



Manpower Update Report

Accountancy Sector

2023



ACKNOWLEDGEMENT

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Introduction

Background

The Accountancy Training Board (ACTB) of the Vocational Training Council (VTC) is appointed by the Government of the Hong Kong Special Administration Region (HKSAR) to be responsible for, among other duties, determining the manpower situation of the accountancy sector in Hong Kong, assessing whether the manpower supply matches manpower demand, and recommending to the VTC the development of vocational and professional education and training (VPET) facilities to meet the assessed training needs.

Under the current approach for conducting manpower surveys, a full manpower survey will be conducted once every four years, supplemented by periodic information updates through focus group meetings and desk research.

The ACTB completed its latest manpower survey in 2021. Two manpower update reports will be produced during the period between 2023 and 2024.

The 2023 manpower information update comprises:

- (a) a focus group meeting to get the views of industries experts on the latest developments in the industries, manpower and training needs, and recruitment difficulties, and measures to tackle the challenges the industries faces; and
- (b) desk research analysing job advisements including qualifications, experience and skills required, and salaries offered by the principal jobs in the accountancy sector.

Objectives

The objectives of the manpower update are:

- (i) to examine the latest trends and developments of the industries;
- (ii) to explore the job market situation and training needs;
- (iii) to identify the recruitment challenges; and
- (iv) to recommend measures to meet the training needs and to ease the problem of manpower shortage.

Methodology

Overview

With reference to the 2021 full manpower survey of the accountancy (AC) sector, this update report aims to provide qualitative descriptions of the recent development of the industries through focus group meeting, supplemented by referring to some quantitative data of recruitment advertisements from desk research.

Focus Group Meeting

Members participating in the focus group are representatives from five accountancy branches, including:

- i) certified public accounting firms;
- ii) commerce and services establishments/ industrial establishments/ non-governmental organisations;
- iii) accounting and finance discipline of an education/ training institution;
- iv) field of human resources; and
- v) consultancy firms with an accountancy background.

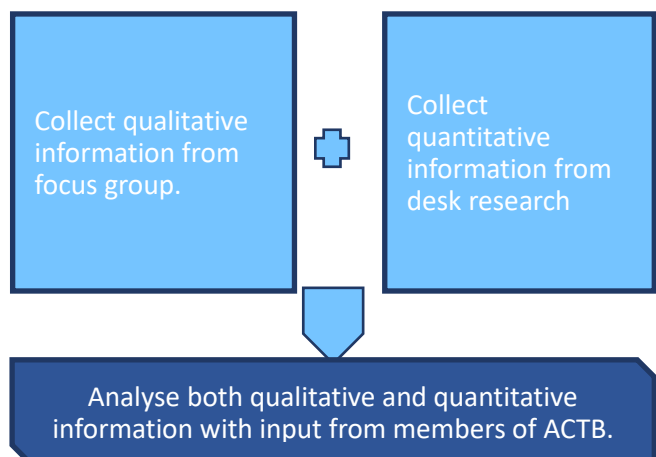
A focus group meeting was conducted on 4 May 2023. The secretariat staff served as the moderator and led members to in-depth discussions on topics selected by the ACTB. The discussions at the meeting were recorded and transcribed to facilitate analysis.

Desk Research

Manpower information covering the period between Quarter 2 of 2022 and Quarter 1 of 2023 was collected through desk research. The information includes the number of job advertisements, required competency of the posts, qualifications and experience, market remuneration, etc. An employment information system was developed to capture the relevant recruitment data from major online recruitment portals. Around 60,176 recruitment records were collected during the research period and served as indicative information of the job market trend. Information was mapped against the list of related companies under the Hong Kong Standard Industrial Classification and duplicated records were removed during the process.

