



CPATrendlines 

Industry Outlook

2013

Macro Data and Trends Report

THE CPA TRENDLINES BUSY SEASON BAROMETER

[Click to join the survey; see the results](#)

After an Economic Pause, the Accounting Industry Restarts Expansion Engines

But many CPA firms appear to be missing out on the recovery.

*by Rick Telberg
CPA Trendlines Research*

The nation's tax and accounting industry appears to have re-started expansion with new hiring in January, after a two-month pause at the end of 2012 in November and December, according to CPA Trendlines research. But the gains appear to be concentrated in non-CPA-owned offices.

Analysts are attributing the 2012 year-end economic stall to two major storms which slowed economic activity: One, Hurricane Sandy, and, the other, Congress, which has been gridlocked under a bubble of hot air.

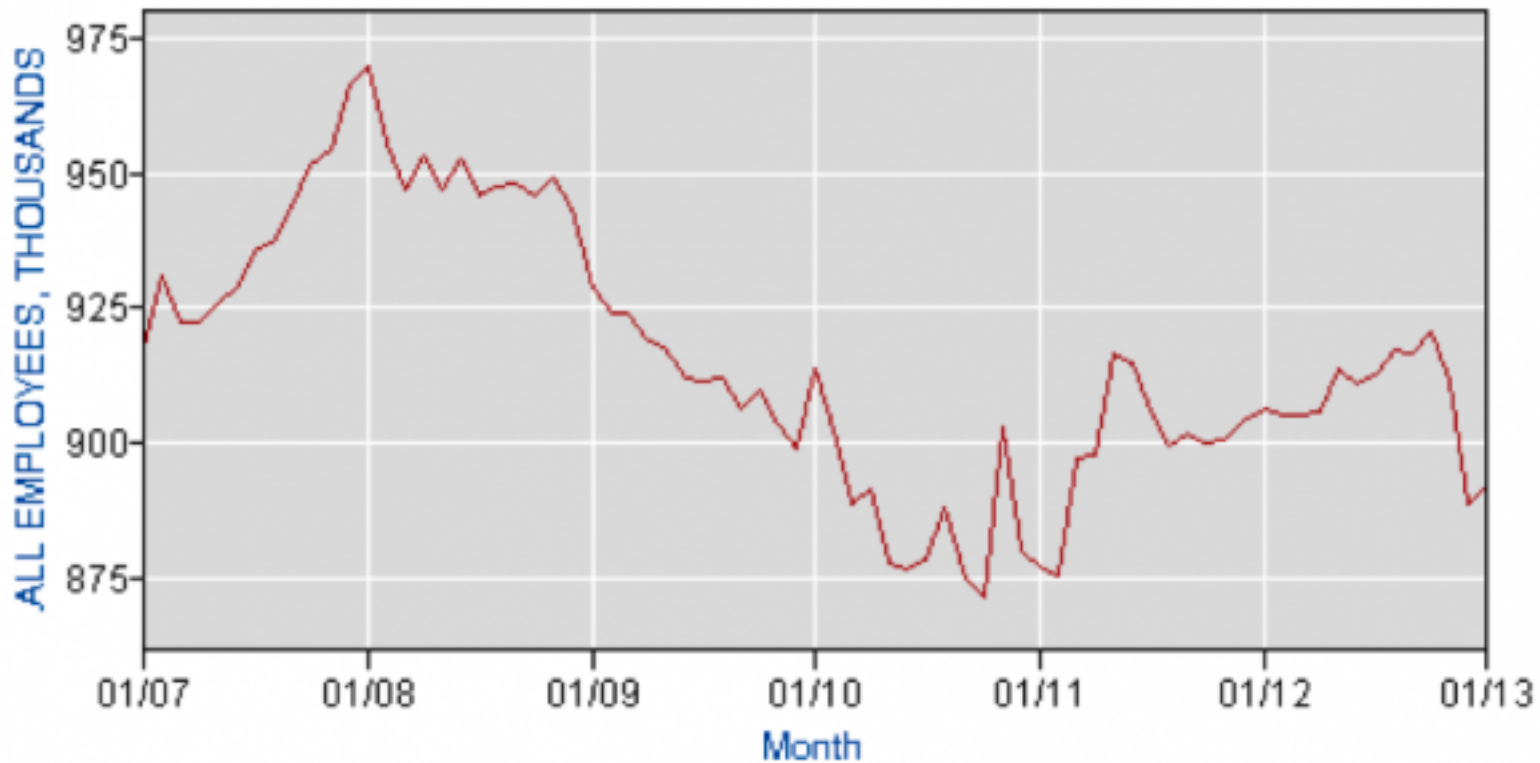
In this new analysis, CPA Trendlines finds:

- The nation's accounting and bookkeeping services employers are re-started hiring after a short pause.
- The CPA Trendlines Busy Season Barometer survey is showing that 32.6% of respondents cite staffing issues as a "chief concern." [Join the survey; get the updates.](#)
- Employees are putting in more hours.
- Wages are trending upward again.
- The industry is grappling with staff leverage ratios.
- CPA firms, as a subsector, are showing signs of a stall in growth and are holding line on expansion.
- CPA firms are paying top dollar for talent.
- CPA firms are showing fewer hours worked.
- Tax prep offices have slammed the brakes on hiring, pending clarifications from Washington.
- Pay and hours worked are trending upward at payroll agencies, even as their headcounts remain volatile.

EMPLOYMENT

The nation's accounting and bookkeeping services employers – which includes both CPA-owned and non-CPA-owned business – expanded their staffing by 0.4% from December to January, bringing the total number employed in public accounting, auditing, tax prep, payroll and bookkeeping to 892,100 payroll employees, according to CPA Trendlines research.

On a year-to-year comparison, employment levels dropped 1.6% in January 2013 from January 2012, the second month in a row of double-digit losses, coming right after December's 1.7% decline. Until December, the accounting and bookkeeping sector had enjoyed five months in a row of year-over-year expansion.



ALL EMPLOYEES, THOUSANDS, Accounting and bookkeeping services

TRENDS

The tax and accounting business is clearly tracking with the slow recovery of the economy at large, including starts and stops at every economic or political twists and turns.

Still, the accounting and bookkeeping industry is proving to be one of the strongest and most resilient sectors of the economy when it comes to hiring. In fact, CPA Trendlines is hearing from a number of accounting firms which are reporting difficulties in hiring for Tax Season 2013.

BUSY SEASON BAROMETER

The CPA Trendlines Busy Season Barometer survey is showing that 32.6% of respondents cite staffing issues as a “chief concern.” [Join the survey; get the updates.](#)

“We could use a couple more new staff, says the managing of a local firm in San Antonio, Texas. Nevertheless, he’s forecasting improved financial results for this year, saying “Our staff are better trained,” and adding that “better leverage of staff and facilities should result in higher profit.” Another part of his strategy: “Accepting only larger clients. That, he says, has “allowed more time for cross selling and higher revenue per client.”

And many newly hired or re-hired staffers require training upgrades. In Austin, Texas, another local firm is expecting a better filing season this year, according to one of the partners. Better, he says, “in that we have more work.” But “worse,” he adds, “in that we have less experienced staff at most levels.”

To be sure, there is an art in accurately matching workload forecasts and staffing appropriately. “Additional staff should increase revenue,” according to a partner at a local firm in Indiana. But she says it “will come with a cost – wages and technology.”

