



Accounting Shortage in the United States; Addressing the Gap through Offshore Staffing

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Introduction



Accounting, commonly known as the "language of business," is essential to organizations' internal and external operations. It transcends conventional record-keeping by establishing a basis for informed decision-making through the methodical documentation, reporting, and analysis of financial activities. The traditional perspective and approach to accounting as a corporate management subsystem is evolving within the institutional environment. The primary function of accounting is to furnish comprehensive and dependable financial information to all organization stakeholders for informed management decision-making (Syrtsseva & Cheban, 2021).

Alterations have influenced the evolution of accounting procedures in company contexts, technological progress, and legislative changes. As organizations traverse increasingly intricate and dynamic environments, the importance of accounting in facilitating strategic decision-making and ensuring transparency becomes more evident. While the emphasis on the importance of accounting cannot be overemphasized, the number of accountants seems to be on the decline. The scarcity of accountants impacts the profession, businesses, investments, and the overall economy. These people are essential for financial reporting and tax preparation, among other critical responsibilities.

Introduction



The shortage of accountants in different countries has persisted in recent years. This ever-growing need has continued to affect various sectors that utilize accounting services. The demand for professional accountants in various parts of the world has persistently exceeded the supply (Bekoe et al., 2018). In recent years, there has been a significant decrease in the number of individuals pursuing an accounting degree, successfully passing the Certified Public Accountant (CPA) exam, and entering the accounting profession (AICPA, 2015; Vien, 2015). As a result of this decline, the need for accountants and auditors in the business has intensified, with some organizations offering substantial financial incentives for those seeking available positions.

However, despite ongoing challenges in addressing the scarcity of professional accountants, global demand for accountants is anticipated to rise due to the swift expansion of company operations (Coe, 2016). Also, in the education sector, there is a decline in PhDs in accounting; a survey by the Association to Advance Collegiate Schools of Business demonstrated a considerable decline in accounting PhD candidates for academic roles. The National Science Foundation (2015) reports that the annual number of doctorates in accounting conferred from 2005 to 2015 fluctuated between a minimum of 130 in 2005 and a maximum of 196 in 2014. Despite the noticeable rise in accounting PhDs, the number of graduates in recent years remains inadequate to address the expected vacancies created by retiring faculty members. The significant reduction in awarded accounting PhDs contradicts the rising need for highly educated accounting graduates (Norris, 2020).

Introduction

Every economy necessitates the proficiency of chartered accountants to sustain a robust accounting system, acknowledged as a crucial element of a nation's institutional framework (Owusu et al., 2018). Given the pivotal importance of accountants in a nation's growth, concerns have emerged regarding the scarcity of trained professional accountants in many regions globally.

Consequently, despite the perceived increases in enrollment in accounting programs in recent years, the corporate sector continues to experience a significant demand for accountants.



Accounting Shortage in the United States



According to data from the U.S. Bureau of Labor Statistics, over 300,000 accountants and auditors in the United States have exited their positions in the past two years, with significant departures among both young professionals (ages 25 to 34) and midcareer professionals (ages 45 to 54) commencing in 2019, as reported by The Wall Street Journal. This shortage is not just a result of cyclical workforce variations. It is a structural shortfall that has accumulated over the years, masked by the veneer of stable employment statistics and the profession's perceived job stability. As baby boomers retire en masse and younger generations reject the monotony of spreadsheets in favor of the appeal of internet start-ups and creative sectors, the vulnerabilities in the financial industry are becoming increasingly apparent. A significant factor contributing to the accountant shortage is the deficiency of advancement chances (Taurins, 2023).

Accounting is often perceived negatively due to its low initial wages and the challenges involved with career progression. Gabin (2014) also posits that "Top-tier students often believe that such other professions as supply chain, finance, and investment banking require more mastery of data analytics, supply chain, logistics, and other similar skills and thus pay \$15,000–\$30,000 more annually than accounting majors completing five-year programs." Recruiters seeking skilled accountants for job vacancies frequently observe their transition into financial and technology roles. Numerous accountants transition to private enterprises, engage in distinct professions, or collaborate with independent contracting firms (Reinstein & Kaszak, 2024).

Problem statement

The scarcity of accountants in the US significantly affects firms in multiple sectors. The difficulties of locating experienced accountants to occupy vacant positions have hindered organizations' efforts to uphold precise financial records and make educated decisions. Furthermore, constrained resources significantly increase the danger of financial inaccuracies and potential fraud, jeopardizing the company's financial stability and reputation. According to the prominent news outlet Economic Times, "Accountant Shortage Leaves US Cities Without Credit Ratings." This indicates that these cities may encounter challenges securing loans from investors or lenders. This may adversely affect the capacity of these cities to fund essential projects or services. One possible way out is to outsource this accountant offshore.



