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# CPA Shortage

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**ACCT 296W**

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# Executive Summary

Currently, many major accounting organizations fear a severe drop in the supply of new Certified Public Accountants (CPAs). Many companies have begun to prepare themselves for a shortage. Some firms are taking action to protect from becoming short-staffed. One of the major questions firms are asking is why are there so few new accountants? This report will go into some of the possible reasons for a shortage as well as what some firms can do to protect themselves. Below is a short review of the more detailed report.

## Reasons for Shortage

These are some of the most discussed reasons for the possible shortage in the accounting profession. Some of them are more persuasive than the others.

- ***Increased Educational Requirements*** – There has also been concern over the extra school hours many states are requiring to sit for the CPA exam.
- ***Baby Boomers*** – More of this generation will be requiring within the next decade or two, leaving more positions to fill within the firms.
- ***New Accounting Practices*** – An increase in regulations, especially the new Sarbanes Oxley (SOX) rules, comes an increase in demand for auditors
- ***High School Students*** – Fewer students are considering accounting as an option when they are beginning to think about careers.
- ***Industry Reputation*** – After the recent scandals, the profession has had some problems with its public image.

## How to Fix It

Many firms are in a panic coming up with new ideas on how to gain and keep good employees. This report will look in depth at Deloitte & Touche and their strategies. Then it will look at more general changes, below is a list of basic ideas that are common among most of the firms.

- ***Recruiting Different People*** – Firms need to focus on recruits outside of just the college campuses.

- *Offering Personal Growth* – Employees put a high value on their personal development at work and companies should focus on helping them achieve their goals.
- *Wages and Benefits* – There is an increase in salary and added benefits since companies have had an increase in demand.
- *Selling the Profession* – Firms need to promote accounting to the public to get more people to consider it when deciding on a career.
- *New College Programs* – By working with colleges to better develop their programs they can increase their supply.
- *Interviewing Strategies* – Firms can change the way give interviews to show candidates they are more interested in them and look more appealing.

## Recommendation

Each firm needs to plan for the future and begin to get more creative in their approaches toward recruiting for the profession. Increases in demand can be a major problem if firms are not prepared for them. Different size firms may feel different impacts from the shortage, but all firms need to consider the best ways for them to gain and retain enough employees to cover their needs.

## There Is a Need

All accounting firms and institutions can agree on one thing: there is a need for new accountants. Demand for the profession has risen over the past few years, but the supply is dropping. The current level of interest in accounting has dropped below the current hiring levels in the industry, and with added regulations and demand, those levels look scary to many firms out there (Deloitte & Touche, 2007). It appears as though there is a rise in those enrolled in accounting programs. From 2000 to 2004, the enrollments have gone up nineteen-percent (AICPA, [aicpa.org](http://aicpa.org)). This seems to be a contradictory fact to the shortage, but the other consideration is the demand for accountants. With added rules and regulations, and added industries within the profession, there is more need for accountants out there. The AICPA has looked into their own membership to find that about 75-percent of their members will be at retirement age within the next 15 years (Murphy, 2006). The organization is trying to develop new ways to get new members and appeal to more students in fear of these numbers.

## Demand of the Profession

Due to changes in the accounting world within the past decade, the profession has seen an increased demand. Firms are putting out more billable hours with fewer workers on hand. This has effected the profession in multiple ways, but it really shows that there is more work out there for accountants (Accounting Today, 1999). Consideration of the job market shows that there are more offers for accounting majors than there are students to take them. Any qualified accounting major has numerous opportunities for work when they are finished with school. There is less of a need to pursue further education or even a CPA if there are enough opportunities without them. Many schools are realizing that they do not have enough graduating accountants to work with the companies looking to hire them. This is good news for the students getting recruits, but very difficult for the accounting profession. The firms have to hire people now that they may not have hired in previous years (Stafford, 2008).

Also, the accounting profession is different than many other jobs available. When the economy goes down and the job market is not looking very good, accountants are still necessary. Even though other people may be losing jobs, there is still the need for financial statements and tax preparation. Companies still need to do their due diligence, maybe

even more so now with a higher rate of inflation. No matter what the economy does, accountants will be in demand. In good times, more companies will appear on the market and they will need auditors and accountants; in bad times, companies will need more consulting, but they will still need audits and tax preparation. The information produced by the profession is always valuable to companies, the government, and the public. This means the demand does not really have major drops for accountants. The firms need to take action to increase supply, because it would be very difficult to rely on a natural change in demand. This lack of change in demand has required firms to get creative with their ideas to balance out the job market (AICPA, 2008).

## Changes in the CPA Exam

Another change in accounting is the number of people taking and passing the CPA Exam. Many schools are feeling the change in accounting majors. From Quarter 3 of 2006 to Quarter 1 of 2007, the percentage passing each section of the exam has fallen about three-percent in each section (Journal of Accountancy, 2007). This may go along with the idea that there has been more information to learn for the exams (with new practices and regulations), which has been a topic among college campuses. Many states have increased the requirements for school credits needed to become a CPA, but this has been a highly debated topic about its effect on the supply. Even if the extra credits are not turning students away, there has been the idea that the CPA Exam has become more difficult since they are requiring more schooling. This could be a cause for lower passing rates among students. It is difficult to say because changes in the exam and the number of accounting students vary depending on the area and school.

## Theories about the Shortage

The reason for debate among accountants is the rationale behind the shortage. Why the supply is dropping seems to be the most controversial issue about the topic. Many more agree that Sarbanes-Oxley is one of the biggest reasons for the increased demand. The reasons for the shortage seem to be a combination of numerous factors. Included in this report are some of the most commonly discussed theories for the changes within supply and demand of accountants.

