looking to access the various employer-sponsored visa categories. The KPMG immigration team collectively has a wealth of technical and practical experience across all immigration matters and draws from many years of experience working in the immigration consulting industry, including within in-house global mobility teams.

KPMG Insights

KPMG Insights

Skilled migrants boost our living standards

KPMG Economics' 2020 Report *Pathways to recovery: International students will boost our living standards* estimated the benefits of increasing Australia's international student intake to help offset the economic losses caused by the COVID-19 pandemic.

In an update to the 2020 analysis, KPMG assessed a scenario where the number of overseas migrants increased by a cumulative 265,000 over the next five years. Real GDP in 2030 was projected to be almost \$30 billion higher than in a baseline projection. Assuming that the new migrants are 20 per cent more productive than the incumbent workforce on average, consistent with a focus on skilled workers, there was an additional projected \$5 billion lift to GDP in 2030.

If these additional migrants were all offshore permanent migrants, this implies increasing the permanent migration cap by 25,000 in 2022-23 and then an additional 60,000 in 2023-24, 2024-25, 2025-26 and 2026-27, cumulating in an additional 265,000 permanent migrant arrivals over five years. Following these targeted increases to the permanent migration cap, the cap would then return to the average level in the last decade at around 195,000 per annum (noting that this figure includes onshore permanent migrants, who are not counted in the net overseas migration figure), with net overseas migration returning to a base case assumption of 235,000 per annum.¹

The trend rate of 235,000 for net overseas migration is an important measure from an economic perspective as it reflects the net increase of migrants entering the country each year, rather than people on temporary visas applying for permanent residency who are already in the country. While providing permanency to those in-country who are on temporary visas is an important part of the program it does not, from a modelling

perspective, increase the size of the labour force or levels of GDP.

A sustainable increase in skilled migration

While we are a consistent proponent of the benefits that skilled migration brings to Australia, nonetheless KPMG supports the Australian Government's announcement in the 2024-25 Budget that net overseas migration is forecast to decline from 528,000 in 2022-23 to 260,000 in 2024-25, and that the Government's intention is to set the 2024-25 Permanent Migration Program planning level at 185,000 places and allocate 132,200 places (around 70 per cent) to the Skilled stream. The post-Covid influx has been at historically high levels and the availability of houses, transport, schools and other infrastructure has to be considered.

This approach is consistent with KPMG recommendations in our submission "*A Migration System for Australia's Future*" in December 2022.

In previous reports, KPMG has recommended that government settings should help facilitate an increase in migration arrivals and complement the uplift of domestic workforce skills and education efforts. This should include efforts to make migration gender equitable, targeting skilled women migrants, and providing better support to women who come to Australia under their partner's visa and subsequently have limited work and other opportunities.

Skill shortages are continuing to be felt by employers across the economy. Temporary visa holders such as international students and holidaymakers fill low and semi-skilled occupations while they are in Australia, but there are missed opportunities to transition the right mix of temporary visa holders to permanent migration. A recalibration of the points test would help address this issue.

In addition to baseline shortages, there is a growing need for specialised skill sets to enable

¹ Net overseas migration of 235,000 is the [latest projection](#) from the Centre for Population Studies.

Australia to keep in step with the requirements of emerging industries and with other economic trends. Most notably, the clean energy sector and clean economy more broadly will continue to require a skilled and dynamic workforce that can evolve with the changing environment across sectors, strategic landscapes and technological advancements. The points test which underpins the visa pathways that attract skilled migrants can provide a vital boost to the expertise and skilled labour required to capitalise on clean energy opportunities.

Review of the Points Test

Question One: How can we design the points test to best target migrant success in finding a skilled job?

KPMG supports the emerging role of Jobs and Skills Australia (“JSA”) to provide high-quality data, analysis and insights to better understand Australia’s skills and labour shortages. In our view, an important element in achieving this objective is ensuring that the skills that are most attractive to Australia are reflected in real-time in the list of skilled occupations identified for accessing various visa pathways.

In this regard, KPMG believes that the updated Consolidated Skills Occupations List (“CSOL”) and a Priority Occupations List have a role to play in recalibrating the points test.