Data Analysis

The analysis consists of the following three steps:



Limitations

As this is not a full manpower survey, the findings and recommendations are more qualitative in nature and the report mainly focuses on the manpower trend. The desk research, which focuses on online advertisements on major recruitment websites and the Labour Department, does

not cover occupations that might use other recruitment methods such as executive search companies, word-of-mouth or connection through social media. Since the data collected is a snapshot of a particular period without referencing any historical data, this can only serve as reference information supplementary to the findings of the focus group meeting.

Findings

Factors Affecting the Development of the Accountancy Sector

The Accountancy Training Board (ACTB) identified several factors affecting the development of the sector to facilitate discussion by focus groups. Focus group members were invited to give their views on relevant questions in relation to those factors to understand the influences on recent development or changes in respective branches of the sector as of May 2023.

Business Environment

The rebound of Hong Kong's economy in 2023 is having a positive impact on the development of the accounting sector. The strong revival in local consumption, which rose 12.5% year-on-year in Q1 of 2023, has contributed to the acceleration of GDP growth, which reached 2.7% year-on-year or 5.3% quarter-on-quarter. The shift to full normalisation of activity after the pandemic has boosted local consumption, especially discretionary purchases and services that were the most depressed categories during the pandemic. The further distribution of consumption vouchers will provide an added boost, and the strong labour market is expected to lift consumer confidence and sustain momentum throughout the year.

The number of Mainland Chinese visitors to Hong Kong has significantly increased after

the border reopened in February 2023. Despite not having fully returned to pre-pandemic levels, the arrivals have shown a sharp recovery and the trend seems to be on the rise. This will provide a significant boost to retail sales. The combination of sustained local consumption momentum and strong tourism demand is expected to drive the growth of the accounting sector.

However, there are still some challenges that may affect the accounting sector's growth, including weaker global demand that may keep goods trade muted and high-interest rates that could dampen investment. Additionally, the poor performance of the capital market has affected the demand for accounting services from the financial market. Moreover, the international trade disputes and geopolitical tension would affect the recovery of Hong Kong's economy too. Despite these challenges, the normalisation of flows of people, trade, and business between mainland China and Hong Kong is expected to provide a cushion and contribute to the accounting sector's growth.

Regulatory Environment

On 1 October 2022, the HKSAR Government implemented a reform of the accounting profession's regulation to align it with international practices. The reform establishes the Accounting and Financial

Reporting Council (AFRC) as an independent regulatory and oversight body for the accounting profession, expanding its statutory functions to include issuing practising certificates to certified public accountants, registering practice units and Public Interest Entity (PIE) auditors, handling inspection, investigation, and discipline matters related to the accounting profession, and promoting the development of the profession. The reform aims to enhance regulatory efficiency and effectiveness, ensure consistency, and promote the sustainable development of the accountancy profession, strengthening Hong Kong's position as a competitive international financial centre and business hub.

The reform of the accounting profession's regulation in Hong Kong is a significant development towards aligning the regulatory regime with international practices, expected to enhance the efficiency of the regulatory framework and promote the sustainable development of the accountancy profession. It is expected that the increase in regulatory requirements will drive demand for finance managers with experience in International Financial Reporting Standards (IFRS).

Technology Environment

The COVID-19 pandemic has led to significant changes in business format in the accounting sector. More transactional work has become automated, and accountants are no longer just responsible for financial reporting; they are expected to provide business advice and recommendations, particularly under the uncertain market

situations. According to the 2023 Wolters Kluwer Annual Accounting Survey, 84% of firms report increased client demand for advisory services. The role of accountants has evolved significantly in recent years, moving beyond simple financial reporting to encompass strategic advice and decision-making. Rather than simply providing numbers and data, accountants are expected to analyse and interpret that data to offer insights that can help improve business processes and enhance performance. As such, accountants must now possess a wider range of skills, including commercial acumen and strategic thinking. These changes have created new demands and opportunities for accountants, requiring them to adapt to new roles as advisors and consultants rather than just record keepers.