## Theory 1: Increased Educational Requirements

One of the most controversial topics is the change within the educational requirements for the CPA Exam. Most states, up to 43 out of 50, have added an extra 30 credits to requirements to sit for the exam within the past decade. This requires most students graduating with a bachelor's degree to pursue further credits or a further degree entirely. With now 150-hours to be considered, many schools are capitalizing on those extra credits by developing their Masters of Science in Accounting (MSA) programs. These are easy ways for students to get exactly 30 extra hours, a MSA, and more studying in accounting before the exam. Although the programs have been working out well for schools, many students may not want to pursue a further degree to become an accountant. The AICPA believes that these extra hours will help with education for all of the new specialties and areas of the profession being developed. They feel that accounting is broadening the areas it works in and students will need more to be prepared for this (Somasundaram, 1998). The extra education has been considered as one of the possible reasons students are not entering into the accounting profession.

On one hand, students need to spend more time and money to be able to become CPAs. This idea may be considered when students are picking their majors, and some students may not want to take more schooling to become an accountant. Since the profession has already been seeing a smaller pool, even a slight effect from the exam can be harmful to the profession (Robb, 2000). Also, students are considering that further education may not be necessary to land a great job after college. With an increase in demand, many students can find other jobs with their degree that do not require the CPA Exam (Stafford, 2008).

On the other hand, many of the changes for the exam do not seem to have a major effect on those students who are choosing accounting. It has actually been reported that many students decide on their future job when they are in high school and do not know much about accounting. Many high school students are not aware of the full requirements needed for the exam when making their decisions, making this less of a contributing factor. Also, the younger students surveyed mostly said they would not mind the extra education if they felt that the career was worth it to them (AICPA, [aicpa.org](http://aicpa.org)). This change in the exam has actually led to more accounting programs. Many schools are considering the extra hours when changing their programs. This had led to more MSA programs, and also more ways for students to adjust their bachelor's programs to add the required additional credits. This effect from the requirements had helped schools enhance their

programs and focus on accounting, which is good for the broadening areas of accounting (Solnik, 2005).

There are many different factors to consider about this particular change in accounting. It seems that the added requirements are not the full cause for the shortage, or even a major one, but it may have an affect on some students. From a lot of the research, it seems that many students will pursue the further education if they find that it is worth it for them to stay with the career. The demand has lead firms to offer more money and more benefits; this fact alone can make the extra requirements more “worth it” for the students considering the major.

## Theory 2: Baby Boomers

Very soon the baby boomers, those of ages 35-60, will be retiring from their current positions. This will lead to high demand to fill those positions. In general, companies should be hiring more now so there are people lined up for the positions of all those who will be at retirement age, but extra hiring has been difficult to do. Many firms are just trying to hire enough to fill their current needs due to a smaller pool of talent available. This may lead to more problems down the road when the baby boomers do retire and all their positions open up. The scarcity of CPAs will be greater than now, which will allow them even more bargaining power with their firms. The salaries have been rising recently, but this could cause them to rise even higher in the future (Jacobs, 2007). This theory has a lot to do with firms planning for the future, and how they are unable to do everything they normally would. The inability to hire as many new professionals has lead firms to be unprepared for the loss of the current employees. There is an increased hardship of recruiting new hires, and a diminishing workforce. CPA firms are focusing on keeping the good employees they have, but the massive workforce that is at retirement age will put a damper in those plans (Janness, 1998). The baby boomers make up about 60-percent of today’s prime workforce, and are therefore a major consideration for firms when thinking about current and future hiring practices (Boomer, 2007).

### Theory 3: New Accounting Practices

One of the most well-known and discussed factors behind the shortage is the increased demand due to accounting changes. After scandals with Enron and WorldCom, to name a couple, the SEC developed the PCAOB to check on public company audits. The PCAOB increased their requirements by putting Sarbanes-Oxley (SOX) into action. This new requirement held company executives more accountable for their company's actions, but also added many new rules to the accountants. It separated auditing and many consulting practices, which decreased work for certain clients, but kept a need for consulting. It also set up new required procedures and information for auditors to consider. This added more work to the accounting profession. The current workforce was not enough to handle the added work and responsibility. Not only that, but they had to be trained in the new methods and restrictions, which took time and effort away from the normal jobs. The new changes added work and the need for training among the accounting firms. Although it has been a few years since the original pronouncement, there are still side effects of the training and work that has been added. Some adjustments, from Audit Standards 2 (AS2) to Audit Standards 5 (AS5), will slightly diminish those effects, but the extra testing and standards that will require more workers are here to stay (Jacobs, 2007).

SOX is the biggest development that has increased demand in accounting. It also the most well-known change in accounting in recent years. The accounting reputation has been changed since accounting scandals, and this was the government's way of dealing with the public concern. Companies are in need of more accountants than before to check on internal controls for the public audit, but also they may need to hire a different firm for some due diligence work. Since SOX, one firm cannot handle everything for the company, certain consulting services cannot be provided like they were before. And even though this legislation is only for public companies, many private companies are finding audits are important for their own knowledge and public reputation (Jacobs, 2007). Companies are also hiring more internal accountants to help them with their compliance issues before the audit. Management is having issues finding qualified professionals to fill these positions. SOX has been a major factor in these changes with companies to comply with new rules and their public reputations (Robert Half, 2008).

Not only has SOX increased the available jobs, but it has added fields of accounting within the past decade which increased the need for workers. Areas, such as forensic accounting and more IT-related jobs, have prospered recently. These new areas have led to an increase

in demand for these types of accountants. The background in accounting is only the beginning here, where forensic and IT specialists will need even further training, but the basic accounting skills are the same. New firms have been created that specialize in certain forms of accounting, such as just forensic accounting firms. This field has developed over the past few years into an important part of the accounting profession. Many of the large public accounting firms have developed their own forensic accounting departments that are currently expanding. New areas are just creating more demand (Wells, 2003).

