

AN ACCOUNTANT SHORTAGE CRISIS IS HERE – AND IT’S A BIG DEAL

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The demand for accountants and bookkeepers in the United States is significantly outstripping the supply of capable professionals in these disciplines...a reality that is driving up wages and other costs and causing staffing and service challenges.

I have not seen a shortage in the supply of quality accounting professionals like this in my lifetime. It is a big deal.

In this Alert, I share observations about the practical effects and implications of the current accountant shortage and some advice for addressing its challenges.

Effects and Implications

Salaries and wages for accountants are up... significantly. The classic law of supply and demand is clearly in effect as the salaries and wages for accountants at all levels of experience have increased significantly. As one example, in our firm’s college recruiting activities, we saw the starting salaries being offered to new accounting graduates increase by approximately 30 percent in one year. And they continue to increase. Salaries for experienced accountants are also increasing significantly.

Hiring experienced accountants can be very difficult. Finding and hiring knowledgeable accountants can be very difficult. We have some clients who have been seeking people to fill open accounting positions for more than a year.

Accounting staff shortages are affecting organizations of all types. Shortages in accounting staff are causing numerous practical problems for all kinds of organizations – including the inability to produce necessary financial reports for internal purposes, for banks, for tax authorities, and for

regulatory agencies. There are numerous reports of organizations not being able to provide appropriate financial reports to their lenders by deadlines required by their loan agreements.

Accounting firms are significantly affected. As you might imagine, the effect of the staffing shortage on accounting firms across the country is particularly acute. Accounting firms are faced with significantly increased costs for staffing as well as capacity challenges. These conditions are causing upward pressure on fees – a necessary reaction to cover the increased costs and respond to market conditions. Additionally, accounting firms are turning away work...and, in some cases, terminating client relationships...especially those that are unprofitable.

Strategic Recommendations

In response to these significant market conditions, I respectfully offer the following strategic recommendations:

1. Assess the compensation being paid to your accounting and finance staff...and ensure that it is in line with current market conditions and your organization’s compensation philosophy. For many organizations, it is not...and in some cases, it is not by a lot.
2. **If you have good people on your accounting and finance team, proactively do what it takes to keep them.** It can be extremely difficult and costly to replace good people who leave.
3. Expect and budget for higher costs in accounting – both with respect to your internal accounting staff and external accounting services.
4. Carefully consider your organization’s requirements for work location. While some high-profile employers have mandated nearly full-time office work for employees whose jobs can be performed remotely, there is an extensive nationwide (and increasingly global) marketplace for accountants and financial professionals with jobs offering remote work. Consider the fact that many accountants

prefer to work remotely and not in the office. Additionally, consider business journal articles about how work-at-the-office mandates are playing out in the marketplace.

5. Consider whether your organization can simplify its accounting and financial operations.
 - a. Because new software applications have so many capabilities, many organizations have developed complex charts of accounts and internal reporting models. Can you dramatically simplify your chart of accounts and internal reporting model? Are you really using all the information and reports you generate? Does all that information and do all those reports really provide significant value? Would a simpler accounting model with simpler information meet your needs? Consider the answers to these questions and see what you can simplify or...better yet...eliminate.
 - b. Eliminate paper processes. Period.
 - c. Consider whether you can “lean up” or generally streamline your financial operations and processes.

For Further Reading

Many business news articles have been published about the current accountant shortage – citing apparent reasons for it and describing its implications. Following are a few examples (a subscription may be required to access some articles):

- *CPA Journal* – “The Accounting Profession is in Crisis” (December 2023)¹
- *Marketplace* – “Accountant Shortage Has Companies Big and Small Struggling” (July 11, 2023)²
- *Wall Street Journal* – “The Accountant Shortage Is Showing Up in Financial Statements” (July 11, 2023)³
- *Forbes* – “Accountants Are Turning Away Work—Hurting Firms and Small Businesses” (December 26, 2023)⁴
- *Financial Times* – “Dire Shortage of Accountants Prompts Calls for Shake-up” (January 4, 2024)⁵

¹ Source: <https://www.cpajournal.com/2023/12/01/the-accounting-profession-is-in-crisis/>

² Source: <https://www.marketplace.org/2023/07/11/accountant-shortage-has-companies-big-and-small-struggling/>

³ Source: <https://www.wsj.com/articles/the-accountant-shortage-is-showing-up-in-financial-statements-b14a6b94>

⁴ Source: <https://www.forbes.com/sites/forbesfinancecouncil/2023/12/26/accountants-are-turning-away-work-hurting-firms-and-small-businesses/?sh=77267e2168d3>

⁵ Source: <https://www.ft.com/content/4f881a21-a3c2-46ed-a038-fbf4a797e823>

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