

Accounting Professionals: Demand versus Supply

Are you finding it difficult to hire accounting professionals for your business? Considering the unemployment rate during the past few years, it does seem a little odd that there is a shortage of qualified candidates. The good news is that the economy is recovering and, as you would expect, the jobless rate is shrinking. Many would tell you that the worst is over. This may be true, but a rather perplexing supply and demand issue has surfaced for the accounting profession. Suffice it to say that the demand for accounting professionals is rising. After all, it takes a little more work to stay in compliance with federal law these days. The problem is that just when we need more accounting professionals, the supply is shrinking. This is even more frightening when you realize that there is no end in sight. What has caused this critical talent shortage? What does it mean for you?

Lower Birth and Enrollment Records. From 1946 to 1963, 79 million “baby boomers” were born in the United States. The following two decades resulted in the birth of only 43 million. When you take into consideration that those born from the 1960’s to the 1980’s account for the majority of our “employable” population in the U.S. today, it doesn’t take a rocket scientist to figure out that we are experiencing a general talent shortage. The facts are pretty straight forward -- there are fewer people available to fill open positions.

Now, to add fuel to this fire, let’s look at college enrollment figures during the past ten years. In the 1995/1996 time frame, there were 60,000 accounting graduates and 192,000 students enrolled in accounting programs in our universities. From 1998 to 2000, that number dropped by 20% to 47,000 accounting graduates and 148,000 students enrolled in accounting programs. Finally, during the same time frame, the number of high school students expressing an interest in an accounting major dropped by 50%. Ouch!

Eligibility Requirement Changes for the CPA Exam. Prior to 1997, candidates applying for their CPA certification did not have to hold a bachelors degree in accounting. Most states required only 126 semester hours -- with 24 of those hours being accounting related. It was also possible to sit for the exam if the candidate had “related work experience” under his or her belt. Beginning in May of 1997, a majority of the states changed their eligibility requirements and today, they require a degree and the completion of 150 semester hours before a candidate can take their state’s CPA examination. The specific courses that comprise those hours vary from state to state.

Candidates in Texas must complete at least 30 hours of junior, senior or masters level accounting courses to sit for the exam. 15 of the 30 semester hours must be completed in a physical classroom setting. Effective July 1, 2005, 21 hours of upper division business courses are also required in addition to a 3 semester hour ethics course.

Case Study. Now, with these new rules in place, let’s take a look at the following scenario.

Imagine that you are a Freshman whose family was significantly impacted by the recent recession. Go one step further and assume that cashing in your college fund was the only way your family could make ends meet. No problem! You have always been an over-achiever, so you are planning to work part-time while enrolled full-time at your University.

As a Freshman, you have a meeting with your academic advisor to select a major. Of course, you excelled in accounting classes in high school and have always thought you would major in accounting, so this meeting is more of a formality than anything. Suppose, however, that your academic advisor tells you that you must complete some masters level courses in order to graduate with a bachelor’s degree in accounting. “Maybe you should try majoring in Finance?” he says. “That way, you can complete your degree in 3.5 years versus 5 years.”

Many would agree that a degree in finance, or another unrelated field, can be an appealing alternative – further fueling the shortage of accountants!

Sarbanes-Oxley – Increased Competition for Accounting Talent. Without a doubt, the Sarbanes-Oxley Act of 2002 (SOX) has been one of the most important pieces of legislation affecting corporate governance, financial disclosure and the practice of public accounting to pass in decades. While it has created some compliance headaches for many companies, it has also renewed interest in the accounting profession. Unfortunately, competition for the accounting talent may be on the rise as well.

Since 2002, SOX compliance demands have created more job opportunities in accounting. There has also been a dramatic increase in the number of students majoring in accounting, though it will take some years for these individuals to become certified and experienced. It does, at least, sound promising. But now, there is more competition for accounting talent than ever. Why? In response to SOX, the “Big 4” accounting firms are offering new consulting and forensic accounting services. The addition of these new services leaves little room to continue servicing their smaller clients. This is, of course, good news for those national, regional and local accounting firms. But, these smaller firms can not service new clients without the addition of accounting talent. So, public accounting firms are actively recruiting accountants they lost to “industry” during the downturn in our economy. As those accounting professionals leave industry to return to public accounting, they will inevitably leave behind a shortage of similarly experienced professionals.

Final Thoughts. Wondering what all of this will mean for you and your business? It could depend on whether you are planning to grow or simply maintain the status quo. It is safe to say that the middle market business owner may have to consider the possibility of outsourcing the accounting function. And for the business owner planning to take advantage of our growing economy with expansion efforts, he or she may want to

consider devising a healthy retention and recruiting strategy. After all, having the right team members in place is crucial to the success of any business.