Another concern is that more demand for better skills has also become an issue in the field. Accountants are required to have better communication and writing skills for their profession. This has an effect because higher standards in the firm lead to a smaller supply of available candidates. The accounting industry has changed from being mostly focused on only an accounting background to focusing on other parts of the candidates as well. Dennis R. Beresford, an executive professor of accounting with Ernst & Young said "The 'non-specialist'-that is, someone who is enough of a generalist and smart enough to work in a lot of different areas- is going to be a very valuable person." (Robert Half 2008) Although the traditional view of accounting is the crunching numbers, there are many needs for a well-rounded knowledge in business. Interpersonal skills are almost as important as accounting skills (Mader, 2001). Many firms are stuck in tough positions when considering borderline students. They need to really sell the profession to get good candidates to consider them. The demand for better skills is making it difficult for CPA firms to find enough good hires to fill their positions (Jacobs, 2007).

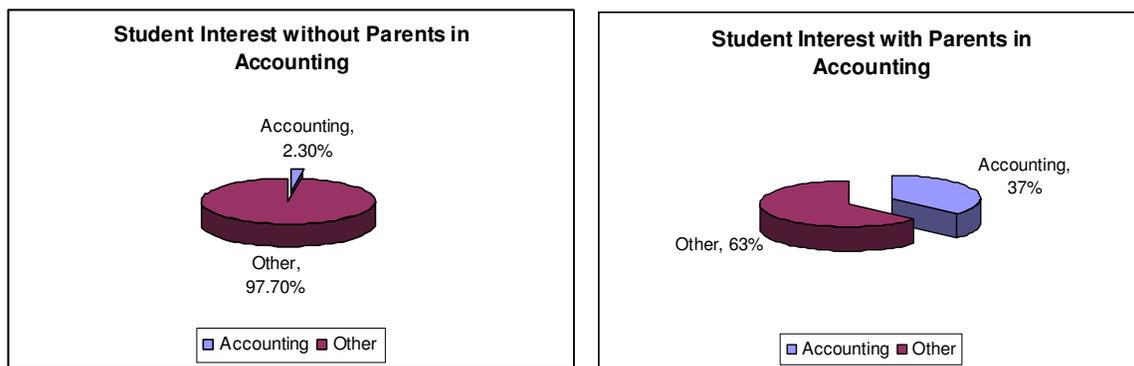
#### Theory 4: High School Students

Many students are deciding on their careers while they are in high school. Many studies have found that high schools students have limited knowledge of the accounting profession. The lack of information about accounting has lead to little interest or misconceptions of the profession. Along with the negative perceptions of accountants, there is also a lack of quality courses in accounting in high school. Many high schools do not have accounting classes that are considered to be valuable by the students. Any introductory classes that students have can alter their views completely on the profession. Having a bad class or an uninteresting teacher, students may cause possible accounting

majors to change their minds. By ignoring high school programs, the profession is missing out on a higher supply of workers (AICPA, aicpa.org).

For many younger students, parents and teachers are very influential on career decisions. Students who have parents involved in the accounting field are more likely to consider it themselves, the difference is shown in Chart A (Deloitte & Touche, 2007). This fact shows that incorrect perceptions about accounting can have a strong negative effect on students. Those who know more about accounting, seem to be more interested in the field.

Although this seems like good news, many students do not know much at all about accounting. More than a third of high school and even college students are unaware of what a CPA does (AICPA, aicpa.org). Even if they do have some idea of what they do, the perception is still skewed toward tax preparation and number crunching. Low knowledge of the field has led to low interest. In a survey done in 2001, only 2-percent of high school students are considering an accounting major. They compared this to the 4-percent considering the major in 1990 – a complete 50-percent decrease! With students making decisions at younger ages, this misperception can leave a major impact on the entire field of accounting. The lack of consideration of the field when they are making decisions has made the accounting profession more difficult to sell to students (AICPA, aicpa.org).



*Chart A – These two charts show the difference between students with parents in accounting, compared to those without (Deloitte & Touche, 2007).*

Not all high schools offer accounting as a course for students. Since the course is not critical to a college application, 35-percent of high schools do not even offer it. Although that is less than half of schools, the other schools do not require that students take it. The

majority of students with accounting available to them do not decide to take it as a course. This decision is usually based on time available in their schedule with the other requirements, or because it is not something they have an interest in. For those few students who do take accounting as a high school course, there is still only a small few who go on to take it as a college course. As previously mentioned, the teachers and course quality have a major impact on the students who do take accounting. If more students could be reached with quality courses in high school, there may be an increase in those who go on to major in accounting in college (AICPA, [aicpa.org](http://aicpa.org)).

### Theory 5: Industry Reputation

Another factor that may have had a change on the supply and demand in accounting is the reputation. Within the past few years, there have been scandals that have tarnished the accounting profession as a whole. These factors along with industry working conditions such as long hours and tough work-life balance also add to changes in the interest of the profession. The upcoming generation, also known as the “Me” Generation or Generation Y, is interested in getting what they want when they want it. This new workforce is seen as spoiled, and if there is high demand they are able to ask for more of what they want – which usually is not the 70-hour weeks the industry is known for.

Most of the future concerns of employees are salary and benefits along with job stability. This alone has led to an increase in the salaries of newly hired accounting majors. The students entering the workforce are focused on practical things such as being able to afford a stable lifestyle and balancing home life and work life (Robert Half, 2008). Firms have come to consider that people do not want to work the traditional long hours and are working on becoming more flexible with their hours. Even though they are working on it, there is still the well-known hour standards that prevail during January to March or April (Boomer, 2007). Many of the large firms still require at least 55 hours during these months for their salary workers; this requirement may turn away many possible accounting majors. Accounting graduates are up 19-percent from 2000 to 2004, which is good, but to keep up with the increased demand this percent may need to be higher (AICPA, 2008). These hours could turn away some of the borderline students who may end up being needed by the firms. An increase in the value of quality of life has changed the way people

have seen accounting. If anything this view, along with the shortage, has caused firms to rethink their flexibility and work-life balance structuring (Katz, 2007).