For example, the audit profession is an industry that is fundamental to the operation of capital markets and critical to the Australian economy, particularly as it forms part of the legislative requirements to be met by Australian corporations. However, there continues to be a critical shortage of suitably skilled and experienced external auditors in Australia. In this circumstance, where the occupation of External Auditor (ANZSCO code 221213) is included on the CSOL or a Priority Occupations List, the migrant would receive additional points.

KPMG recommends including criteria for migrants who have secured full-time employment in Australia.

KPMG believes that migrants who have secured full-time employment should be recognised in the points test, particularly since this underscores the Government’s preference to retain skilled migrants who have a strong prospect for ongoing employment.

KPMG recommends that the points test award a tiered level of points as follows:

- Awards points (10) to a migrant who has secured continuous full-time employment greater than two (2) years in Australia in an occupation that is consistent with their qualifications (as defined by ANZSCO);
- Awards points (15) to a migrant who has secured continuous full-time employment greater than two (2) years in Australia in an occupation that is listed on the CSO;
- Awards points (20) to a migrant who has secured continuous full-time employment greater than two (2) years in Australia in a location outside Sydney, Melbourne and Brisbane in an occupation that is listed on the CSOL.

In each scenario, the migrant should provide an employment contract with an Australian employer (similar to the Global Talent Visa requirement to prove employability and skills are of benefit to Australia).

KPMG recommends including criteria for migrants who choose to settle in high priority locations in Australia.

KPMG believes that Australia could better utilise the foreign workforce already in-country. A long-standing challenge for Australia has been attracting talent to locations outside Australia’s major capital cities. A number of regional migration schemes have been introduced in the past, and all have met with modest success.

KPMG recommends a shift from the approach to attract overseas migrants to live and work in regional locations to one that involves a “push incentive” via the points test of foreign talent already in Australia to help alleviate the challenge of attracting skilled workers to regional Australia.

We recommend that the points test incentivise migrants to settle in high priority locations as follows:

- Award points to a migrant who has lived and resided for a continuous period of two (2) years or more in a location outside Sydney, Melbourne and Brisbane.

The migrant should provide evidence to support that they have resided in the designated locations (as defined in the relevant government gazette notice) for the requisite qualifying period.

To complement this change to the points test, KPMG recommends that changes to the

Temporary Graduate Visa (subclass 485) be implemented as follows:

- Providing Temporary Graduate Visa holders under the age of 35 years with three (3) years validity if they reside in a regional location;
- Implementation of a Regional Skills Match Database administered by Jobs and Skills Australia which contains the details of foreign graduates from Australian tertiary institutions that have been granted a Temporary Graduate Visa; and
- Regional bodies (such as employers, local councils and chambers of commerce) should be given access to the database to nominate candidates to be employed in designated regional locations, including a pathway to permanent residency after three (3) years working with the sponsoring regional employer.

These recommendations align with the Government's policy desire that migrants should not be "permanently temporary".

KPMG recommends the weighting of points test criteria should be considered in conjunction with government measures to address migrant worker exploitation.

KPMG is supportive of measures announced by the Government to address migrant worker exploitation. An emphasis on awarding more points for extensive work experience in Australia potentially opens temporary visa holders to vulnerability and exploitation. It may compel the migrant to remain with an employer who refuses sponsorship to gain experience in the hope of improving their chances of obtaining an independent points-tested visa.

This is not to say that migrants who are highly skilled and have extensive experience contributing to Australia's economy should not be rightly recognised, but rather that younger migrants tend to be more willing to drive change and innovation.

KPMG recommends including criteria for migrants who have work experience in an area related to their tertiary qualifications.

KPMG believes that a migrant who works in an occupation related to their formal tertiary level qualifications is best equipped to contribute to economic benefits to Australia, and this should be recognised in the points test.

The existing points test does not adequately recognise that points test independent visa pathways are often used by individuals who have previous skilled employment experience in an occupation and have a positive skills assessment in that occupation. In many cases, these prospective applicants are working in lower-skilled or non-relevant occupations and have no intention to work in the nominated occupation.

However, under current points test settings, the only way a skilled migrant can obtain permanent residence in this scenario is to apply based on outdated and unused skills.

Question Two: How can we better target points tested visas to meet Australia's skills needs?

KPMG recommends developing a Priority Occupations List in conjunction with states and territories.

Currently, states and territories develop occupation lists that are based on the skills in demand in the relevant location. In the migration strategy released in December 2023, the government has flagged an intention to drive increased collaboration and input from the states and territories.

