



Manpower Update Report

Accountancy Sector

2019

Accountancy Training Board

ACKNOWLEDGEMENT

The Accountancy Training Board (ACTB) would like to express its deep gratitude to the industry experts who participated in the focus group for their valuable time and insight into the manpower situation in the accountancy sector. The opinions formed an integral part of this update report. The chairperson of the ACTB would also like to thank board members for sharing their thoughtful feedback, candid insights and constructive recommendations during the course of compiling this report.

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Introduction

Background

The Accountancy Training Board (ACTB) of the Vocational Training Council (VTC) was appointed by the Government of Hong Kong Special Administrative Region to be responsible for, among other duties, determining the manpower situation and training needs of the industry. Following a rationalisation exercise in 2017, a new approach for conducting manpower survey was adopted to enhance the effectiveness and better reflect the latest manpower situation. The new approach is to conduct full manpower survey for each industry once every four years,

supplemented by periodic information updates through focus group meetings and desk research.

The ACTB completed its latest full manpower survey in 2017. Two manpower update reports would be produced during the period between 2019 and 2020. The ACTB conducted a focus group meeting of the accountancy sector on 23 May 2019 to collect views about the latest manpower situation and training needs of the sector.

Desk research has also been conducted to capture recruitment information including job vacancies of principal jobs, qualification requirements and salary offered in the sector for the period from the 1st quarter of 2018 to the 4th quarter of 2018.

This is the first manpower update report of the accountancy (AC) sector which mainly covers the findings obtained from the focus group meeting, supplemented by the information acquired from desk research for reference purpose.

Objectives

The objectives of the manpower update are as follows:

- (i) To examine the latest trends and development;
- (ii) To explore the job market and training needs;
- (iii) To recognise recruitment challenges; and
- (iv) To recommend measures to meet manpower and training needs.

Methodology

Overview

A new approach is adopted by the ACTB to collect a holistic manpower information of the accountancy sector through conducting full manpower survey, supplemented by periodic update based on focus group meetings and desk research. For the purpose of this update report, only views of the focus groups and desk research will be covered.

Members participating in the focus groups are representatives from the accountancy sector, including:

- i) accounting firms;
- ii) commerce and services establishments/ industrial establishments/ non-governmental organisations;
- iii) accounting and finance discipline of an education/ training institution; and
- iv) field of human resources or a consultancy firm.

Focus Group Meeting

The focus group meeting is intended to collect industry's view on the latest trend of the manpower development, training needs, and recruitment difficulties, etc.

A focus group meeting (1.5 hours) was held on 23 May 2019. The meeting was moderated by a research consultant with six industry experts participated. The moderator initiated the discussion with general questions and probed into more specific context to collect in-depth information on relevant topics in the discussion guide.

Desk Research

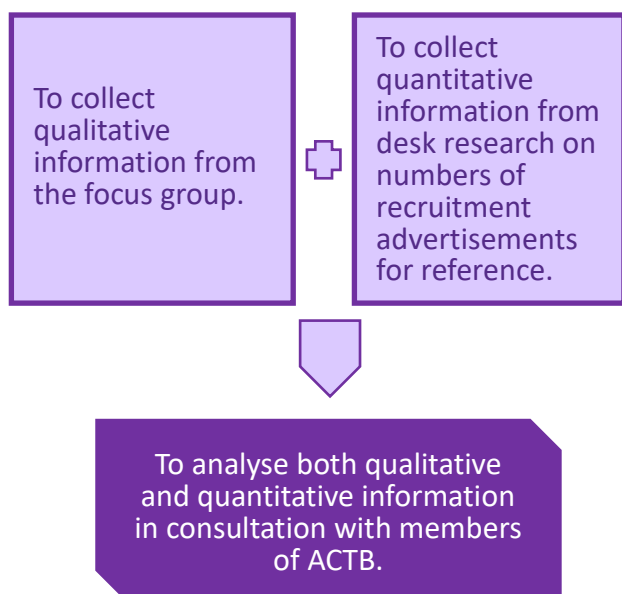
Manpower information covering the period from the first quarter to the fourth quarter of 2018 was collected through desk research. The information includes the number of job advertisements, required competency of the posts,

qualification and experience, and market remuneration, etc. An integrated database was developed to capture the relevant recruitment data from major online recruitment portals. Around 13,700 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 mainly 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 to 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 ACTB had 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 the recent development or changes in respective branches of the sector.