The other side of the reputation is the negative one that has been shown through the accounting scandals. There are people who may be dissuaded from following an accounting major because the reputation of accounting has gone downhill. The AICPA and other accounting programs are working on promoting the good signs of accounting and the firms with good reputations. They want to get the word out to students that accountants are respectable and professional (AICPA, [aicpa.org](http://aicpa.org)). If anything, the reputation has led to changes that have increased the demand for accountants. More fields and more work have opened up to counteract those problems that have arisen. The tarnished reputation may have changed the idea of accountants as professionals in some people's minds, making them consider what the accountants were doing while the corporate scandals were taking place (Jacobs, 2007). Whether or not this has become a major issue in the minds of new recruits is questionable. When high school level students were asked they still considered accountants as professional and intelligent; although they also view them as math lovers and number-crunchers. The scandals may not have hurt the profession as much as the long-time reputation of accounting being tedious and monotonous (AICPA, [aicpa.org](http://aicpa.org)).

## **Case Study – Deloitte & Touche**

Firms of all shapes and sizes have to address the current accounting shortage, but one firm in particular is coming up with new and innovative ways to fill the void. The currently number one firm in the country, Deloitte & Touche, has addressed concerns many of the concerns listed above to counteract the shortage. Deloitte has worked on the current problem by trying creative techniques to recruit more new students to the accounting profession and to retain the good employees they currently have working for them. By being such a large firm, they have the resources the profession needs to get back on the right track. In one way, they need to consider providing for the industry as a whole, being that they are one of only four "big" firms out there. Even their CEO, Barry Salzberg, has spoken out about the issue, saying "Interest in a healthy and vibrant auditing profession extends all the way to the United States Treasury Department". (Deloitte & Touche, 2007) He makes a good point that auditing and accounting are important business necessities in

our country. Auditors are the intermediaries between companies and their investors, and accountants are a part of the backbone of companies everywhere. An issue of a shortage needs to be addressed in the industry, and the top accounting firm in the country is looking for creative and inspiring ways to do it.

## Recruiting at a Young Level

One of the special issues Deloitte & Touche has addressed is the lack of popularity of the accounting profession. The idea of becoming an accountant is not as prevalent among younger students as some common professional careers, such as law or medicine. Students are beginning to think about their careers at a younger age than ever before and the accounting profession has just begun reaching out to them to work on try to alleviate the shortage. Deloitte has set up a new “Pre-college Outreach Program” to start to get high school and even middle school students considering business and accounting options. Research done by Deloitte Services LP’s Next Generation Initiatives program discovered that by ages 17 and 18, many teenagers have already decided on a career path. Although many may change their minds in the future, 57% of students in college had become seriously interested in a profession before they got to campus. By not reaching students in time, accounting may miss out on some opportunities for candidates (AICPA, aicpa.org). This shows that accounting firms cannot simply begin recruitment at the college level. They also learned that many 12 to 14 year olds have already to seriously start thinking about a future career, and that this may be a better time to reach out to students to get them involved in the profession (Half, 2008).

Another side the program discovered is that students who are familiar with the profession, such as those whose parents are accountants, are much more likely to be interested, or at least informed, in the profession themselves. This may be good news for Deloitte and the accounting industry as a whole. The simple solution to this aspect is to get into the high schools and middle schools and begin to get the industry known among younger age groups. Some younger students may not consider accounting because they may not think of it or may look at it as number crunching. If Deloitte and the other firms can convey to students what they do on a daily basis, it may add more appeal to those looking to pursue a college degree. Even though students are thought to be fickle and indecisive, Deloitte has

learned that being there when students are working on major career decisions at least gets the industry to be considered in the choice.

Deloitte & Touche has developed new programs to reach out to this age group. Their main initiative is the “Pre-College Outreach Program” to get students to think positively about the accounting profession as an option. The program is more general in helping students think about the future and make plans, but by getting the company name out to students, Deloitte leaves a good impression. The website, [www.nealeslifeinc.com](http://www.nealeslifeinc.com), has been set up to allow students to look at their own characteristics and get their own thoughts out for themselves. The site engages students in thinking about the future and makes the profession more readily available to them. The program also consists of events and activities. One of its main promotions is an online business simulation where students can actively participate and challenge their business skills. Deloitte has been working to get this program out to teachers to become part of their curriculum and institution at the high school level (Robert Half, 2008).

This new recruiting strategy may sound elaborate, but Deloitte believes that it is well worth it. If this can raise the number of students interested in accounting, it can prevent some of the shortage fears that the industry may have. This is a long-run initiative to prevent losing clients due to a lack of human resources. A company of their size needs to look strong and stable, while turning down clients because they cannot handle them will not portray that image. They have considered that spending the extra money now may become valuable when they are able to fill the accounting positions as they are needed. Connecting to the younger generation early can be valuable in getting the industry name across and giving students enough time to decide on future academic plans to fill accounting requirements and regulations (Robert Half, 2008).

## Recruiting At a New Level

On the opposite side of their high school recruiting strategy, there is also the idea to target more experienced workers. Since the labor pool has been shrinking, there is an outreach to anyone with the qualifications and the accounting background. Although some of these workers may not want to get right back into public accounting, Deloitte is looking for people with knowledge in the field to help with their recruiting and strategies for the

younger generation. They are trying to get these workers involved in their new high school outreach programs to teach younger students about career choices. These “seasoned” workers can help educate the newer workforce to fill the important positions within the firm (Robert Half, 2008).