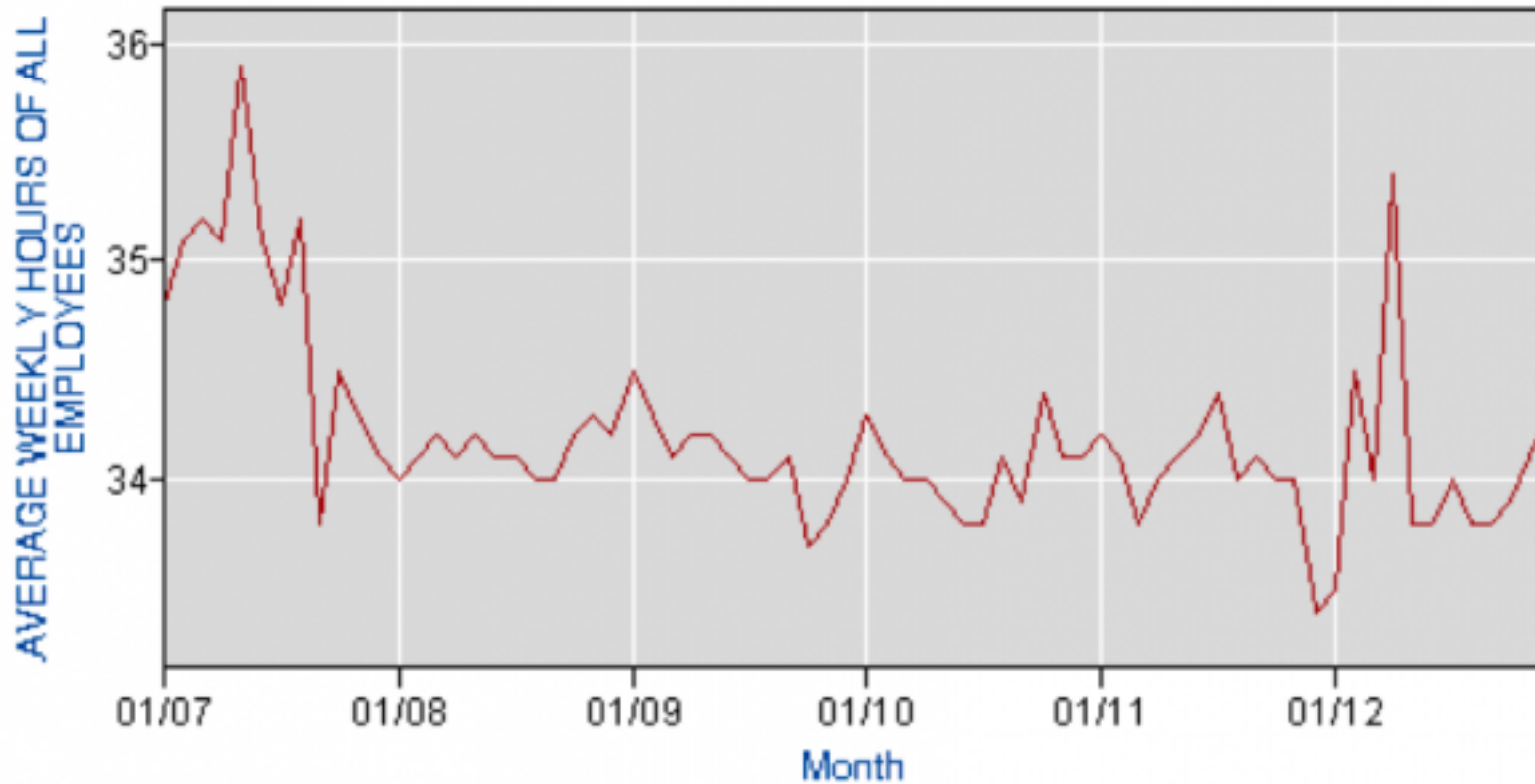
“The clients,” she adds, “will increase, and with additional staff we should be able to decrease the number of extensions.”

“The revenue per client will go up,” she concludes, “but because of additional staff, the profit per client will probably be the same.”

HOURS

At the same time, the average number of hours worked is tracking higher – a good sign for billables.

The time-sheet measure ticked up 0.6% from December to January, for the third month in a row, to 34.3 hours per week per employee. On a year-to-year comparison, hours worked gained 2.7% from January to January.

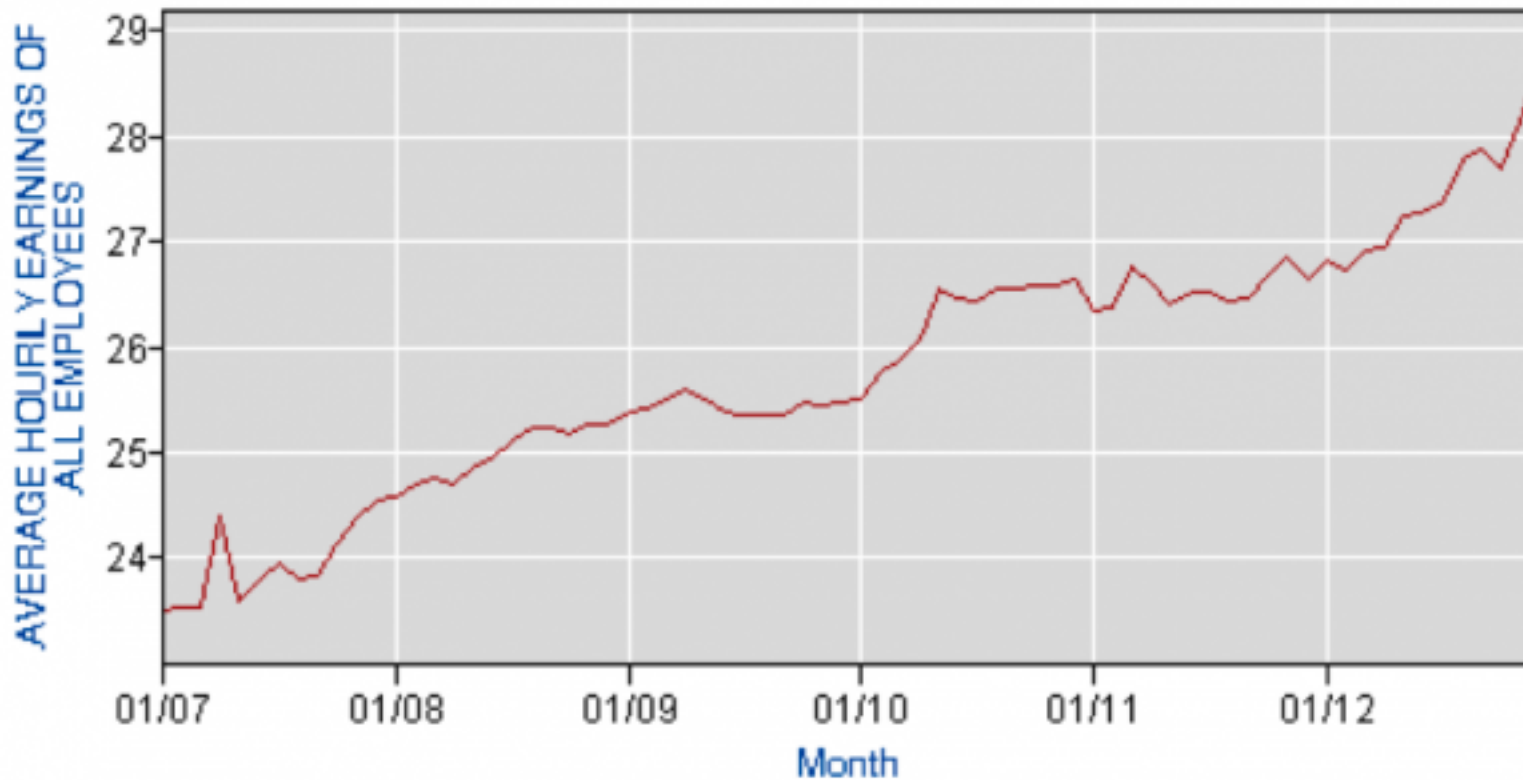


AVERAGE WEEKLY HOURS OF ALL EMPLOYEES, Accounting and bookkeeping services

WAGES

So perhaps it should come as no surprise that wages are trending upward again.

The pay rate in the industry hit a new record high in January: \$28.66 per hour. That's up 1.9% from the month before and a substantial 7.5% from the year before. In fact, hourly wage rates have been on a strong upward track for almost two years, especially in the last few months. So wage increases seem to be coming at an accelerating rate, which could add even more pressure on profits, unless firms can make productivity gains, pass along price increases to client or make cuts in other expenses.