Markets in the Age of Uncertainties

US President Donald Trump has had strong view about trade imbalance between China and the US since he took office in 2016. What followed were tariffs on billions of dollars worth of Chinese products in 2018. The import / export and logistics industries are obviously the early victims of the trade war. The accountancy sector argues that trade tensions between the two countries may weaken the global economy as a whole. Nevertheless, the incident also brings opportunities to the sector as many companies need more consultancy services offered by certified public accountants (CPAs) firms. The trend that the provision of consultancy services

will grow much faster than conventional assurance services will continue.

Information Technology

The advancement of information technology (IT) has had a big impact on the accountancy sector as mentioned in the 2017 Manpower Survey (MPS) report. Not only does information technology enable businesses to make use of IT systems to record transactions, accounting practitioners also rely on data analysis to make informed decisions. The four letters of technology, i.e., ABCD (artificial intelligence, blockchain, cloud and big data), are considered the alphabet of the future. Artificial intelligence is automating repetitive accounting tasks and processes while blockchain can save lots of efforts in bookkeeping and reconciliation work. On the other hand, cloud computing allows accounting practitioners to perform tasks from any location and deliver information and financial reports through the cloud. For data, practitioners should be able to harness the value and power of big data,

information and knowledge to offer better insights.

Tighter and More Complicated Regulatory Environment

Compliance was also discussed in the 2017 MPS report that due to tighter rules and regulations imposed by regulatory bodies, accounting personnel would play a more significant role in providing clients with compliance and regulatory advice. While tighter regulations are challenges to many companies as they scramble to comply, this provides CPA firms with more business opportunities. The booming initial public offerings in Hong Kong has also boosted the need for accounting experts. Some big players in the sector even provide legal services. Gone are the days when CPAs would only focus on crunching numbers.

CPAs are now increasingly expected to master areas outside of accounting and finance such as regulation, risk management, and business transformation, etc.

Greater Bay Area

In February 2019, the “Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (GBA)” was announced. The blueprint is to consolidate the eleven cities of the GBA to be one of the world’s largest innovation and development powerhouses. There is a strong support for the initiative as per a recent survey of 600 business executives jointly conducted by the Hong Kong General Chamber of Commerce and an international CPA firm. Knowing the fact that the GBA will generate opportunities, the accountancy sector is now exploring successful model to follow.

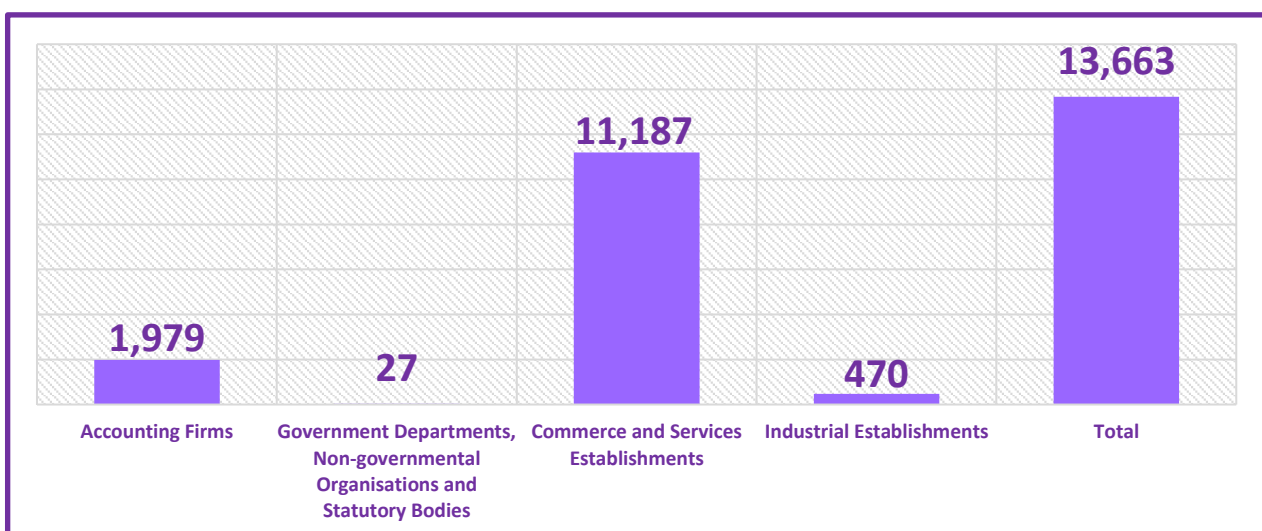
Future Manpower Demand

In the 2017 MPS Report, employers forecasted that the manpower would have a tiny growth of 0.4% in 2019, with the largest increase (1.5%) in “accounting firms”, followed by “government departments, non-governmental organisations and statutory bodies” (0.2%) and “commerce and services establishments” (0.1%) while the manpower for “industrial establishments” was expected to be reduced by 0.1%. Owing to the uncertainty in business outlook of the global economy, many respondents were quite conservative in estimating their manpower needs in 2019. They anticipated that the manpower situation for the accountancy sector would maintain stable.