Another common aspect of recruiting is getting people back into the firms that have been there before. Many people, who decide to leave Deloitte, end up right back there after they work somewhere else for a while. This leaves the opportunity to recruit your old workforce back into the company. These workers are known as “boomerangs”, and are common to public accounting. Sometimes there is the idea that “the grass is always greener on the other side,” but it does not always work out that way. Firms consider taking them back because rehiring is much less expensive in time and resources; and it is considered that they may be more loyal now that they realize this is what they want to do. Every time an employee leaves, it costs about half to four times their salary in replacement costs (The Practicing CPA, 2005). Also, accounting is not the only profession that is using “boomerangs”, more than half of 100 U.S. organizations polled would consider rehiring a former staff member as of a poll done in 2005 (Dubie, 2006). One of the senior managers at Deloitte & Touche in Hartford, Donna Cashman, is always open to telling the new hires that she missed the company so much she came right back. So although there are many reasons that people leave firms for good, there are also those who turn themselves right around and come back to public accounting (Deloitte & Touche, 2007).

## Building the Reputation

Another consideration that Deloitte makes in their recruiting strategies and appeal is the reputation of a Big Four accounting firm. They use the idea that a job at one of the large firms can get you anywhere when selling themselves to new hires. Deloitte is recognized across the nation for hiring strong and talented people. They use this knowledge to their advantage when students are deciding on career paths; a job with Deloitte can enhance your education and career for anything. The company values its training and actively helps in developing their employee’s skills and competencies. When trying to sway indecisive candidates, Deloitte can use its reputation to show its strengths.

Although this sounds like more of a short-run strategy, there is always the ability to grow within the company. The longer these employees stay with Deloitte, the more education

and training they have anywhere they may want to go. Some may want to stay on and make it to partner, others may use public accounting to their advantage when moving on to something else. Either way, by starting off with a Big Four firm, recruits get the benefit of education and experience to add to their personal achievements. Deloitte knows how well they are viewed by other employers and uses this to their advantage when persuading new hires to choose the accounting profession over something else (Deloitte & Touche, 2007).

Another aspect of their reputation is the diversity available at Deloitte & Touche. Being a multi-national company with a strong reputation, they manage to bring people together. They offer different programs to recruit everyone and keep the Deloitte staff new and fresh. The office in Hartford was the first to hire a female managing partner, showing more women the opportunities and growth abilities within the company. They are very proud to make all candidates aware of the possibility for everyone's individual growth within the firm, no matter what their background is (Deloitte & Touche, deloitte.com).

## Flexible Work Arrangements

Deloitte, along with many of the other big sized firms, have developed a new way of thinking about flexibility. They believe that working around the lifestyles of their current employees is more beneficial than hiring and training brand new employees. By offering telecommuting and part-time work, they allow good employees new opportunities to stay. Some of the workforce that may otherwise leave due to the hours can change their arrangements and keep their current jobs, only with less time restrictions. This program has been working well, especially for working mothers within the company who may not be able to stay on full time. The company has continued to build on its flexibility and is always looking for new innovative ideas.

The idea of flexible arrangements has been spreading rapidly throughout the industry. There has been an understanding that retaining educated and experienced employees is more cost effective than hiring a whole new group and training them. The current issue with the shortage of accountants has only magnified this problem. Firms are looking for many new hires to keep up with demand, and at the same time they cannot lose too many of their current workforce. Both employees and employers have benefited from these new

and innovative flexibility arrangements. Deloitte plans to continue to build on the flexibility it offers so their employees have options (Deloitte & Touche, [deloitte.com](http://deloitte.com)).

## Internal Options

One of the latest developments at Deloitte has been the use of internal career coaches. Since it is such a large company, there are many different options employees may not be aware of. If someone is planning a move, there are locations all over the world. If someone is getting bored in their current field, there are many different functions. Sometimes such a big firm can appear overwhelming, so Deloitte has taken on this challenge by offering people to help.

What are internal career coaches? They are people who work for Deloitte to show the current employees their opportunities.

Now more than ever, it is easier for accountants to learn more about their own field and options. Big firms can stretch much farther than just audit and tax. This allows people who may be leaving for a different type of accounting position to possibly stay within the company.

## Solutions for Firms

Since firms have begun to worry about this situation there have been some creative and innovate ideas to combat the shortage. The example of Deloitte shows some new ideas firms are using, but it also shows how Deloitte is promoting themselves as a brand name. There are other ways individual firms can make changes, and there are also ways that accounting can promote the industry as a whole. Organizations, such as the AICPA, are beginning to focus more on the effects of the shortage and how to counteract them. They are trying to bring the industry to the forefront and research ideas that all firms can use to recruit new people to the profession. The AICPA is trying to focus on getting the accounting industry out there to students considering business careers (AICPA, [aicpa.org](http://aicpa.org)). Firms are realizing that they need to make some changes for the industry and for their own services. By being able to recruit and hold onto the best people, the firms can enhance

their reputations and build better programs. So even though this is a current crisis in the accounting industry, it may promote a better environment after everything settles down. Firms are beginning to take into account what their employees are looking for and finding ways to accommodate their needs. By surveys and research, companies can learn what they should change to be able to recruit students and keep employees. Many of the ideas and options coincide with the theories for the shortage discussed earlier in this report. Others are general ideas that may help the industry become better equipped to recruit new hires. Firms can choose from a range of ideas to help them survive throughout the shortage.

## Recruiting Different People

As seen with Deloitte & Touche, firms are beginning to focus more outside of just college campuses. There has been an increase in recruiting at high schools or fields outside of the accounting departments. By focusing on only those people who have accounting degrees, firms really are leaving out some intelligent people. Since there is such good training within many of these firms, certain ones can afford to hire smart people without accounting degrees and teach them. There are numerous growth opportunities within firms that recruiters can consider when hiring those outside of accounting (Boomer, 2007). The main thing to consider when looking for different people is how to get the message to them about hiring. Deloitte & Touche is not the only firm trying to build programs for younger students; the AICPA also started their own program to make the accounting profession more available (AICPA, [aicpa.org](http://aicpa.org)). This means speaking with high school students, going to career fairs for other majors, and meeting with people who work in different fields to promote accounting as a whole.