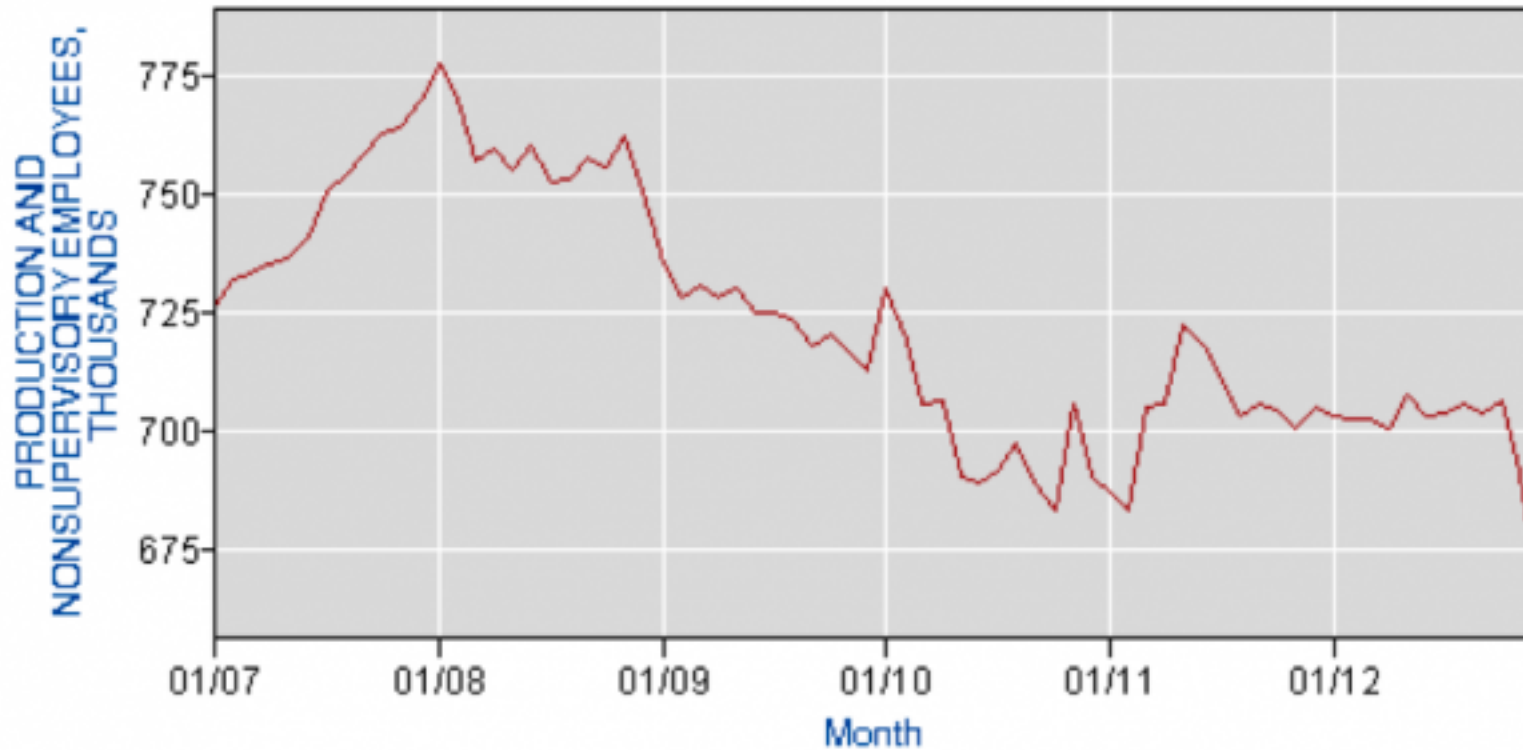


AVERAGE HOURLY EARNINGS OF ALL EMPLOYEES, Accounting and bookkeeping services

LEVERAGE RATIOS

The industry appears to be trimming again from the ranks of non-supervisory production employees, pushing work up toward partners and expanding the ratio of partner to staff – an essential lever in accounting firm profitability.

The industry cut 3.3% of its non-exempt workforce in December, bringing the month-end and 2012 year-end figure to 667,000 staffers. On a year-to-year basis, the cutback was a stark 5.3%.

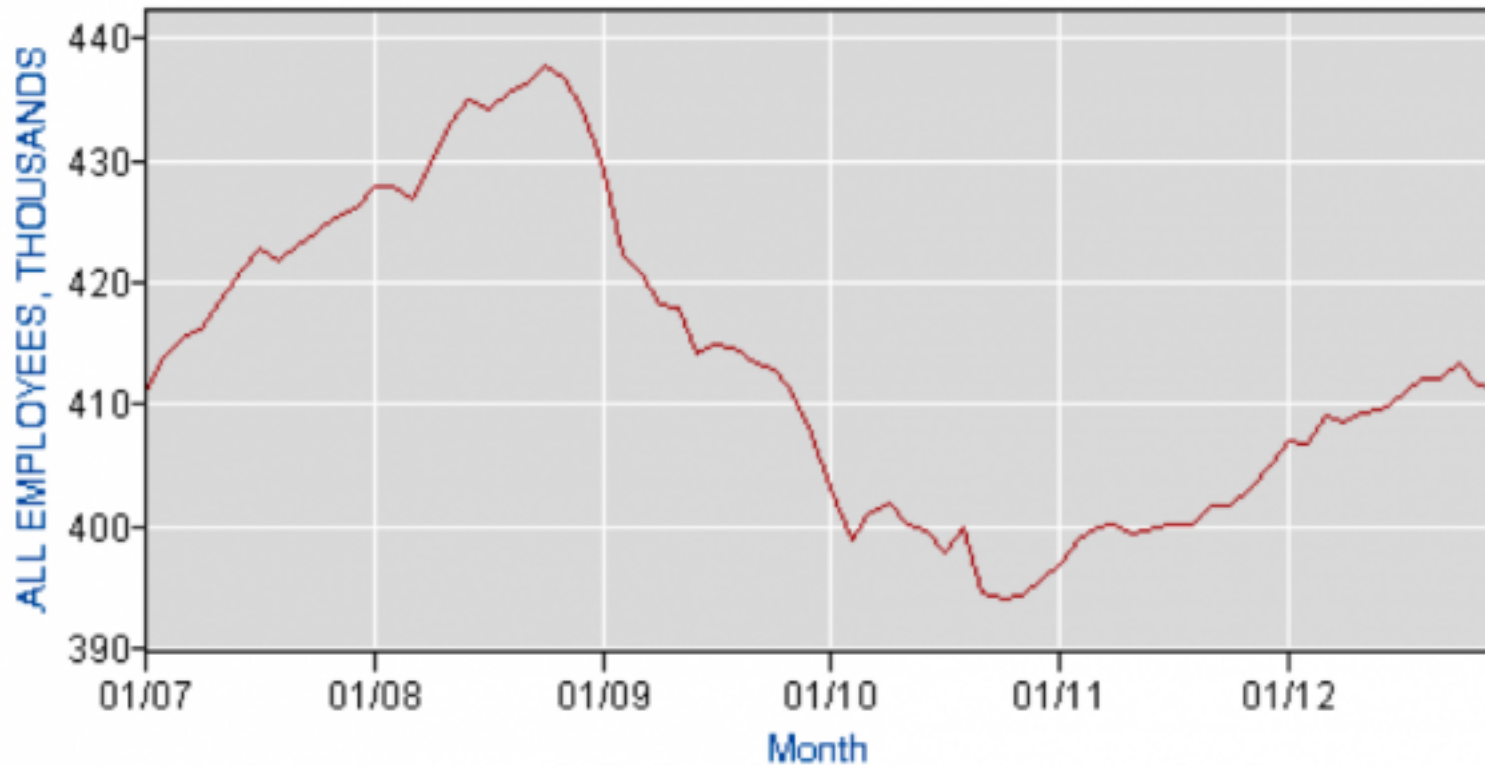


PRODUCTION AND NON-SUPERVISORY EMPLOYEES, THOUSANDS, Accounting and bookkeeping services

CLOSE-UP VIEW of CPA-OWNED FIRMS

For just the CPA-firm subsector of the accounting industry, staffing levels are holding steady, even while other sectors are expanding.

There was no change headcounts in December, with CPA firms finishing the year at 411,400 employees. That's about a 1.6% increase from December 2011. True, it signifies the 19th consecutive month of growth, but not nearly at the rate the profession had become accustomed to pre-Recession.