GBA Opportunities

The development of the Greater Bay Area (GBA) is expected to have a significant impact on the accountancy industry in Hong Kong. The accountancy sector plays a vital role in supporting the high-quality development of various sectors, such as finance, technology, and logistics in the GBA, driving the market demand for professional accounting services and providing ample room for the accountancy sector to expand. According to the focus group, the demand for accounting professionals in mainland China has been steadily rising over the past few years and is expected to increase further with the development of the GBA.

The signing of the Agreement on Development Strategies for the Accounting Profession in Guangdong, Hong Kong, and Macao has further reinforced cooperation between the three regions, emphasising the comprehensive strengthening of cooperation in five critical areas. The development of the GBA has brought about increased business opportunities, cross-border collaboration, professional mobility, technological advancements, and a focus on

talent development within the accounting industry in Hong Kong. In some cases, projects have brought together accountants from both regions, leveraging their expertise to facilitate the project and deliver quality services to clients. The GBA's continued development is expected to bring about even more opportunities and collaborations, further strengthening the accounting industry's growth in the region.

Manpower Demand

Focus Group

The focus group discussed the trends and developments within the sector, and their opinions regarding the expected changes in manpower demand were gathered.

High Demand for Junior and Middle-Level Staff

Companies are facing a shortage of applicants for clerical positions, and many middle-level applicants lack the necessary skills and experience required by employers. To address this issue, companies are implementing Robotic Process Automation (RPA) and cross-Border collaborations with their Mainland branch offices. By leveraging these technologies and partnerships, companies hope to reduce labour shortages and streamline operations, leading to improved efficiency and productivity as these measures mature over time.

Replacement of Experienced Staff after the New Emigration Wave

The emigration wave took away experienced staff from the accounting sector which resulted in escalated workload, decreased productivity, and difficulty in attracting and retaining talent. In response to this issue, companies are exploring alternative solutions, including offering more competitive compensation packages and investing in talent development programs to alleviate the impact of this emigration wave.

Transformation for Service from New Business Area

The development of Environmental, Social, and Governance (ESG) initiatives has led to a growing demand for accountants. As ESG becomes a key factor in investment decisions, there is a sustained demand for auditors with expertise in this area. Additionally, the role of accountants has evolved to a more advisory role, providing

insights to financial data, interpreting it to inform business decisions, and providing value-added services like risk management and financial analysis. Innovative financial products like Limited Partnership Funds (LPF), Open-ended Fund Companies (OFC), and cryptocurrency in the wealth and asset management sector require specialised accounting skills and knowledge, creating new job opportunities. The initiative to promote Hong Kong as a family office hub is also expected to generate further demand for accounting services as the family office sector becomes a growth component of the wealth and asset management sector.

In terms of job level, most advertisements were for Clerk/ Associates (40.4%), followed by Supervisors (27.5%) and Managers (27.3%), indicating a high demand for junior and mid-level staff in the accountancy sector.

Overall, the desk research findings suggest that even though the accountancy sector's overall manpower increase may be minimal, there is still a significant demand for accounting personnel to fill vacancies, particularly in the Commerce and Services Establishment branch, which aligns with the 2021 Manpower Survey findings.

Desk Research

According to the 2021 Manpower Survey Report, employers in the accountancy sector expect a slight increase of 0.02% in manpower, from 105,464 in 2021 to 105,483 in 2022. However, due to the high mobility of qualified accounting personnel and a long-standing labour shortage, there is an ongoing demand for manpower to fill vacancies, particularly in the Commerce and Services Establishment branch.

Desk research conducted between March 2022 to February 2023 found 60,176 accountancy-related recruitment advertisements, with the majority from the Commerce and Services Establishments branch (84.9%), followed by the Accounting Firms branch (8.8%) and Industrial Establishments branch (5.4%).