KPMG would like to see that this increased collaboration translates to developing target occupation lists with the assistance and advice of the states and territories. Occupations in high demand and identified by the regions as being skills in demand should be compiled into a Priority Target List/Priority Occupation List, similar to the approach taken by the Government when it introduced the Priority Occupation List during COVID-19. This list should operate independently of the CSOL and be used exclusively for points-tested visa pathways.

KPMG recommends that:

- Top 20 occupations identified as target/essential by the states and territories feature on the Priority Occupations List; and
- Occupations identified as in critical short supply should feature on the Priority Occupations List and have additional (bonus) points allocated.

KPMG notes that the Government is currently prioritising health and education occupations for the Skilled Independent visa (subclass 189). The most recent invitation to migrants outside these occupations was in the 8 December 2022 invitation round, meaning that highly skilled

migrants in other occupations have been overlooked for the last 18 months. This scenario further illustrates the advantage of maintaining a Priority Occupations List which caters to the evolving needs of states and territories.

Question Three: How should we redesign the points allocated to age to better select younger migrants?

KPMG recommend introducing a sliding scale to allocate points based on age.

Commonwealth Treasury in its paper *The lifetime fiscal impact of the Australian permanent migration program*² found that the permanent migration program generates significant fiscal benefits, in aggregate, for Australia and that permanent migrants have, on average, stronger labour market outcomes compared with the Australian population. Migrants from the Skill stream also have a more positive lifetime fiscal impact, on average, than migrants from the other streams.

The paper also highlighted that for all migrant streams the lifetime fiscal impact is highest when a migrant arrives in Australia early in their working life. A weighting of points therefore which aligns with government modelling on the optimum fiscal impact makes sense. The approach adopted by Canada with a more nuanced approach to allocating the largest points in the early career age demographic of migrants would, in our view, best address this priority.

KPMG does not have a view on the number of points that should be allocated based on the sliding age scale approach. However, we recommend that the points allocated against age criteria not be disproportionate to other relevant factors on skills and location preference of the migrant.

Question Four: How should we design the points allocations for partners to best reflect their potential labour market contributions?

Question Five: How could the points test support gender equality in the Australian labour market?

KPMG recommends an increased focus on government settings that help facilitate the increase in migration arrivals to complement

the uplift of domestic workforce skills and education efforts. This should include efforts to make migration gender equitable, targeting skilled women migrants, and providing better support to women who come to Australia under their partner's visa and subsequently have limited work and other opportunities.

KPMG acknowledges the announcement of an extension to the Commonwealth's Paid Parental Leave scheme to migrants who meet residency requirements 'where the birth mother does not meet the newly arrived resident's waiting period requirement'.³ This is a welcome step forward.

The existing points test recognition of partners does not reflect the value of their potential economic contribution to Australia. KPMG recommends that partner points be allocated based on the following factors:

- Awards points to a partner who has secured continuous full-time employment greater than two (2) years in Australia in an occupation that is consistent with their qualifications (as defined by ANZSCO);
- Awards points to a partner who has secured continuous full-time employment greater than two (2) years in Australia an occupation that is listed on the CSO;
- Awards points to a partner who has secured continuous full-time employment greater than two (2) years in Australia in a location outside Sydney, Melbourne and Brisbane in an occupation that is listed on the CSO;
- Award points to a partner who has a qualification aligned to the CSOL or Priority Occupations List; and
- Awards points to a partner who demonstrates proficient English language skills (IELTS 7) or superior English language skills (IELTS 8).

Question Six: How should transition arrangements for the points test reforms work?

KPMG recommends that the points test that was in place at the time the Expression of Interest ("EOI") was submitted so as not to disadvantage applicants who have already lodged expressions under the existing points-tested visa pathways.

² [The lifetime fiscal impact of the Australian permanent migration program | Treasury.gov.au](https://www.treasury.gov.au)

³ [Media Release | Ministers for the Department of Social Services](#)

Question Seven: How regularly should the points test be reviewed? What should reviews consider?

Given the permanency of the visa and the substantial processing times for the points-tested visa pathways, **KPMG recommends that the points test should be reviewed annually with the intention to update as required at least every 5 years, in line with the Government's proposed 5-year migration planning going forward.**



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