Addressing the Gap

Addressing the Gap

According to the Society for Human Resource Management, there has been a persistent trend in recent years of employing non-accountants for accounting roles and providing them with training programs. SHRM interviewed Yvonne Hinson, CEO of the American Accounting Association, who emphasized the trend of recruiting engineers and related disciplines for employment within the organization. This is an alternative technique to enhance innovation in the sector and targets potential vulnerabilities within your organization (Taurins, 2023).

Multiplier, a global recruitment platform's data indicates a notable transition towards foreign recruitment, as the number of accounting roles handled through its platform has increased substantially in recent quarters.

- ◎ The transition to international recruitment is apparent across several sectors, with the United States being the predominant source of Multiplier's international hires, representing 80% of the accounting roles filled via the platform. Companies emphasize talents rather than geographical location, progressively employing accountants from Asian nations. Multiplier data indicates that 68% of jobs originate from the Philippines, and 18% are from India. This proactive action mitigates the current skills deficiency while providing significant cost-saving prospects. Indeed, accountants in North America earn approximately five times the salaries of their Asian counterparts, enabling corporations to minimize expenses by hiring from Asia while maintaining expertise in recent years.



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The competitive landscape for attracting and retaining new personnel has compelled numerous CPA companies to reassess various compensation, motivation, and retention elements. The AICPA's yearly 2021 Trends Report (AICPA, 2021) indicates that in the 2019–2020 academic year, enrollment at the bachelor's and master's degrees decreased by 2.8% and 8.4%, respectively. The recently published 2023 Report indicated persistent negative trends among college accounting graduates from 2021 to 2022, reflecting decreases of 7.8% and 6.4% compared to the previous year. This has opened the door for outsourcing or part-time staffing. Companies globally utilize outsourcing services as an effective management strategy to cut costs and enhance efficiency and productivity by delegating non-core operations to more knowledgeable individuals in those domains. Simultaneously, systematic methods for assessing the efficacy of accounting outsourcing were examined by Shushakova et al. (2021), who delineated the expenses associated with in-house accounting personnel and provided illustrations of the economic benefits derived from employing accounting outsourcing.

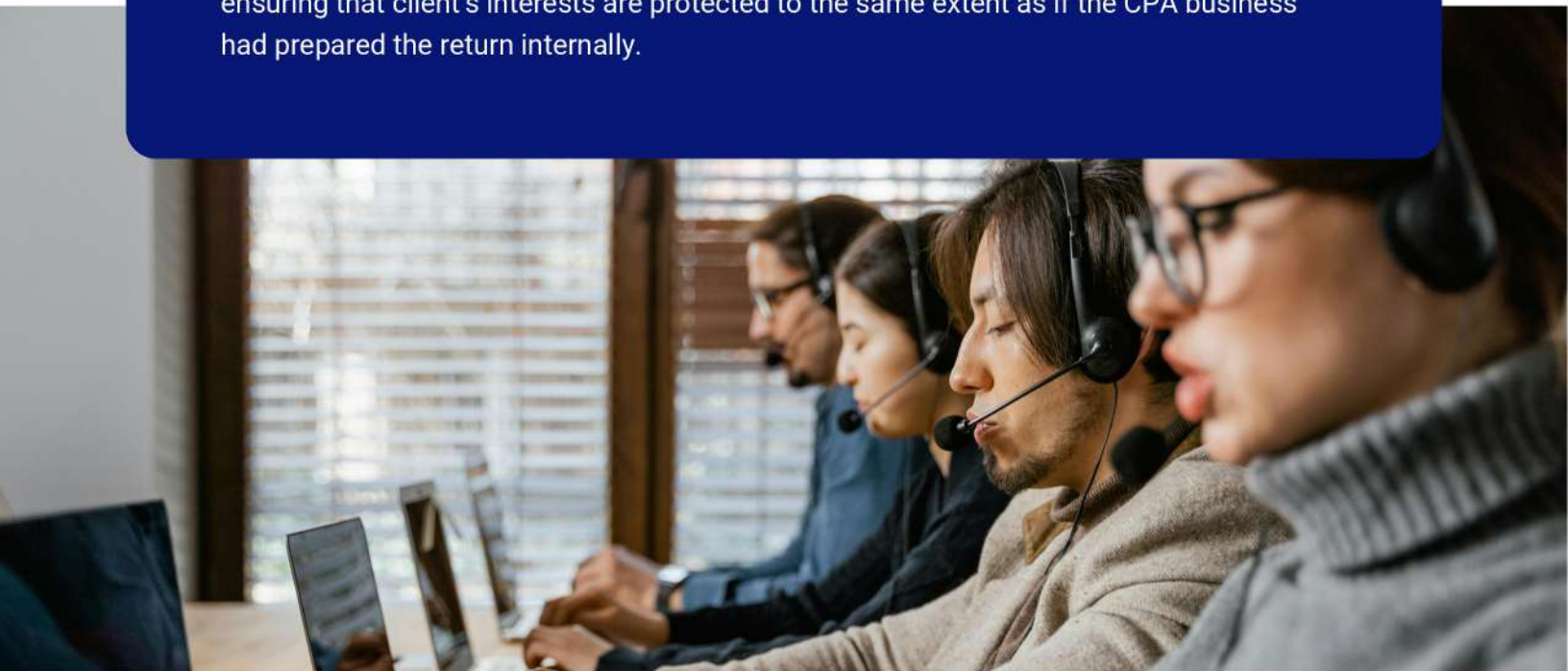
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The efficacy of accounting outsourcing is apparent when examining the instances of US corporations globally. Outsourcing is essential in the business operations of corporations such as Amazon, Google, Facebook, and Ford. The effective management of business processes of these organizations, mainly through the outsourcing of numerous services, is demonstrated by their global leadership and substantial profits (Potryvaieva & Palieiev, 2023). The Ford Motor Company was among the pioneers of outsourcing services, with H. Ford initiated the outsourcing of accounting and several business activities in the late 1990s. Besides the shortage of accounting services, outsourcing is another way to reduce costs. Nesterenko (2023) posits that small and medium-sized firms predominantly utilize accounting outsourcing, as maintaining an in-house accountant is financially burdensome, with the typical salary of a trained professional ranging from 1000 to 3000 euros or more. A comparative analysis of accounting function performance among employees under varying cooperation conditions (full-time, freelance, and outsourced) revealed that outsourcing services offer the most significant advantages, including reduced workplace maintenance costs, heightened responsibility, and more effective resolution of urgent issues (Potryvaieva & Palieiev, 2023).