Figure 1: No. of Recruitment Advertisements in the Accountancy Sector for the Period between March 2022 and February 2023 (By Branch)

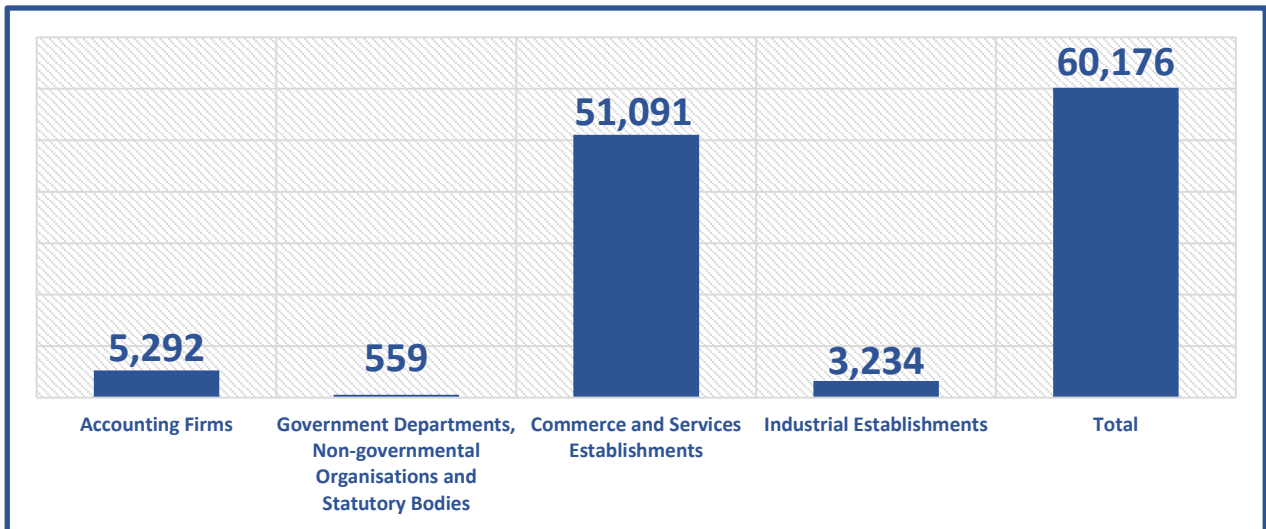
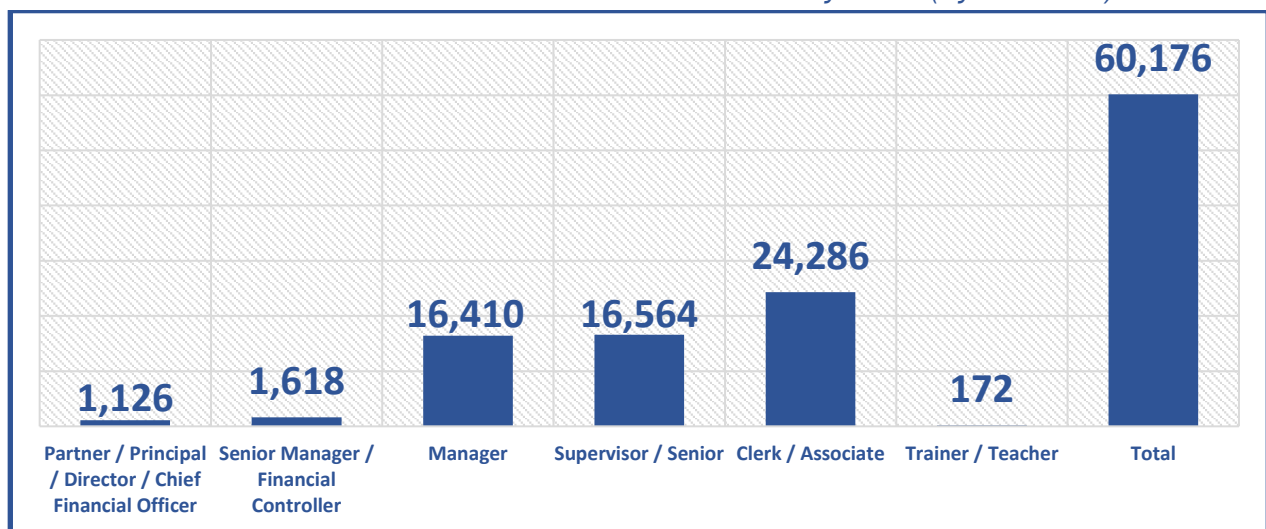