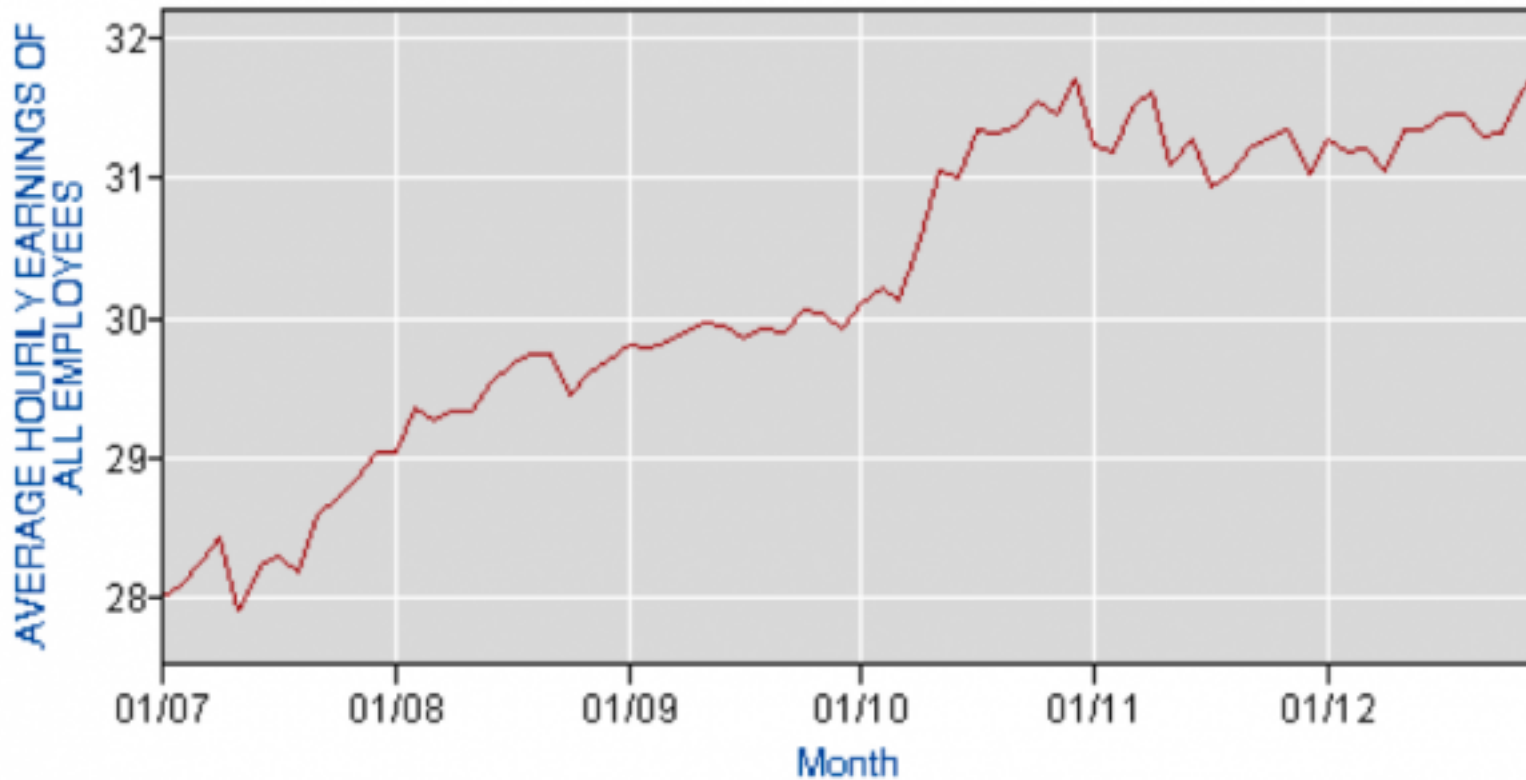


ALL EMPLOYEES, THOUSANDS, CPA Offices

WAGES at CPA FIRMS

As in the industry in general, wages are hitting new highs at CPA firms. Firms raised average earnings to \$31.81 per hour in December, up 0.6% for the month and 2.5% for the year.

With non-CPA firms showing faster growth in workforce, hours worked and in wages, it appears that the CPA firm subsector could be experiencing significant competitive pressures, particularly at the low-end where the service offerings and client populations may overlap with non-CPA-owned tax and accounting practices.



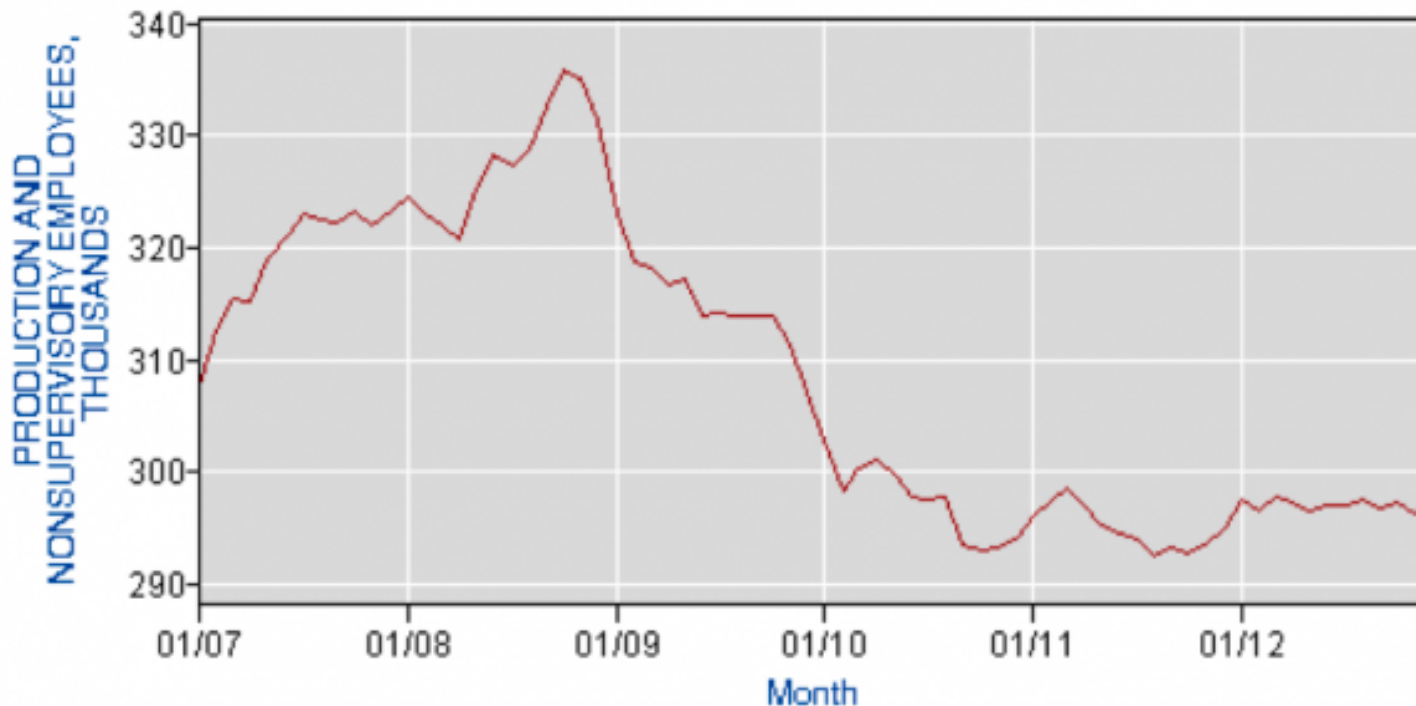
AVERAGE HOURLY EARNINGS OF ALL EMPLOYEES, CPA Offices

CPA FIRM STAFF COUNTS

CPA firms have been holding the line on non-exempt hiring for three years so far.

After cutting about 50,000 jobs in the first 20 months of the Great Recession, CPA firms have yet to begin hiring aggressively across the board. To be sure, a few firms have been expanding, which accounts for growth in the sector that out-balances the number of smaller firms cutting back or disappearing. And many more have been contracting or exiting the market. CPA Trendlines believes that tax and accounting firms, among them CPA firms, are starting up at an historically rapid rate, but that phenomenon is not reflected in this data set.

The number of non-supervisory or production workers ended 2012 at 298,000 employees at CPA firms, a 0.6% monthly advance, and 1% annually.