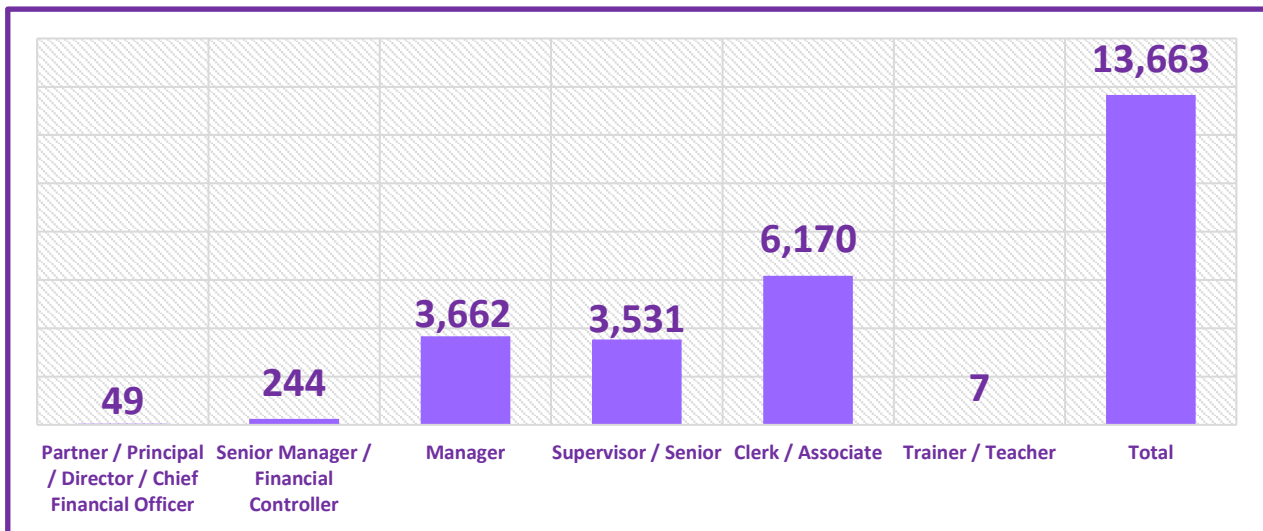
Because of the high mobility of qualified accounting personnel in the accountancy sector, there is continuous manpower demand in the market to fill vacancies, particularly in the branches of “accounting firms” and “commerce and services establishments”. This can be reflected in the number of accountancy related job advertisements captured by desk research.

Of the 13,663 recruitment advertisements captured in desk research, the majority of the advertisements came from commerce and services establishments (81.9%), followed by accounting firms (14.5%).

**Number of job advertisements in the accountancy sector
for the period between January 2018 and December 2018 (by branch)**



**Number of job advertisements in the accountancy sector
for the period between January 2018 and December 2018 (by job level)**



After grouping the recruitment advertisements by job level, the following three job levels had the largest number of advertisements:

- 1) Clerk/ Associate (45.2%);
- 2) Manager (26.8%); and
- 3) Supervisor/ Senior (25.8%)

It revealed that employers had to keep posting recruitment advertisements to fill vacancies. On the other hand, it showed from the captured recruitment advertisements that only seven advertisements (0.05%) were related to recruitments for Trainer/ Teacher, indicating that most of the employers intended to outsource their training function to training providers, rather than hiring in-house trainers for their organisations.

With reference to the discussed trends and development of the sector, views of the focus group on the anticipated changes in manpower demand were collected.

The Hunt for Talents

The accountancy sector is facing a shortage of talents. Based on the 2018 career survey report of the Hong Kong Institute of Certified Public Accountants (HKICPA), 25% of the members changed employment. For those members, 29% (around 3,100 persons) changed field and 10% (around 1,080 persons) moved from traditional to non-traditional accounting functions. The HKICPA has over 2,000 students participating in the Qualification Programme (QP) and around 1,600 of them passes the final examination and become qualified CPAs annually. As 1,080 persons will leave traditional accounting functions, the sector loses over 500 persons to non-traditional accounting functions every year. This explains why the number of CPAs increases but audit firms and commercial accountants are running short of talents.

