

Conference Paper

The Supply Shortage of Accounting Graduates in Indonesia: The Public Accounting Firms Perspective

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Abstract

Although having abundant accounting graduates, Indonesia has a very low number of public accountants and accounting firms. This study investigates the difficulties of public accounting firms in Indonesia to recruit accounting staff. Partners or human resource managers from 35 public accounting firms were interviewed, and it was found that the majority of accounting firms facing difficulties in recruiting accounting staff both in quantity and the quality of fresh graduate. Three major problems were identified as the factors contributed to this difficulty. First, a low salary compared with other occupational streams. Second, the misinformation about the workload in public accounting firms. Third, students' negative perception of public accounting profession which could be caused by the accounting education.

Keywords: supply, accounting graduates, accounting firms

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1. Introduction

The accounting profession has evolved to meet the changes in the business environment. It has expanded services from traditional audit work to business consulting to meet the broader demands of the clients [9]. To increase their competitiveness, accounting firms tried to recruit the best and brightest students [13]. However, the shortage of accounting graduates and accounting skills has become a concern. Developed countries reported a low enrolment in accounting programs [1]. Similarly, emerging markets also faced a massive shortage of accountants [33] and even worse in the developing countries such as Indonesia which reported having only 0.0004% certified public accountant from the total population even though the supply of accounting graduates in Indonesia are abundant [29].

Many studies have been conducted to accounting/business students and asked the students' career choice [15, 20, 25, 28, 32] and the findings showed that less than

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fifty percent of the respondents intended to work in an accounting profession. Those studies also revealed that extrinsic factors such as perceived job tasks and monetary rewards as well as intrinsic factors might affect their career choice. However, an empirical study is rarely conducted to investigate whether public accounting firms demand more staff and whether they get difficulty in recruiting fresh graduates. In Indonesia specifically, neither occupation list nor study to accounting firms about their experience in recruiting new staff has been conducted; therefore, this study investigates whether public accounting firms face difficulties in recruiting new staff from accounting undergraduate.

The current study examines the difficulties in recruiting accounting graduates by public accounting firms in Indonesia. Specifically, this study is to identify whether public accounting firms are facing difficulties in recruiting accounting staff and examining the factors they perceived that cause those problems. By conducting interviews with partners and human resource managers, the findings of this research may contribute to the planning of accounting bodies to promote the work in public accounting firms.

The paper is organized as follows. First, a literature review on the recruiting and retention problems in accounting firms will be discussed followed by the students' perception of working in a public accounting firm. Second, the research design will be explained, followed by the discussion of the findings. Third, conclusions will be drawn based on the findings and several limitations, and future study opportunities will be suggested.

2. Literature Review

Prior research has identified a high turnover rate in public accounting firms as well as several factors that attract students to work in a public accounting career. High turnover rate in public accounting firms has been an issue since the 1970s when the resignation was reported as the primary source of staff turnover in public accounting firms [19, 21]. Several factors have been identified as the cause of the turnover. Job satisfaction was mentioned as the source [5]. Staff had more job satisfaction when their needs were fulfilled, and less pressure was found on the job. Lifestyle preferences were also studied as the source of staff turnover [2, 3] to see whether there were differences exist between male and female staff as well as their marital status. This study found that female was more associated with lifestyle preferences in choosing a career. They consider family life in pursuing full-time job.

Despite a high turnover rate in public accounting firms, the problem faced by accounting firms is the low intention of students in working in public accounting firms

[14, 20, 25]. Most of the respondents in those studies intended to have a career outside the accounting careers. This low intention was affected by the students' attitude toward accounting profession. Students views on the accounting profession based on the media [17]. Media portrayed accountants as unexciting individuals and performing the routine job [7]. They were also seen as 'impersonal, quantitative, inflexible, orderly, introverted' (Decoster 1970, p.40) as well as numerical oriented, materialistic and cold-hearted [12]. These negative images could affect students' perception of the accounting profession. Therefore, they choose not to have an accounting career even though they major in accounting.

Despite those perceptions, students also considered extrinsic and intrinsic factors when choosing a career. Students would choose accounting careers if they perceived that those careers were interesting [31]. In the external side, students considered financial and job market factors when choosing a career [6, 16, 24, 26]. They also compared public accounting profession with other accounting occupations, and they perceived that accounting profession offered higher starting and potential salary while lower in terms non-monetary benefits [32]. Current labour market supply of the accounting profession are Generation Y which put more importance of their work-life balance, and they no longer consider financial factors as the most important criteria in choosing a career [23]. With this changing personality, the career intention of the accounting students could be shifting to a job which provides a flexible hour, and if accounting careers do not provide this flexibility, it is likely that students will choose other careers.

A high staff turnover along with the low intention and differences in work preferences could contribute to the staff shortage. However, research appears not to have empirically examined the difficulty of a public accounting firm in recruiting accounting staff from accounting graduates. Therefore, this study will answer the question whether accounting firms are facing difficulties in recruiting fresh graduate and why they perceive this to happen.