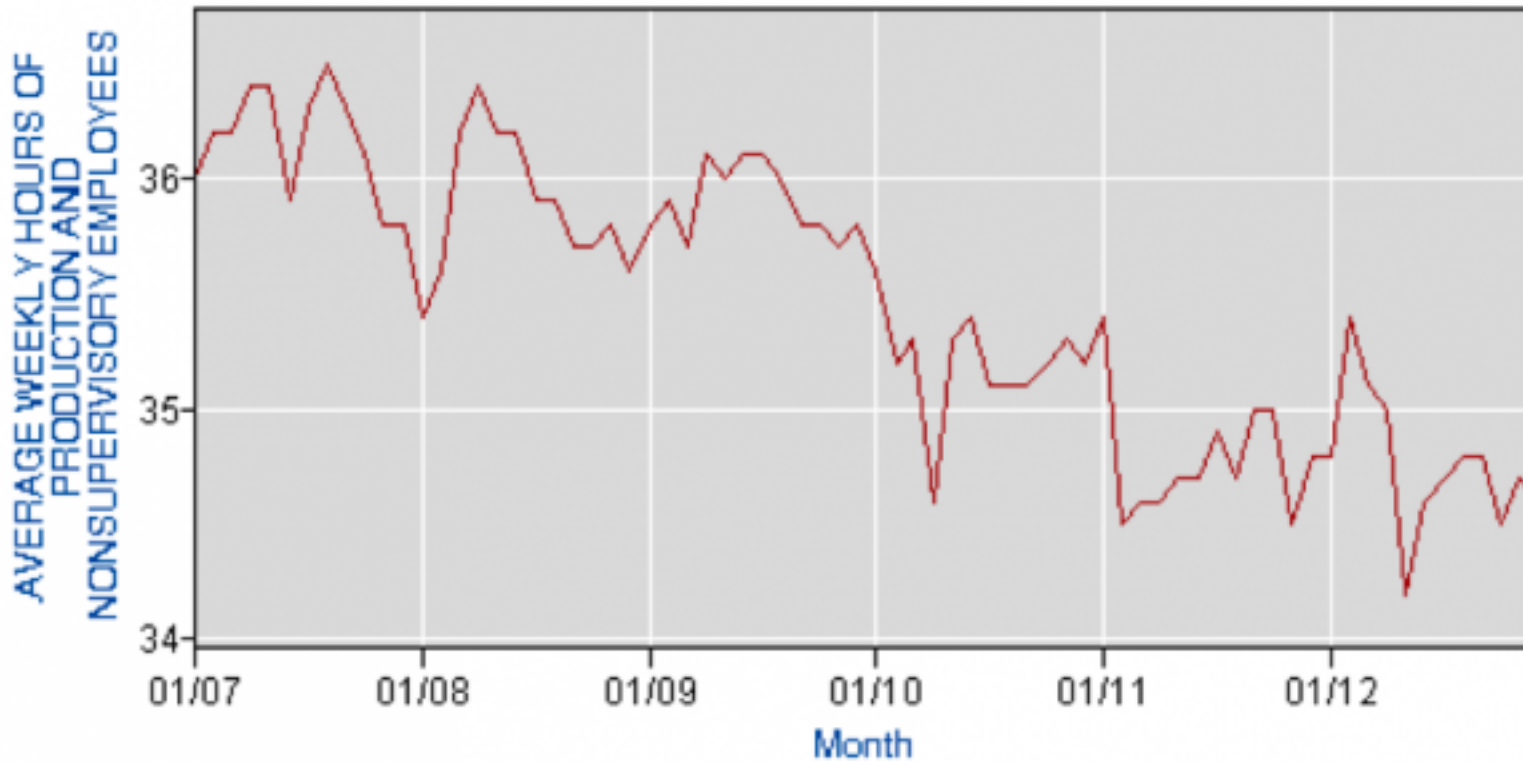


PRODUCTION AND NON-SUPERVISORY EMPLOYEES, THOUSANDS, CPA Offices

HOURS at CPA FIRMS

The situation at CPA firms starts to come into focus with data on utilization rates.

The average weekly hours worked for staffers declined to 34.6 hours in December, a 0.3% cutback from the month before and 0.6% less than the year before. Overall, the number of hours worked peaked at 36.2 hours per week in February 2007 before starting a bumpy ride on a downward slope.

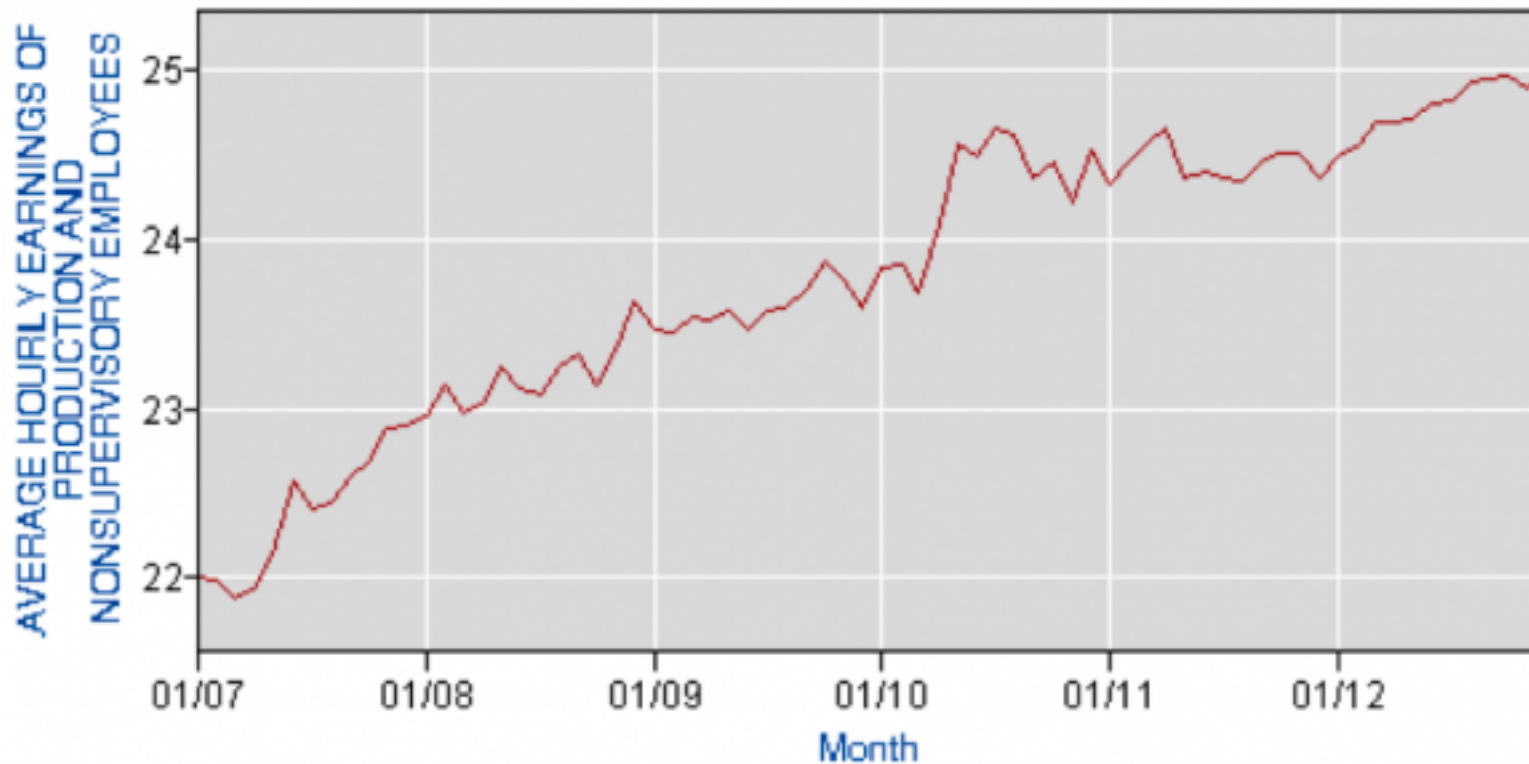


AVERAGE WEEKLY HOURS OF PRODUCTION AND NON-SUPERVISORY EMPLOYEES, CPA Offices

CPA FIRM WAGES

Part of the problem for CPA firms is that, even as hours worked has been declining, wages have been increasing.

The typical staffer is now getting \$25.02 per hour, as of December, a 0.5% raise from the month before and a 2.7% raise from the year before. Of course, these are not the raises CPA firms were giving out pre-Recession. In 2007, raises averaged about 7%. By the next year, 2008, raises were cut in half. And half again in 2009. Raises rebounded in 2010 as firms clawed their way back from the depths of Recession. But in 2011, firms were cutting pay by about 1% annually. By comparison then, 2012 seems like a bounceback.