Figure 2: No. of Recruitment Advertisements in the Accountancy Sector for the Period between March 2022 and February 2023 (By Job Level)



Training Needs

Cross Disciplinary Knowledge

Accountants' work and duties have become increasingly complex due to changes in regulatory requirements and business environments. With increasingly stringent regulations and intricate business environments, accountants must now possess a diverse range of knowledge. This entails not only comprehensive accounting expertise but also proficiency in various disciplines such as auditing, financial accounting, and managerial accounting.

In order to provide the highest level of service to their clients or employers, accountants must stay abreast of regulatory changes and emerging technologies. This ensures that they can effectively navigate complex business environments and provide valuable insights to their organisations. With the increasing complexity of accounting work, it is essential for accountants to continually update their skills and knowledge to remain competitive in today's job market.

All-rounded Commercial Acumen

The role of accountants is evolving from traditional number-crunching to becoming strategic advisors. Employers or clients now expect accountants to become actively involved in change management and predicting their business's future in an uncertain world. The accountant's task is to break through the information overload and provide clients with only crucial

resources quickly and succinctly.

Employers are looking for accountants with good commercial and product knowledge and a forward-thinking mindset to support the financial growth of the company.

To fulfil these new expectations, accountants need to acquire all-round commercial acumen skills, which include business sense, analytical skills, and managerial abilities. By developing a well-rounded skill set, accountants can offer a wide range of services beyond traditional accounting functions, such as financial planning, risk management, and performance analysis. This enables accountants to provide more value to their clients and organisations, helping them drive business growth and success in the present and uncertain future.

Mastery of Information Technology

The accounting sector is being disrupted by advanced technologies, and accountants need to equip themselves with the necessary information technology knowledge and skills to keep up. To provide effective business advice, accountants need to back it up with data, which requires modelling, analysis, tracking, and comparison over time. With the support from cloud platforms, accountants can easily consolidate and automate data management tasks. On the other hand, artificial intelligence (AI) could provide richer risk assessments and deeper insights by detecting trends and patterns that may not be visible to human eyes.

With these modern technologies freeing up time spent on repetitive tasks, accountants can focus on more strategic thinking and complex decision-making. However, the accountant's role remains pivotal in verifying the automated reports and exercising professional skepticism to give the numbers a meaning.

While accountants must have a basic understanding of information technology to remain competitive and manage automated processes effectively. They also need to develop soft skills such as communication and collaboration to work effectively with colleagues and clients in a digital environment. System finance skills are also necessary to continue ongoing automation and process improvement projects.

Entrepreneurial Spirit and Agile Mindset

The need for accountants to develop an entrepreneurial spirit and an agile mindset is crucial in today's fast-paced business environment. Accountants should not only advise their clients on how to meet challenges, but also how to innovate and drive new revenue streams in the future. With their contextual understanding of their organisations' financial situation, accountants are uniquely placed to guide them through the transformation process and advise on change. However, this requires a more innovative model of accounting, one that is willing to embrace changes and step outside of the comfort zone. By cultivating an agile mindset, accountants can respond quickly to changing circumstances, embrace new technologies and approaches, and find creative solutions to meet clients' needs, helping them stay competitive and ahead of the curve in an ever-evolving business landscape.