Recruiting for high school students can be separated in two different ways. First, there are firms who can go to high schools and promote their brand and their firm. This is what was mostly shown in the case study above. Any firm can go to the schools to get their name out there and influence people to consider them when thinking about their career plans. The other way is promoting the industry in general. Rather than promoting a brand name, organizations or even companies can go to high schools to tell them about the profession. Local organizations, such as the Connecticut Society of CPAs (CSCPA) have been begun to

do Conferences in their areas to promote the profession. They have facts on their website that students can look up to show them that accountants are highly in demand right now (CSCPA, [cscpa.org](http://cscpa.org)). By making more students aware of accounting, it allows more to consider it when choosing what to go to college for. This can remove some of the negative perceptions about the field, while letting students in on the positives. Accounting organizations can really have an impact if they try to appeal to younger students and recruits (AICPA, [aicpa.org](http://aicpa.org)).

In general a main focus of recruiting is for students. Firms can change by steering away from this focus and consider people who are not currently enrolled in school. There are many mistakes that firms make when choosing recruiting strategies because only focusing on campuses leaves out some intelligent people outside of school. Firms can take advantage of internal networks within the firm. By asking people and even offering bonuses to current employees who can bring someone else in to fill an open position can open up possibilities that would not otherwise be considered. They can also consider state and national societies, such as the AICPA, to post job offering and meet with new people (Boress, 2000). Firms can look back to the “boomerangs” that were mentioned previously, or to the CPAs who left firms to decide to have children. There are options out there that allow accountants to become certified as CPAs, but may not be as well-known when recruiting. Even though, nono-traditional candidates may not fit the perfect mold if they have had a few years off, a good training program can easily match these candidates up with good accounting jobs. With the event of the shortage, employers need to focus on potential more than a specific set of skills. Firms need to be aware of the barriers and restrictions on those who cannot qualify for the CPA exam, but there may be some others out there who have the basic accounting requirements but may still be missed. Any firms with good training programs can afford to consider hiring those without up-to-the-minute accounting knowledge (California CPA, 2001).

In any of the above cases, there are other options that firms need to reflect on when dealing with the shortage of the supply. Although the traditional accounting hires may be in short supply, there are a few options that firms can choose from to hire new people. In effect the short supply may force firms to find new ways to fill their positions in the future. By getting creative when necessary, the firms may learn some other ways to recruit and hire. During the current shortage, any of these possibilities need to be looked at to avoid losing clients because of a lack of employees.

## Offering Personal Growth

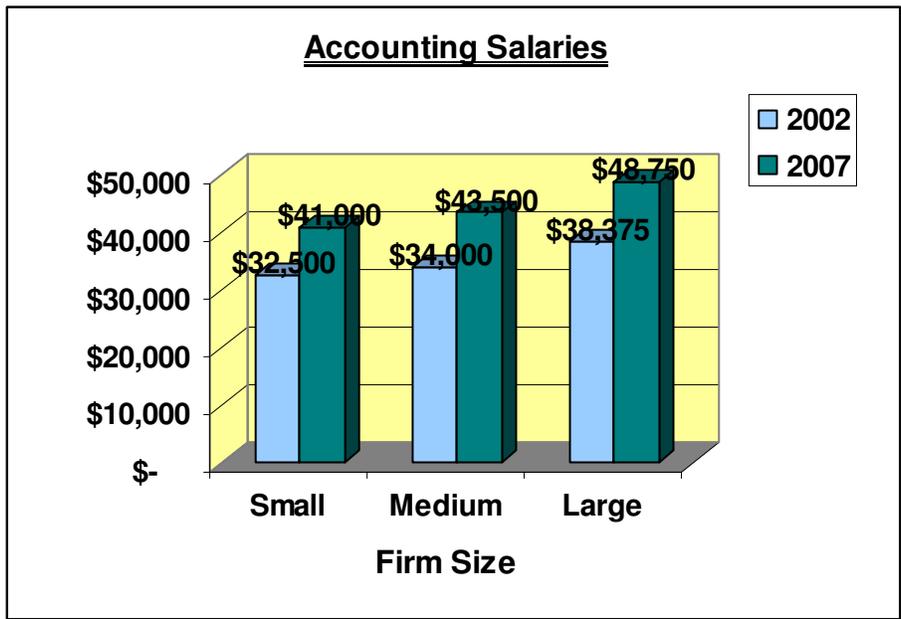
Many new accounting candidates are focused on improving themselves and learning while they are in their current fields. By offering good training programs, many firms can work to accomplish the personal satisfaction that their employees desire. When asked about future concern, 23-percent of Generation Y workers said career satisfaction is their number one concern (Half, 2008). Firms need to spend some more time and money investing in a strategy that will promote self achievement. Employees are very concerned with maintaining and increasing skills within themselves; this focus is beneficial to both the employee and the firm. Employees want to improve within, and also advance in the company. Recognition helps to promote a healthy working environment where employees maintain their happiness. Matching people to the appropriate jobs and training them in a field encourages them to improve as people. Most employees find these factors very important when staying with their jobs (Boomer, 2007).

Firms can really capitalize on this by promoting a healthy working environment. If the firm focuses on training and has a good reputation for valuing their employees work, they can recruit many people based on this factor. Firms need to train honest and professional workers for their own reputations. By focusing on ethics and training skills, employees will understand where they stand within the company (Misiewicz, 2007). People who understand and fit into their job descriptions are usually less frustrated at work and more productive. Making these changes is beneficial to keeping employees, promoting the firm's reputation, and even keeping a healthy working environment for everyone (Boomer, 2007). Firms need to remind their employees that they are a valuable, and make sure to consider their happiness within the firm. Some firms have set up groups to go over the aspirations of employees to make sure that they are being met. By enhancing positive qualities of current employees, everyone can be kept happy (Journal of Accountancy, 2007).