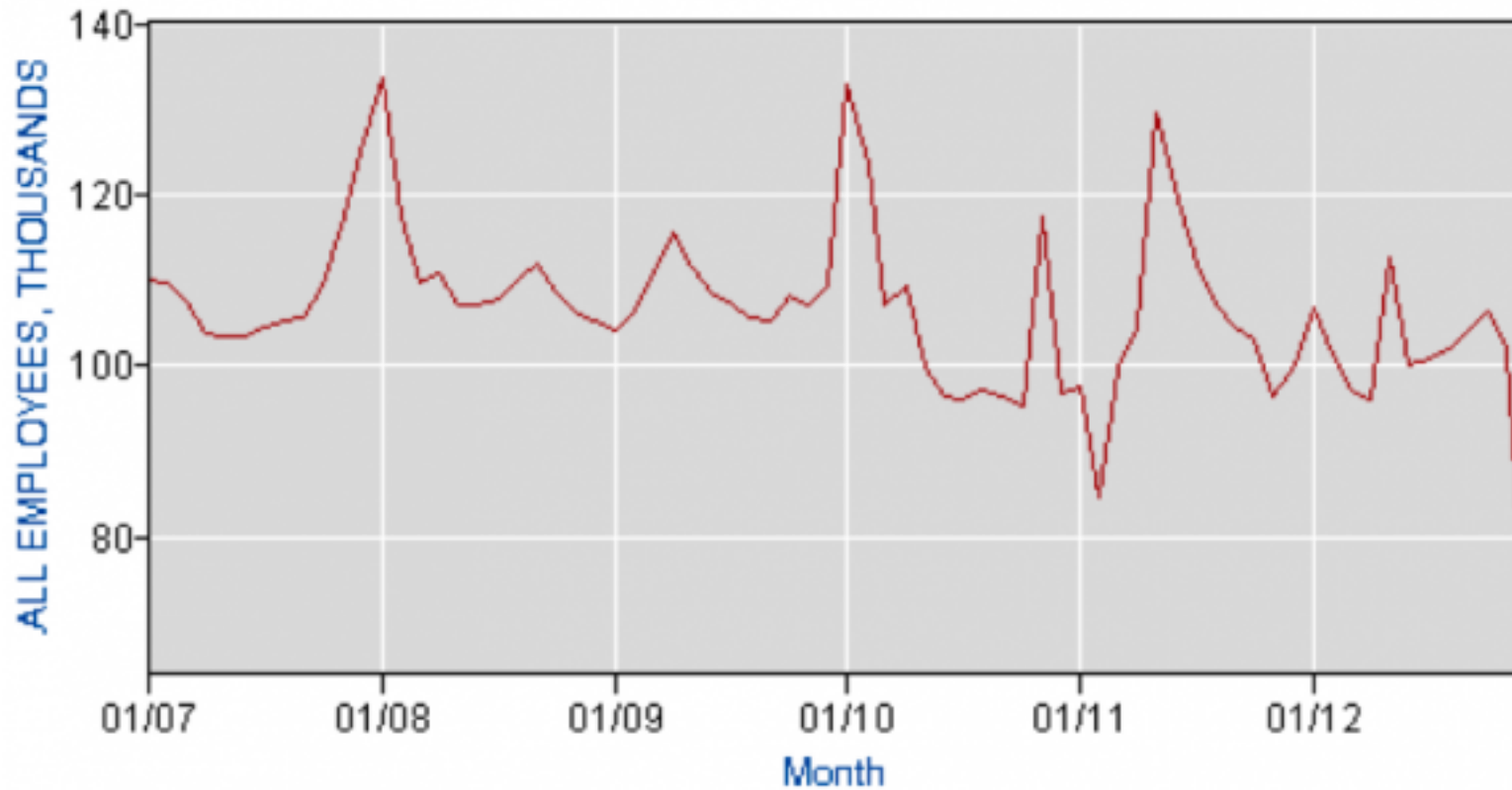


AVERAGE HOURLY EARNINGS OF PRODUCTION AND NON-SUPERVISORY EMPLOYEES, CPA Offices

TAX PREPARATION SERVICES

In the tax preparation subsector, headcounts, it can only be said, fell off a cliff in December. The traditional gearing up for tax season appears to have come to a full stop as Congress sent tax code and reg through a blender.

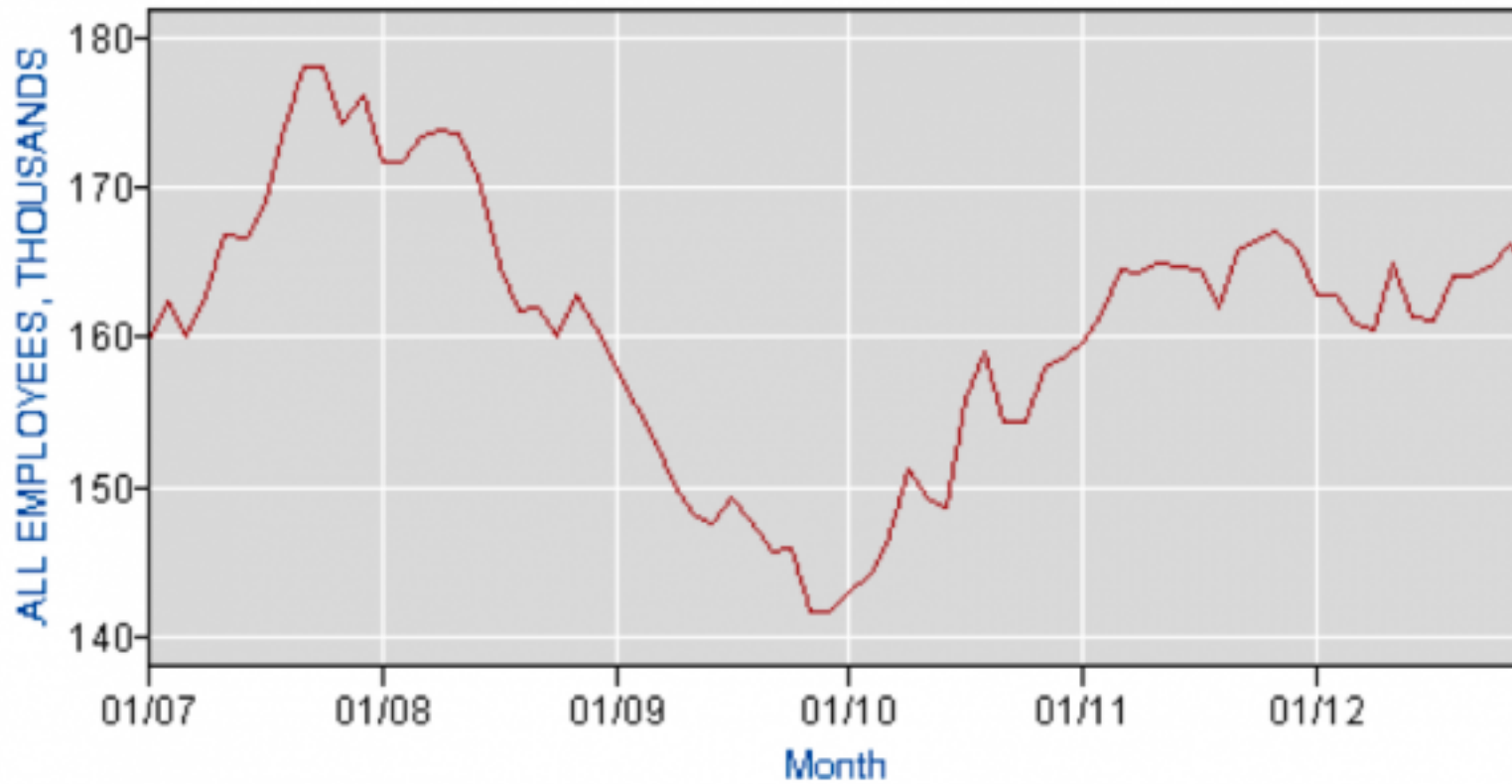
Tax prep offices counted 70,400 employees in December, down 31% from the month before and 30% from the year before. It remains to be seen how the sector will fare in this tax filing season.