Addressing the Gap

Aron et al. (2205) performed a study that delineates the hazards of outsourcing, both domestically and internationally. Their conclusion identified specific risks linked to domestic outsourcing, including strategic risks (resulting from vendors' intentional actions to exploit clients for profit maximization), operational risks (potentially arising from operational failures at the vendor's site), and long-term intrinsic risks of atrophy (where complete outsourcing over time may lead to the company's loss of its core personnel knowledgeable about the activity). Alongside the aforementioned general hazards of offshoring, unique concerns related to tax return preparation include the proficiency of the preparers and the safeguarding of information transmitted outside the direct oversight of the CPA business. It can be contended that CPA firms have implemented strategies to guarantee the competence of preparers and the safeguarding of client information, ensuring that client's interests are protected to the same extent as if the CPA business had prepared the return internally.



Outsourcing of Accounting in the US

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Outsourcing of Accounting in the US

Labor expenses in the United States are often higher than those in India and the Philippines. Consequently, numerous organizations want to outsource online accounting services to minimize expenses via a reduced cost structure. Indian and Philippines accounting outsourcing services and tax preparation companies are favored by cost-sensitive enterprises primarily due to their competitive pricing, which results from decreased labor costs and diminished operational expenses. Nonetheless, additional cost factors, like exchange rates, infrastructure fees, and potentially concealed expenses related to offshore outsourcing, must also be considered.

India is distinguished for its extensive reservoir of highly proficient accounting and finance experts. Outsourcing firms in India engage trained professionals who profoundly comprehend international accounting standards, rules, and compliance mandates. These professionals remain informed about market developments and engage in ongoing professional development, guaranteeing precise financial reporting and compliance with legal standards.

The presence of experienced expertise guarantees that US CPAs and accounting firms have exceptional services tailored to their requirements. India exhibits significant cultural compatibility with the USA, facilitating seamless and successful collaboration between US CPAs, accounting firms, and their Indian outsourcing partners (Desai, 2007). Proficiency in English is prevalent among Indian professionals, facilitating precise and succinct communication. Mutual cultural comprehension enables effortless cooperation, awareness of company needs, and alignment with customer goals.