## Wages and Benefits

One of the most prevalent changes to accounting is the increase in wages and benefits. Since the shortage began, firms are competing for the best people, and the easiest way to do that is to pay them more money. This is especially useful among college recruits. Just at

the University of Connecticut, firms offer to match other firms for both internships and full time positions when they call for hiring. Some firms change their original offers after they hear what other firms have chosen pay. Many of the students and employees are learning they can use this to their advantage. From 2006 to 2007, it was found that the number of employees willing to ask for more money doubled (Jacobs, 2007). The larger firms have used their ability to pay more when competing with some of the smaller firms. In any case, salary has risen dramatically over the past few years for new hires. Below is Chart B that includes the changes in firm salary from 2002 to 2007 (Jacobs, 2007).



*Chart B – This shows changes in salary over a five year period between the three major firm sizes (Jacobs, 2007).*

Not only is basic salary a consideration of employees, but there is also bonus systems. Many firms are getting more creative with the structuring of their bonuses, or including more bonuses into their programs. Companies are offering signing bonuses, CPA Exam bonuses, and incentive bonuses. Firms are using ranking systems that are tied to incentive systems to decide on the bonuses to keep the good employees they have. By offering new programs for bonuses, they can promote these options to new recruits (Journal of Accountancy, 2007).

Along with salary increases, benefits are a major factor for recruits looking into accounting. With the current worries about social security and increased costs of health

care, employees are beginning to focus on benefits quite often. Salary and benefits were ranked number one under the career concerns for the future survey. Many employees want to know that they are making enough money and putting it aside to cover retirement when the time comes (Half, 2008). Many smaller firms are feeling more pressure on this end to fill the needs of their employees. There are more that are beginning to pay the high price for health insurance to try to use it as a recruiting factor, while other industries are starting to drop their health insurance coverage entirely (Jacobs, 2007).

Many firms have become more creative with their work life balance. Parts of their benefits include the ability to work part-time or work from home. This usually starts after someone has been with the firm for at least two years, but is brought up as a recruiting technique from the internship forward (Boomer, 2007). Values of some of the older employees may need to be kept in check with the newer members and their goals of balancing work and life. New arrangements can be reached to change mandatory rules to fit more lifestyles. There are ideas of basing roles on projects, phasing out retirement, or even cyclical work periods. These are different flexibility arrangements that may be able to keep some employees around who would otherwise be leaving the firm. Firms are realizing that it is cheaper to work with the schedules of the employees they already have, rather than hire new recruits and train them to get the experience they already have within the firm (Journal of Accountancy, 2007).

## Selling the Profession

One major factor that may change the supply of accountants is the current promotion of accounting. Right now, the job is beginning to catch on in popularity, but firms and organizations should focus on selling the profession more often. Students are beginning to catch on to the increased salary and benefits associated with the career, and it is getting more people to consider the profession. The number of bachelor's degrees in accounting increased 9-percent from 2003 to 2004 (AICPA, 2008). As discussed in previous sections of this paper, younger students are not considering accounting as a possible career choice. By letting people know that there is a need to fill positions, it may help future candidates consider the option of accounting (AICPA, [aicpa.org](http://aicpa.org)). More students are realizing the demand for their skills within the profession, and are trying to capitalize on it by getting

accounting degrees. If accounting firms promoted the increased demand more often, they may be able to get more people interested. Recruiters are fighting for the best students and tallying their numbers compared to other firms. If they could get the word out about the intense fight for candidates, it might make the profession look more appealing to other majors that may change with the economy. More than 230,000 Americans have already lost their jobs this year. There are many others that may know they are next on the list, and they should be developing a strategy. For these people, the accounting profession may be the place to look since it is increasing employment (Burton, 2008). There are so many job options that are lowering their hiring rates that any job that may be in need of candidates may look more appealing to other majors (Katz, 2007).

The profession needs to get a face-lift to change current impressions. The view of the bean counter is still out there, although it is slightly beginning to change. The recruiting by the firms need to put some glamour into the profession and change the public view (Mueliner, 1998). Accountants are starting to get some recognition for their positions, and even called “sexy” by *Business Week* this year. The Big Four firms have ranked in the top of many lists for career development (Gerdes, 2007). Organizations are starting to realize how the shortage is affecting the profession and the changes being made in salaries and flexibility. The more advertising and promotion that the field gets, the more the profession will prosper. If accounting can stay in the news for its accomplishments, and out of the news for scandals, the profession can use this promotion to get a hold of people who would not have considered it originally. Accounting news is not a case where any press is good press; the profession needs to get some good news out to the public. With any of the publications, like the one mentioned in *Business Week*, the accounting profession is promoted to the public. As long as firms stay on the right track with recruiting and job security, news will be out that accounting is the best place to start a career.

Some companies have also used the idea of selling the profession within their current employees. They want to get the message across that they are in a good field that will help work with them. This was partially shown in the Deloitte case where the firm hired internal coaches to help work with people in the firm to decide where they would like to work and the best fit for them. Firms and the AICPA are catering to members that may consider leaving the profession to encourage them to stay. Many CPAs usually decide whether they are going to stay or leave within 5 to 7 years in the business (Murphy, 2006). This is when firms need to focus their efforts to keep the valuable human resources they

have. Companies are promoting the fact that CPAs contribute to society and have a place within the company. By focusing not only on work-life balance, but on career development and personal advice, firms have been able to retain more of their current employees that may otherwise be leaving. Accounting firms and organizations are learning that they have to sell the profession to new recruits and to their current workers. Ignoring their employees is just as dangerous as ignoring the people they are trying to recruit. This is one of the best times to begin a career in accounting, but firms are realizing how important retaining good employees are also. Due to the shortage, firms really need to focus on two different recruiting strategies to gain new people and keep current ones (Murphy, 2006).

## New College Programs

Outside of the accounting firms and the AICPA, colleges need to focus on recruiting new accounting students to fill the profession's positions. With all the available job spots within firms, college campuses need to recruit more majors to fill them. There have been surveys done on accounting that show what sways certain students to pick or not pick accounting as an option. Mainly they discovered that professors, courses, and perceptions are what students consider when making their decisions (AICPA, [aicpa.org](http://aicpa.org)). Colleges need to take this information and use it to benefit them.