3. Research Design

3.1. Sampling

The population of this study is 505 public accounting firms in Indonesia. Indonesia is selected as the context of the study because of several reasons. First, Indonesia has adopted IFRS and changed the financial reporting regulation, thus provides potential clients for an accounting firm. Second, within the 230M population, Indonesia has only

487 public accounting firms with only 1008 CPA registered partners [18, 30]. Third, each year, universities can produce 200,000s accounting graduates as the staff source for public accounting firms [27]. With a high number of accounting graduates in each year and few public accounting firms, it is questioned whether accounting firms are facing difficulties in recruiting fresh graduates.

Since there is no ranking on a public accounting firm published either by government or accounting bodies, the accounting firms are purposively categorized into three groups; the Big Four, mid-tier firms and small firms. The Big Four are those who are the most significant four accounting firms in the worlds and have an affiliation with Indonesian public accounting firms—KPMG, PWC, EY, Deloitte. The mid-tier accounting firms are categorized based on the number of partners. Firms which have at least six partners are categorized at this level, while the remaining are small firms.

All of the Big Four and mid-tier accounting firms were invited to participate, while the cluster sampling was done to small accounting firms based on the firm's size and the geographical region. It is intended to have exposure from public accounting firms located in big islands in Indonesia. Thus, the sample is selected in the proportion of each firm in each big islands. In total 35 accounting firms agreed to be interviewed.

3.2. Method

This qualitative study is based on a semi-structured telephone interview. The interviews were conducted by a partner or a human resource manager in each public accounting firm because they are the "key informants" of the study. Three central questions regarding the difficulties in recruiting accounting graduates and CPA were asked along with the question on the staff statistic of accounting firms. The data were analyzed by using thematic analysis [4].

4. Research findings

4.1. Descriptive Statistic

The distribution of accounting firms based on the size of the firms is shown in Table 1. This study gathers exposure from all type of public accounting firms in Indonesia although the majority of the respondents are small-tier accounting firms. The majority of participants reside in Java Island since half of the public accounting firms located in this island (see Table 2).

TABLE 1: Sample distribution based on the size.

Classification	Sample	Population	Sample to Population ratio
Big 4	3	4	75%
Mid-tier firms	8	15	53%
Small-tier firms	24	459	5.2%
Total	35	478	7.3%

TABLE 2: Sample distribution based on geographical region.

Island	Sample	Population
Sumatera	2	58
Java	30	388
Kalimantan	1	8
Sulawesi	1	11
Bali and Nusa Tenggara, Papua	1	13
Total	35	478

4.2. Difficulties in Recruiting Accounting Graduates

From the analysis, the majority of accounting firms suffered from recruiting fresh graduates as staff (see Table 3). These results are consistent with those of other studies and suggest that most of graduates/students did not have interest in joining accounting firms [10]. Only the Big Four companies reported not having a problem in recruiting staff. One of the partners explained:

Accounting graduates are abundant; a university in Indonesia is also abundant. They should be able to fulfil our needs. Each year, we recruit hundreds of new staff. There is no problem so far. For the quality, I think they meet the standard [in my firm] and less than 5% who are not qualified because we have a very tight selection process, so we choose staff more or less based on our standard.

The Big Four had abundant applicants and tight selection to obtain the staff. Thus they can have best of the best graduates. Moreover, Big Four firms have a good relationship with universities which make them easily to find new staff by opening job fair within universities. They could easily recruit higher GPA graduates as their staff because they also offer a competitive salary. On the other hand, mid-tier and small accounting firms, the competitors of Big Four in recruiting fresh graduate, found that

it was difficult to recruit new staff. The majority of mid-tier accounting firms reported they had difficulties in obtaining junior auditor.

TABLE 3: Difficulties in recruiting accounting staff.

Size	Having difficulties in recruiting staff	
	Yes	No
Big 4	0	3
Mid-tier	6	2
Small-tier	22	2
Total	28	7
Percentage	80%	20%

One of mid tiers partners commented:

It is challenging [to obtain new staff] because accounting staff in accounting firms receive a smaller salary than private companies such as banks.... Not only difficult to get, but the quality of accounting graduates is also low.

Even though some of the mid-tier firms reported that they received many applicants, they found it difficult to obtain qualified staff. They had many competitors such as bigger firms, governmental bodies and corporations. Majority of this group explained that their ability in paying staff is lower than the remuneration provided by the competitors. Moreover, graduates choose not to work in accounting firms with the same salary because the workload is heavier in accounting firms. Although these results differ from some published studies [22], they are consistent with those of the similar studies in Indonesia which found that one of the factors that caused graduates chose their career was the remuneration and compensation [27].