Recruitment Challenges

Talent Shortage

According to the Census and Statistics Department, Hong Kong's workforce has decreased by 210,000 individuals between 2019 and 2022, with over 94,000 people leaving in 2022 alone. This trend presents a significant challenge for the accounting sector, particularly in retaining middle and first-level management. The exodus of

educated workers is on a scale not seen since the early 1990s and will have a material impact on the economy. As competition for top talent intensifies, companies are struggling to attract and retain the best candidates, despite the risk of staff attrition due to employees securing better offers from competing firms. To remain competitive, companies and the Government are reviewing policies to ensure that Hong Kong remains an attractive place

to live, work, study, and raise a family.

Change in Demands from Younger Generation

Historically, accountants went through rigorous training and considered factors such as compensation, career prospects, and growth when selecting a job. However, with the improvement of general household financial status and the younger generation's reduced financial burdens, priorities have shifted. Younger professionals now prioritise work-life balance, job nature, and employer care, seeking opportunities to make an impact on the world. Therefore, companies must adapt their hiring strategies to offer more comprehensive benefits, such as supporting personal development and achieving higher levels of job satisfaction. Employers need to provide unique and innovative benefits to attract and retain top talent.

Mismatch of Expectations from Skilled Workforce

The challenge of finding local talent that matches employers' needs is particularly imminent in the accounting field. Employers require candidates with specific skills and knowledge, and the lack of a suitable talent pool may lead to a prolonged recruitment process, increased workload, and decreased productivity. Additionally, the cost of recruiting and training new employees can add to the financial burden of the company. The skills gap may also force companies to compromise on hiring standards, leading to suboptimal hires that

may not meet the company's needs. These challenges can significantly impact the accounting industry's ability to recruit top talent and stay competitive in the market.

Recommendations

To attract talent and meet the future development needs of the accountancy sector, we recommend the following measures through joint efforts between the Government, employers, employees and training institutions:

Government

Attract Talents to Work in Hong Kong

The HKSAR Government has implemented various admission schemes to attract talents and professionals to enhance the city's competitiveness, such as the Top Talent Pass Scheme, General Employment Policy, Quality Migrant Admission Scheme and the Immigration Arrangements for Non-local Graduates (IANG) for top tier talents and graduates with a bachelor's degree or higher qualification from locally accredited programs in Hong Kong. As the accountancy sector is currently facing a high demand for junior and middle-level staff, which has resulted in a shortage of manpower. To address this issue, the Government may consider extending the IANG to Mainland graduates who have completed Higher Diploma or Sub-Degree programs in Hong Kong. This move can help attract more junior vocational and professional talents to join the accountancy sector in Hong Kong, thereby supporting the future development of the city's economy and society.

Facilitate Continuous Development of GBA Collaborations

The HKSAR Government should continue the discussion with the authorities in the

Greater Bay Area (GBA) and facilitate collaborations between the accountancy sector in both places. Collaborating with GBA counterparts can expand the business horizon, attract more talent pool to work in Hong Kong, and facilitate talent mobility in the area. Such collaboration can enhance the growth and competitiveness of Hong Kong's accounting industry by leveraging diverse perspectives and expertise. It can also provide a wider talent pool and bridge the skills gap. Therefore, integrating collaboration with GBA counterparts into Hong Kong's labour market is a mutually beneficial step for the accounting industry to thrive and contribute to the economic development of both regions.

Employers

Transforming Today for a Better Tomorrow

To address the current manpower shortage, the accounting sector in Hong Kong should consider digital transformation as a viable solution. By automating repetitive tasks and adopting cloud-based platforms for collaboration, the accountancy sector can improve efficiency and productivity.

Digital transformation is also reshaping the industry by replacing low-level accounting jobs with automation, allowing accountants to focus on more complex and strategic tasks. Remote work capabilities can also provide flexibility and improve work-life balance, making the industry a more desirable career choice.