The University of Connecticut has really done great things with this knowledge. One of the main reasons that people become accounting majors is one of the professors in their accounting department. Professor Richard Kochanek is one of the factors in UConn's recruiting strategy, and they take full advantage of this. They make sure to take good care of him to keep him as the professor for their introductory accounting course. According to Professor Kochanek:

"The Introductory course in Accounting is a joy for me to teach. We cover both accounting basics and real life applications. However, most important, we constantly talk about making the most of our very precious time on earth and always striving to be the best person we can be. Our best should get better each day we live. To me, this is the most important part of education."

His ability to promote the field and switch students to accounting majors has been beneficial for the entire program. The accounting department emphasizes putting a great professor with a great course, which fills two of three factors looked at by students. Along with those two, he is able to clear up some misperceptions about the field, so that he covers all three factors in his introductory course. UConn's own *Daily Campus* has emphasized his teach style in the classroom, stating that he doesn't just teach accounting, he also teach life lessons. This makes an accounting class reach more students who would not necessarily consider accounting as an option (Charette, 2007). He may sound just like one professor at the university, but research has shown that this first class has a major impact on students. For students who became accounting majors, they were more likely to feel that the first class was interactive and that they learned a lot from it, than those students who did not decide to major in accounting (Chen 2004).

Another major factor that University of Connecticut uses is their accounting program. The set up of the internships and full time job options is very well structured and fair for everyone involved. All students interview for all firms within the same two week period, and then all students hear the responses on the same day. This allows the students and the firms to see all of their options at once before having to make a decision. It also does not leave any students out; everyone hears about the possibilities at the same time and is given the same options. Almost all accounting students end up with job offers upon graduating. The program is so well developed that many of the other majors become jealous of opportunities available to the accounting students. This program alone helps in their recruiting strategy. If other colleges and universities consider a program like this, they may be able to match up more of their students with future job offers. It is not only helpful to students, but also makes the college program look good.

The University of Connecticut is just one example of a college program that is set up to sell itself. There are other very good schools that promote accounting. The University of Texas at Austin, Brigham-Young University at Provo, and the University of Illinois at Urbana-Champaign make *U.S. News and World Report's* top list. The rankings came from deans and senior faculty from undergraduate business programs. This means that these schools were able to publicly promote their programs enough to get recognition as being some of the best (U.S. News and World Report, 2008). If other schools are interested in boosting their accounting programs, it may make the most sense to cater them to the students as these three and the University of Connecticut has done. Promoting the profession will help get

students interest, which will lead to more jobs for their undergraduates. The firms appear to enjoy working with programs developed in this way because they can find many good recruits in one place. By recruiting more students, there are more options available to accounting practices when they are looking. The University of Connecticut places nearly 100% of its accounting majors with jobs – it is one of the few majors that can claim that. A program, such as this one, promotes the field and helps fight the shortage. There are many students who do not take an accounting course until they get to college, so these college recruiting efforts are valuable all around (AICPA, [aicpa.org](http://aicpa.org)).

## Interviewing Strategies

Interviewing is something that can be controlled by the firms themselves. Accounting firms need to focus on their interviewing techniques and change some of the mistakes they are making. This may include interviewing more often, or even just changing the décor in their offices. Many companies are not hiring the people they may need because they are making simple mistakes. Since there has been such intense competition between firms and private industries, accounting firms need to make sure they are doing everything possible to not lose the employees they want.

There are numerous options that firms have been deciding they want to hire more people. Many firms should consider hiring “head hunters” (professional placement firms) to look for qualified candidates at any point during the year, not just specific recruiting times. They should also take advantage of internal options by asking other employees to help out with bringing in new candidates. Many companies offer compensation to those employees who can bring in people to fill the necessary positions. They need to make sure that everyone in the office is aware of these bonuses. Also, by hiring outsiders to look for people to interview they are getting their name out there. This way other people can realize that the firm is looking for new people and consider it as an option. So many companies hire head hunters that companies that are not using them are falling behind. The firms should always be on the lookout for new people, and they should always interview. Whether they have a need or not, firms should continue to interview. There are so many positions that they do not want to miss a good person just because they may not

be currently looking. By only offering interviews during certain times they are limiting their possible options (Boress, 2000).

During the interview, firms need to make sure everything is in place and organized for the person coming in. Without being completely prepared, firms may lose valuable candidates who end up going somewhere that caters more to them. By being knowledgeable about who they are interviewing, they can place that person with a good interviewer. If they can find someone with certain backgrounds that match the candidate, they have a better chance of recruiting the candidate. After all, it's not just the firm interviewing the candidate; the candidate also is there to decide on the firm. Unfortunately, many firms do not do as much research as they probably should in match interviewees to their interviewers. Another overlooked element of the interview is the appeal of the office. Even though within public accounting, many candidates do not spend a lot of time in the office, people interviewing still want to see a nice place. Impressive offices show that the company looks successful. By not keeping the place up-to-date and neat, employers look unprofessional and un-presentable. It seems like something that would not really be a major consideration, but the office really does leave an impression to the person being interviewed. Smaller changes can slightly affect the new hires that the firm brings in. If the firm considers smaller factors it may end up retaining a few more people that would have otherwise overlooked them (Boress, 2000).

## **Conclusion**

In the end, there are many valid options that firms have in deciding how to defend themselves against the shortage of qualified accountants. In any case, firms and organizations need to focus their efforts on promoting their profession. There are many things that firms may need to change to avoid losing clients as a result of being short-staffed. This shortage is affecting all firms big and small in many ways. There is no way to ignore the problem for any company. Even private companies are feeling the pressure to compete for their accountants. This is a profession-wide issue that needs to be addressed in some way. This report considers some reasons and some options that firms can look into. In any case, firms are feeling the shortage and many are taking action to deal with it.

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