ALL EMPLOYEES, THOUSANDS, Tax Preparation Services

PAYROLL AGENCIES

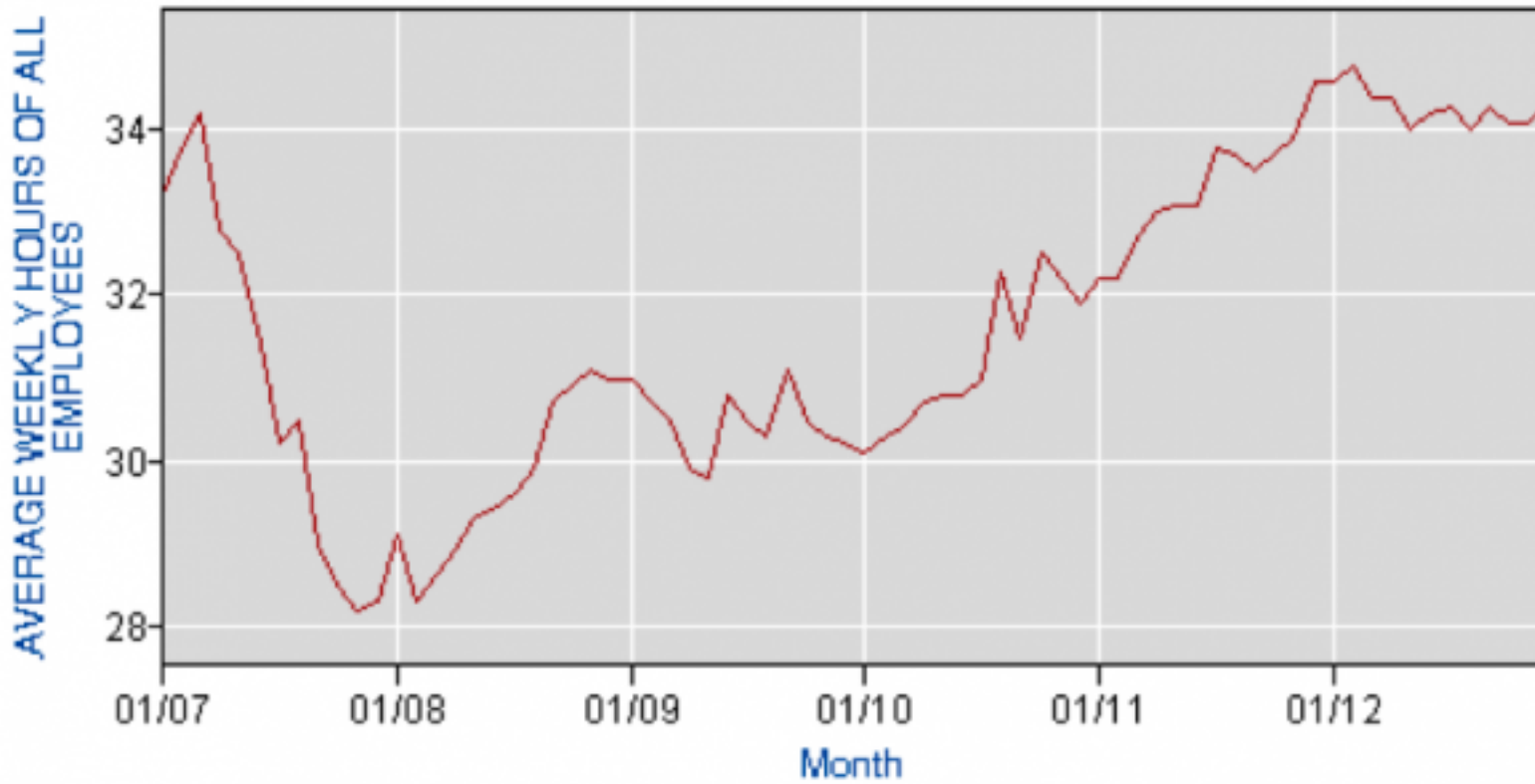
Payroll companies have had their ups and downs with the economy. December was a down month. The subsector finished with 163,900 employees, off 1.3% for the month and 1.1% for the year.



ALL EMPLOYEES, THOUSANDS, Payroll Services

PAYROLL HOURS

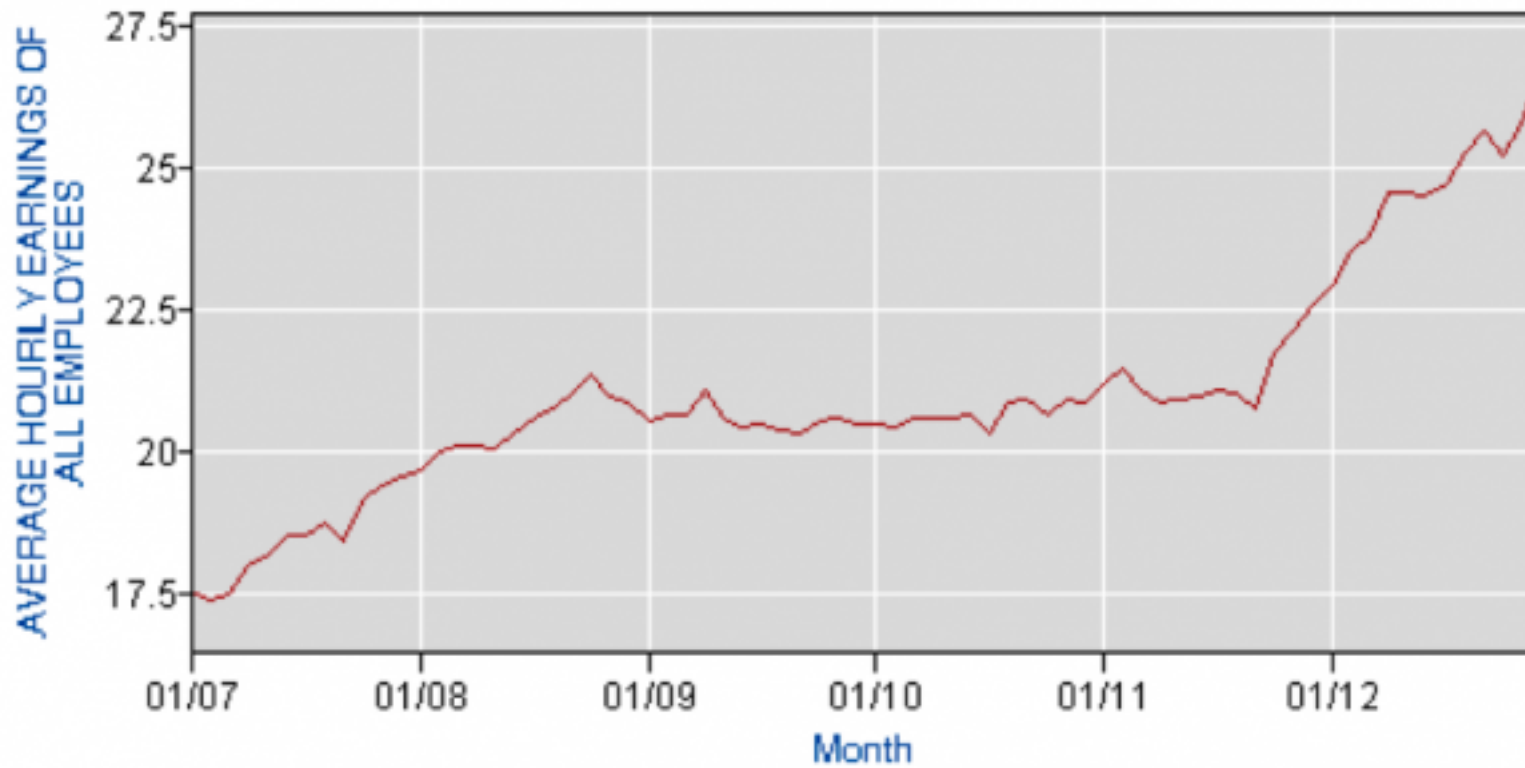
Payroll agencies are managing, however, to increase staff productivity through the use of technology. The subsector finished 2012 with 34,300 employees in December, up 0.6% for the month and off 0.9% for the year, the first year-to-year drop-off in almost three years.



AVERAGE WEEKLY HOURS OF ALL EMPLOYEES, Payroll Services

PAYROLL PAY

The payroll sector is showing some of the sharpest wage increase rates in the industry. Pay averaged \$26.77 per hour in December, up 4% in the month and a whopping 18.5% for the year.