However, a strategic approach to digital transformation is crucial to ensure the security of data and client privacy is not compromised. The industry's future success hinges on its ability to adapt to these changes and leverage modern technologies to enhance productivity and efficiency. Therefore, embracing digital transformation is essential for the accounting sector in Hong Kong to remain competitive and attract top talent.

Do More to Retain Talents

In today's tight labour market, many firms are offering attractive counteroffers to retain their qualified and skilled employees. However, simply increasing salaries may not be the most effective approach to retaining employees. Instead, firms should take the time to understand the motivators behind an employee's decision to leave the company, which could include opportunities for promotion or salary increments.

To attract and retain top talent, the accounting sector can offer flexible work arrangements and wellness programs to promote work-life balance and employee well-being. This can lead to improved productivity, job satisfaction, and loyalty, enabling the industry to remain competitive.

Employees

Foster Lifelong Learning for Growth

The accounting industry has been rapidly changing in recent years. Employers are keen on integrating technology in the workflow in order to cut costs and deliver better customer experience to clients. Furthermore, in light of evolving market conditions, organisations must be able to promptly respond to emerging business areas. Therefore, it is important for employees to adopt the life-long learning mindset in order to be equipped with adequate skillsets so they can adapt to changes happening continuously in the industry. Employees can leverage on learning funds provided internally by the company or use online resources to further their professional education such that they are able to innovate the industry further. They can also make use of continuous learning funds administered by the Government to earn additional qualifications and certificates to stay relevant as their experience accumulates in the industry.

Developing Digital Competence

Furthermore, employees should also polish and maintain their digital competence every now and then. As companies turn to digitalisation to further enhance and streamline their workflow, employees should have a better understanding of how to harness the power of technology for the case of various accounting practices. Such knowledge is important as it enables the industry to be continuously digitalised and up-to-date with all the technological

trends. In short, polishing digital competence is key for the up-and-coming generation of accounting professionals as the industry puts more emphasis on the digitalisation of various industry practices.

Training Institutions

Facilitate Learning with Bite-size Stackable Courses

Education institutes can consider providing more bite-sized and stackable learning modules for students and working professionals who look to polish and top-up their qualification and skills. Shorter learning modules appeal to students and working professionals, as they already need to handle their full-time studies and job. They can make use of shorter learning materials during the weekend or off-work hours to continuously polish their skills. Stackable learning modules lower the entrance barrier to kick start their out-of-classroom learning which is a greater motivator for continuous education and learning.

Empowering the Next Generation of Accountants

To ensure a sustainable talent pipeline and meet the evolving needs of the accountancy sector, attracting young individuals to this field is paramount. Education institutions hold a pivotal role in engaging and enticing young people to consider careers in accountancy. Through targeted outreach efforts to secondary school students, parents, and career masters, these institutions could

provide valuable insights into the latest developments within the accountancy sector.

Collaboration between education institutions and the accountancy sector facilitates the introduction of the latest advancements and innovations within the field to young individuals. By highlighting the diverse range of career opportunities available, from traditional roles like auditing and taxation to more innovative positions such as business advisory and forensic accounting, it becomes evident that accountancy encompasses not only number-crunching but also critical thinking and problem-solving skills. Emphasising the growing significance of technology in the profession also attracts young individuals with a keen interest in cutting-edge technologies.

Moreover, organising taster programmes serves as an invaluable platform to showcase the profession to curious minds. These programmes provide students with an opportunity to gain exposure to essential business training, covering financial literacy and accounting concepts. By doing so, an environment is fostered that encourages young individuals to seriously consider accountancy as a viable and rewarding career option.

Recognising the aspirations of the younger generation to make a positive impact on the world, education institutions emphasise the crucial roles that modern accountants play in ESG-related matters and their potential impact on environmental issues. Additionally, introducing the various

roles of accountants within the finance industry raises awareness of how accountants contribute to supporting Hong Kong's position as a leading global financial centre.