Other Issues Facing the Sector

Quite a number of tertiary institutions have claimed that the number of candidates intending to enrol for an accounting programme is dropping. This reflects the fierce competition from different disciplines. In order to avoid a drop of quality, many tertiary institutions will decrease the number of students to be admitted to their accounting programmes. For accounting graduates, it has been mentioned in the previous section that they are less eager to work in the accountancy sector than before. Fresh graduates nowadays have more choices than their predecessors.

The accountancy sector is known for its long working hours, particularly for personnel working in international CPA firms or firms with listed clients. It is quite normal for practitioners to work long hours at busy times like tax returns season or at quarter / year end. According to the 2018 career survey report of the HKICPA, good work-life balance stood out as the primary factor when evaluating job opportunities when salary and other fringe benefits were taken out from the equation.

Training Needs

Based on the aforementioned trends and development of the sector as well as the expected manpower changes, the focus group identified further details on the skill sets as required by the sector. In fact, updates of accounting standards and financial accounting were chosen as top five types / topics of training by respondents in the 2017 Manpower Survey.

Technology and Changing Role of Accounting Practitioners

The accounting sector is undergoing changes partially due to an improvement in productivity available through the emergence of newer technologies. Nowadays, accounting personnel are no longer burdened with the one-dimensional role of crunching numbers. Due to the advancement of technologies, accounting software programmes are becoming more automated and accounting practitioners have an additional role of a business consultant. The additional role requires new skill-sets, including professional skepticism, judgement, data analysis and critical thinking skills. These skills will remain a high priority to CPAs firms when looking at new recruits. While the profession is changing due to emerging technologies,

the need for these types of soft skills remains constant. In a nutshell, other than technical competence in accountancy, judgmental skills, common sense coupled with presentation skills should be reinforced to enable practitioners to provide professional judgement and advice to clients.

Knowledge of Different Industry Sectors

As many corporations rely on the accounting profession to give consultancy advice, the job requires not only competency in accounting but also a good understanding of different industry sectors. While technical competence in accountancy is essential to the provision of high quality assurance, accounting and taxation services to clients, industry knowledge is a key to the delivery of advice which takes into account of practices, regulations, reporting requirements that are typical of a particular industry. Obviously, it is also crucial to know how to handle cross-border issues.

Environmental, Social and Governance

Corporate social responsibility can be

regarded as a type of self-regulation. While various international laws and regulations have been developed, it is no longer purely voluntary decisions at the level of individual corporations. In Hong Kong and many other countries, Environmental, Social and Governance (ESG) reporting is now a mandatory disclosure requirement with which every listed company must comply. The ESG report facilitates stakeholders to better understand the commitment in sustainability practices of organisations. It is also a driving force for organisations to integrate sustainability into their businesses that can generate additional values to organisations and stakeholders. For education institutions and professional examinations, ESG reporting is not emphasised though a number of in-service personnel have to handle ESG reporting in daily operations.

Risk Management

In the accountancy sector, risk management is the process of assessing the risks involved with a company's business practices. As risk management is in the spotlight in modern businesses, training on risk management should be strengthened in order to facilitate accounting practitioners to cope with issues related to this area. Though there are no specific rules and regulations to

tell people how to manage risks, in-service practitioners are encouraged to make reference to the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) guidance on enterprise risk management, internal control, and fraud deterrence which has been influential since mid-1980s.

Compliance

In order to protect companies, shareholders, and other individuals from fraudulent practices, there are numerous local compliance requirements. For companies that have a global presence, there are also international financial reporting standards. Fraudulent practices are difficult, if not impossible, to get away with in the presence of accounting standards. Accounting personnel should keep abreast of the latest regulations to make sure that the businesses of clients are able to meet their obligations. Knowledge on compliance, accounting standards and their associated legal implications should therefore be enriched for accounting professionals. Because of automation, sound ethical judgement is becoming more important for accounting professionals to ensure that innovation is supported in a way without compromising proper behaviour.

Recruitment Challenges

The sector has encountered challenges in the recruitment process or staff retention. This is somehow due to the very nature of the accountancy sector which is relatively stable. When the economy is booming, obviously it is not difficult to obtain businesses. While the market is sluggish, the sector may need more personnel to handle liquidation or re-organisation cases. Therefore, recruitment activities for accounting personnel have always remained high. It requires much effort to attract graduates to join the sector.

The Manpower Landscape

Experienced managerial staff are retiring, while practitioners in the mid-tier may not be able to keep abreast of the skills and mindset required in the technology era and move up the ladder. Certain knowledge possessed by these people has been rendered obsolete.