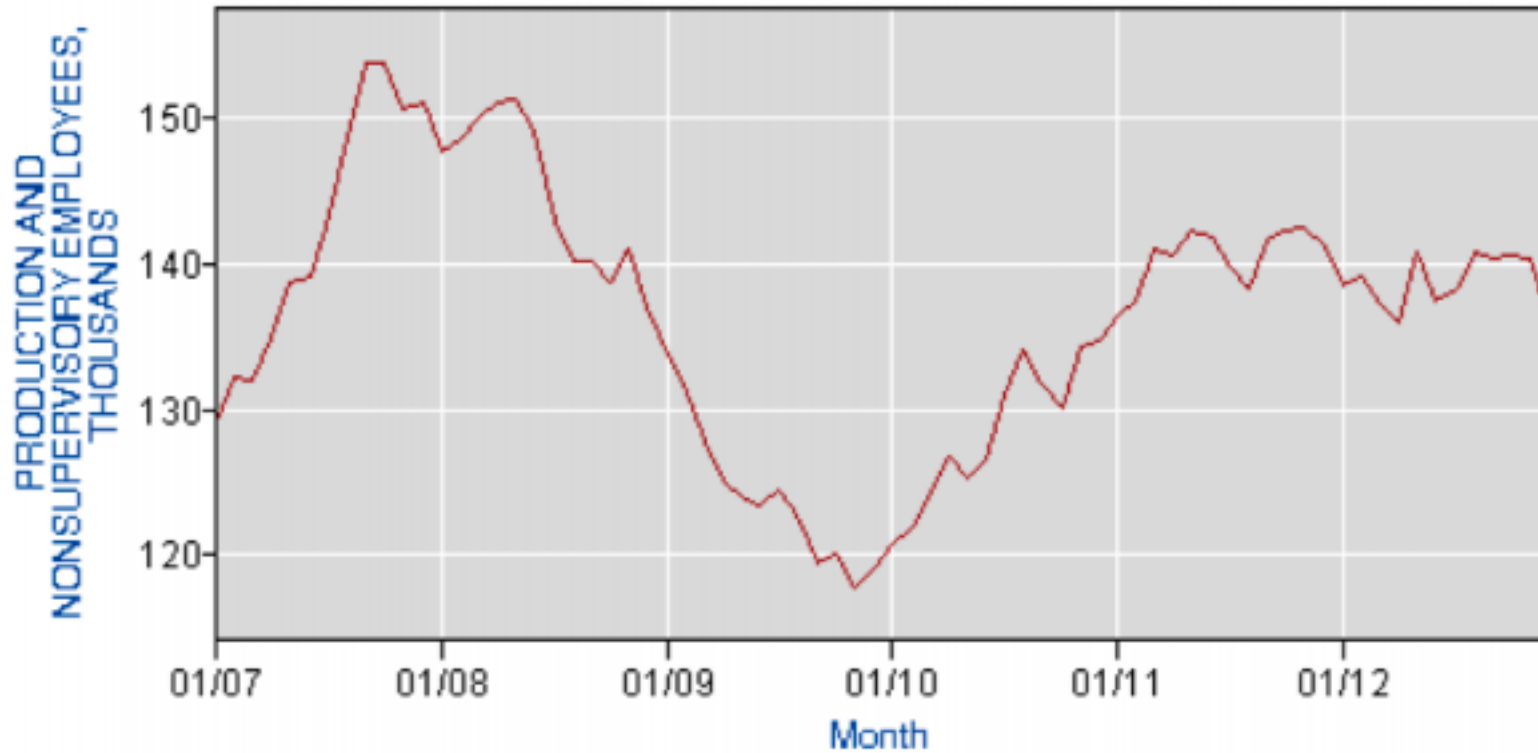


AVERAGE HOURLY EARNINGS OF ALL EMPLOYEES, Payroll Services

PAYROLL STAFF COUNT

Clearly some of the wage inflation at payroll agencies was driven by staff reductions of lower-paid workers.

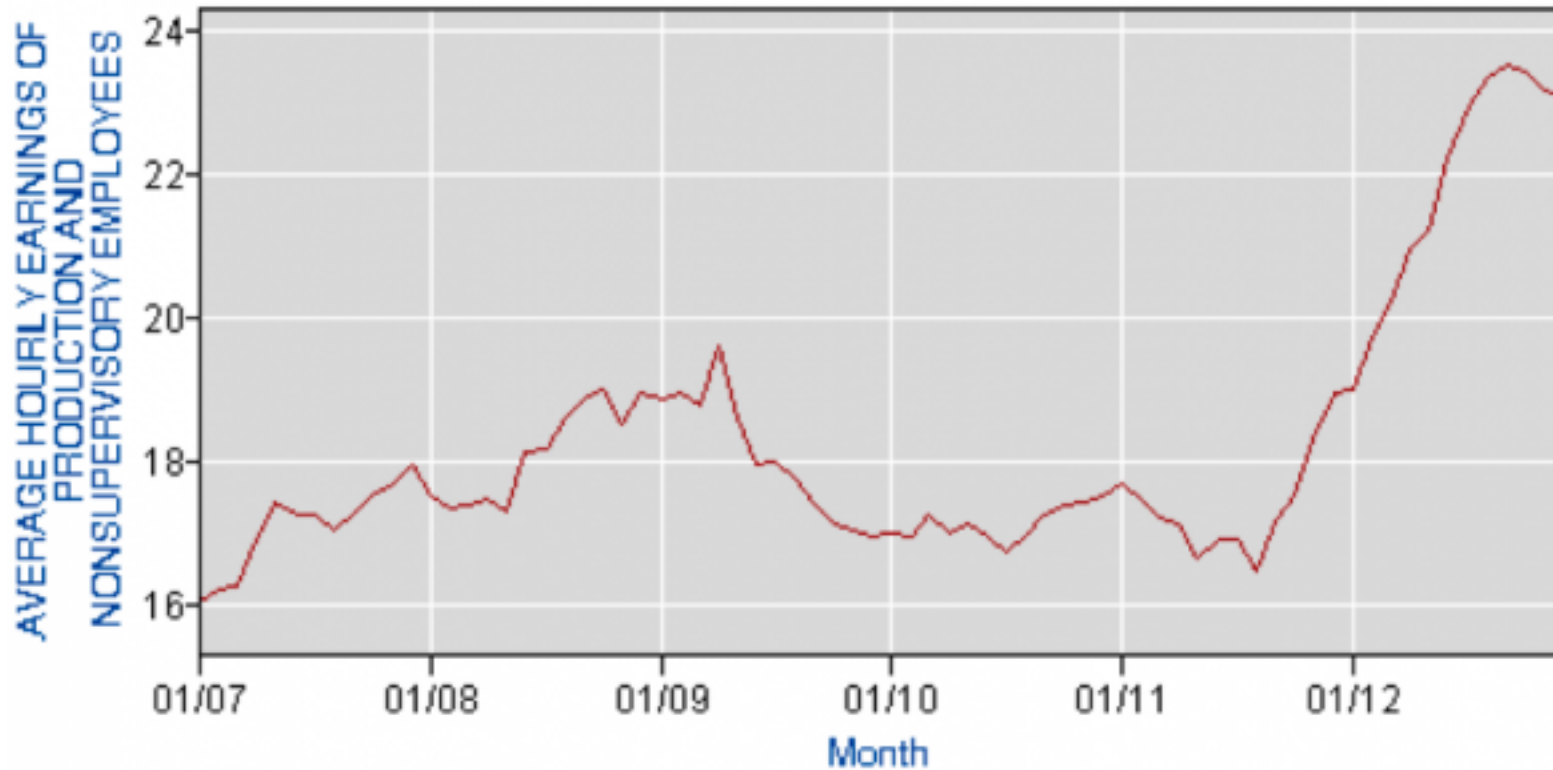
The number of non-exempt employees declined 2.8% for the month and 3.3% for the year, to 136,500 workers in December.



PRODUCTION AND NON-SUPERVISORY EMPLOYEES, THOUSANDS, Payroll Services

PAYROLL STAFF PAY

The rise in wages for payroll workers has been dramatic. By December, workers averaged \$23.09 per hour, a slight 0.4% decline for the month, but a whopping 21.8% gain for the year. That's a stronger performance than even 2007, when wages rose 13.8%. And it's a far cry from 10.5% decline in 2009.



AVERAGE HOURLY EARNINGS OF PRODUCTION AND NON-SUPERVISORY EMPLOYEES, Payroll Services

ABOUT

CPA Trendlines is the online home of the freshest research and analysis in the tax, accounting and finance professions.

Here you'll find the data and analysis you can use for your practice and your career, plus exclusive research, insights and commentary on the most pressing issues and fastest-changing trends.

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Rick Telberg is a veteran analyst, advisor, commentator, editor and publisher. He brings a unique background and perspective to research and advisory services for the professional services community.

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Mr. Telberg was presented with a special citation by the National Society of Accountants for service to the profession and has served on a variety of boards and steering committees, including BKR International and the IBM Small Business Advisory Council. He is a graduate of New York University.



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