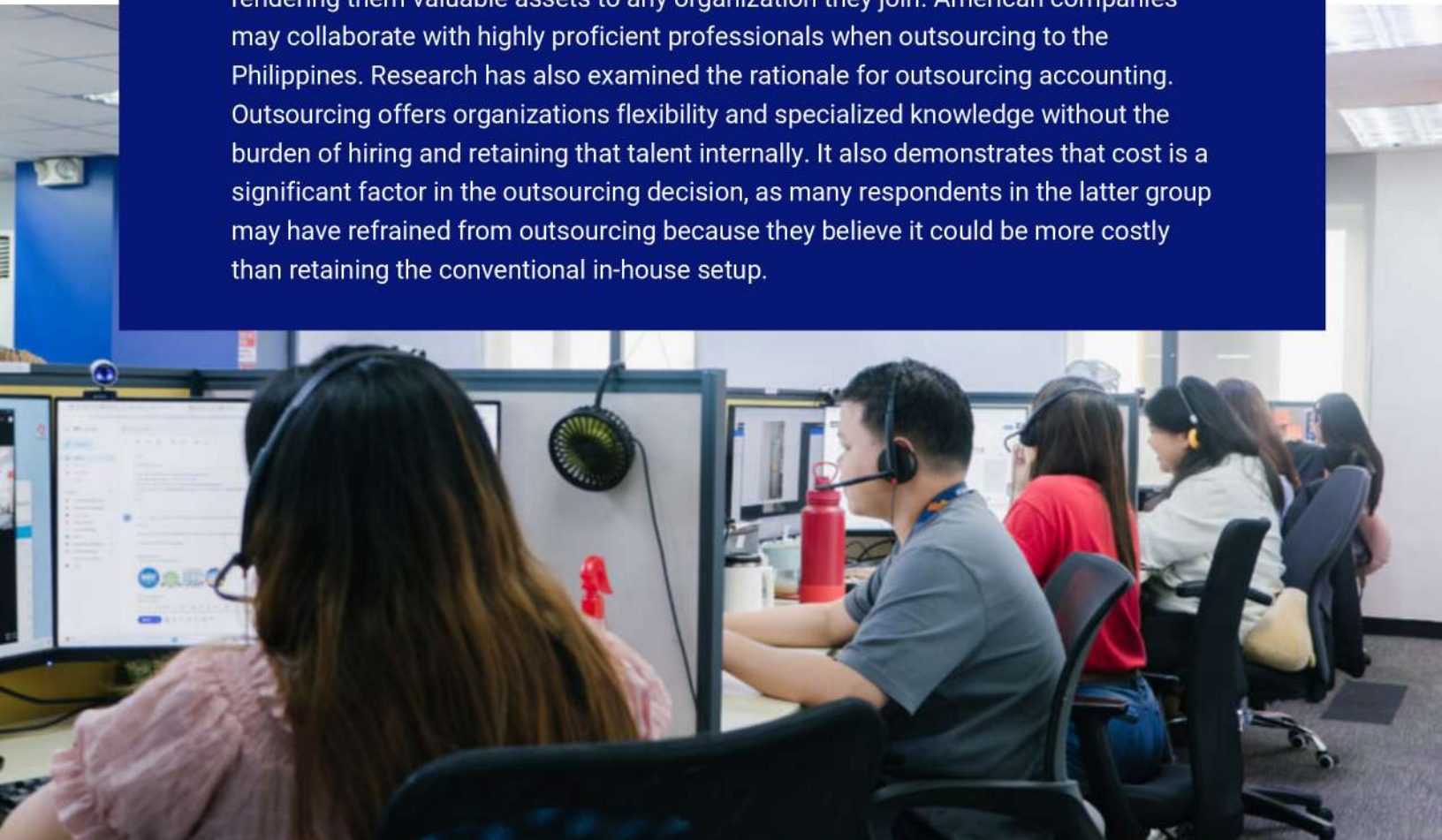
India has ascended to a leadership position in the accounting outsourcing sector. India possesses around 37% of the worldwide outsourcing market. The nation's accounting outsourcing firms provide a combination of cost efficiency, a proficient workforce, and technology expertise, rendering them appealing to international enterprises. These organizations offer more than mere cost reductions; they include value-added services such as tax advising, financial planning, and regulatory compliance, swiftly adapting to the evolving global accounting environment. This trend is enhancing India's status as a premier location for accounting outsourcing services, profoundly influencing global financial management practices.

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Outsourcing of Accounting in the US

The Philippines is also another excellent source for accounting; the Philippines is recognized for its highly skilled staff, which is a primary factor for US corporations outsourcing their accounting and bookkeeping operations to the nation. Accounting is a highly profitable career in the Philippines. Filipinos aspiring to be public accountants must pass one of the most challenging license examinations in the nation. This guarantees that Filipino accountants are proficient and informed, rendering them valuable assets to any organization they join. American companies may collaborate with highly proficient professionals when outsourcing to the Philippines. Research has also examined the rationale for outsourcing accounting. Outsourcing offers organizations flexibility and specialized knowledge without the burden of hiring and retaining that talent internally. It also demonstrates that cost is a significant factor in the outsourcing decision, as many respondents in the latter group may have refrained from outsourcing because they believe it could be more costly than retaining the conventional in-house setup.



Conclusion

Outsourcing remains one of the alternate ways to address the accounting shortage in the US, and it also provides key benefits such as quality accounting and cost-effective services. Destinations like India and the Philippines remain among the choicest destinations.



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