Fresh graduates are not easy to be attracted to join the sector. They have far more choices to choose from nowadays. The sector has to compete with other industries for young talents in terms of remuneration, career prospects and work-life balance. The 2018 Career Survey Report published by the HKICPA indicated that staff with 2-5 years of

experience were the most difficult to retain, let alone those who were suitably skilled. Some firms will recruit more part-time personnel or offer summer internship to tackle seasonal work demands.

Automated Accounting Systems

With the advancement in technology, automation, and machine learning, etc task-based work and low-skilled positions will be eliminated on a perpetual basis. In circumstances where there is a shortage of talents in the accountancy sector, corporations and international CPA firms have been investing in technology in order to increase productivity and drive continuous improvement in capabilities. New technologies are adopted to transform and strengthen both traditional and new service offerings including labor-intensive manual processes and innovations, with the assistance of artificial intelligence, blockchain, and robotic process automation.

Supply of Graduates

Demographically, there has been a low birth rate since 1997 which had a hit low in 2003 and then it flattened out. This

suggests that a shortage of new blood should likely to continue, if not getting worse. On the other hand, early attrition is also common among junior staff after their first few years in the sector for various reasons, such as desiring work-life balance, being attracted to another industry and experiencing too much work stress. Some firms will introduce engagement programmes for new recruits before reporting for duties while some employers will hire candidates with a non-accounting education background. Internships at entities, especially for those with overseas and / or operations in GBA, are another way to nurture talents in today's ever-changing world.

Graduates from the Mainland

In order to alleviate the negative impact posed by a shortage of labour, some employers, particularly those international CPA firms and multinational corporations, will recruit graduates of the Mainland. Major local universities are offering their master degree programmes in accountancy which are additional sources of accounting talents from the Mainland. Some of them are willing to stay and look for jobs in Hong Kong.

RECOMMENDATIONS

Measures to Meet Training Needs

To meet the development of the accountancy sector, it is considered essential for education institutions and the sector to formulate effective strategies in training and upskilling talents.

Automation is Prioritised

Employers are focusing more on hiring candidates with technology skills. In

contrast to the past, accounting people were mainly required to handle conventional accounting, tax and audit matters. Technology facilitates the automation of manual processes which leaves more time for practitioners to deal with the analysis and interpretation of data in order to make sound decisions. They need to keep abreast of the application of artificial intelligence, blockchain, cloud computing and big data when discharging their duties. It is

equally important for accounting professionals to uphold ethical standards and be able to build trust with internal and external stakeholders in the digital age.

A Call for Soft Skills

The traditional role of accounting people is to maintain financial information in an organised manner according to specific rules and regulations. The preparation of financial statements, tax planning, cost saving and auditing occupy most of their time in a day. Now, not only do they need to perform the traditional duties, they also need to analyse the information and partake in the decision making process. This calls for extra skills. Today's practitioners have to possess soft skills like sound data analytical skills, problem solving skills, judgmental skills, and presentation skills. These skills are required and reinforced to enable accounting practitioners to provide professional judgement and advice to organisations. In fact, the new Qualification Programme offered by the HKICPA will emphasise on developing and assessing higher-order skills such as problem solving, critical and lateral thinking to enhance the ability to identify complex problems including aspects of ethical dilemma and to develop solutions of a professional standard. The reform is to ensure that the accounting qualification is aligned with the

continuous changes in business needs and professional markets in Hong Kong as well as international best practices.

Advisory Role Highly Valued

While technology evolves, so does the role of the accounting profession. New technology helps make manual tasks more efficient, or in some cases completely automated. Practitioners have also realised that new technology offers stronger capability in data analysis, giving them deeper insight into those financial numbers. Therefore, the accounting profession is making good use of IT systems to automate manual processes. The time freed will be used to interpret data to facilitate the making of informed decisions and focus on financial planning as well as budget allocation. Actually, many corporations would seek advice from professional accountants in order to improve their overall performance. The possession of relevant sector knowledge is definitely an edge. In a nutshell, with a changing role of accounting personnel and the need to gain soft skills, sector knowledge as well as IT applications, the development of relevant interdisciplinary programmes may be desirable. Those programmes aim at nurturing talents with interdisciplinary knowledge coupled with problem-solving, critical and lateral thinking skills.

Work-Life Balance

The accounting profession has many statutory deadlines to meet. For example, tax returns are one of the deadlines that businesses have to meet. If anything falls through the cracks, it can have serious implications for businesses. Therefore, accounting practitioners, no matter whether they are employees of

organisations or those who are staff of CPA firms, they normally need to work hours and hours to stay on track during busy tax seasons. In addition to automation which will reduce the time spent on manual processes, corporations should re-engineer workplace experience with a focus on the overall wellness of staff and work-life balance as a core pillar of company value.