Mid-tier accounting firms also complained about the quality of graduates that push them to provide training to new staff which were very costly. One of the partners commented

The lecturer knows nothing about what’s going on in the world; they know nothing about the working condition in accounting firms. Therefore they just teach what is in the textbook

In universities, some partners said that students were thought only learn the basic concepts with no further application and this caused they were not work-ready. To overcome this problem, accounting firms provide in-house training and some pay the training from external parties. The more severe problem was the high staff turnover.

Many firms argued that their experienced staffs be taken over by bigger firms or corporations. Firms argued that they are losing money and time train the staff to be supplied to their competitors. This lead them perceived that mentally, current accounting graduates are lazy and have no commitment to the work.

The staff recruitment is undoubted a perilous problem in small-tier accounting firms. Almost all of participants complained about the difficulties in recruiting new staff. Those who did not face any problem are small firms, mostly outside the capital city, with staff less than six. They argued that they could maintain their staff very well and since the clients are fixed clients, they did not require additional staff. One partner also admitted that the ease process of finding staff was caused by their role as educators which can promote their firms to students and their firms accept internship program. They chose the staff from graduates who previously those students who came for an internship so they knew the quality.

The difficulties in small accounting firms in recruiting new graduates were in the term of quantity of the applicants as well as the quality. Those who complained about quantity were mostly complained by firms which are located in the big cities. They revealed that the tight competition among accounting firms along with the pressure from external parties such as governmental bodies and corporations were the factors that caused this problem. They were limited by budget when try to increase salary to attract fresh graduates. No other way can be done, except by using outsourced/non-permanent staff. Majority of firms also complained about the low quality of the graduates. One of the partners commented:

The interest to become government official is too large. Working in private sectors is just a transition era. When the government announce recruitment, they will move. Actually, we have received many applications. I am not sure whether this related to the accounting education, but the test result was very disappointed. For example, they didn't able to do adjustment, posting and journal entries. It was also worse in auditing concept. It is so frustrating. I provide in-house training to enhance their quality, but the turnover rate is high. On average after two years they will leave the firm. Their desire to become a public accountant is very low. We give our staff opportunity to become a partner but they refused and left the firm.

Most partners said that the graduates were not work-ready. What they understood was the theory without practical implications. Some also extremely commented that the high GPA did not guarantee high competence because the curriculum in higher education was out of date, and most of the lecturers were not practitioners. When

they taught accounting subjects, they based their knowledge on textbooks which many of them were not suitable because they were different from Indonesian accounting standards. The present findings seem to be consistent with other research which found the lack communication between academics and practitioners [8] which also built the perception of students that accounting profession is the worst profession because what accountants did were merely manipulated the data. This study contrasts the previous research [24] and has been unable to demonstrate the perceptions that accounting profession is well-respected by graduates. Within this view, practitioners also complained about the negative stereotype of accountants and the absence of the accountant figure in Indonesia.

4.3. The Level of Difficulties in Recruiting Staff

When participants were asked to compare with the past five or ten years, more than half said that it was more difficult nowadays (see Table 4). They mentioned about the competition among firms and across the industry as the main problem. Those who are outside Jakarta also commented that more prominent accounting firms from the capital city were such an aggressive go to university and took their best supplies.

TABLE 4: The difficulty compare to few years back.

Firms	More	Less	No Difference
Big 4	1	0	2
MT	6	1	1
ST	13	4	7
Sum	20	5	10
Percentage	57%	14%	29%

Currently, the accounting firms compete not only with themselves to obtain best graduates but also with governmental bodies such as the Ministry of Finance and Taxation Office and with corporations. The participants revealed that working in accounting firms was just a stepping stone to get a better job. They also admitted that working in accounting firms was not the first career choice among the graduates. The findings of the current study do not support the previous research which said that students main preference was working in public accounting firms [32]. This result may be explained by the fact that government bodies and corporations provide higher salary, especially if compared with small-tier accounting firms.

4.4. Difficulties in Recruiting CPA Qualified

When comparing with CPA qualified recruitment, all accounting firms were in agreement that recruiting staff with CPA qualifications was very difficult. They mentioned several reasons from the long process to become CPA up to their salary demand. In Indonesia, up to now, to get CPA is a long process. The candidates must have an accounting degree, must pass the Professional Accounting Education (PAE) to get accountant registered with the Ministry of Finance and pass the CPA exam. The problems that were revealed were that the cost in the process was very high and it was time-consuming. Another factor was the CPA exam itself. Many partners argued that the support given by IICPA not be enough to make participants pass the test. Moreover, the exam questions were secret documents which have never been published that make participants get difficulties to be accustomed to the test. Nevertheless, some partners supported that the CPA exam ought to be difficult to produce high-quality CPA.

From the salary point of view, domestic CPA asked for high position and high salary which most of the firms object to. People who have CPA qualifications are experienced staff, thus prefer working as a partner. Otherwise, they chose to open their own firm such as commented by one of the participants

There are no unemployed CPA. If we want to hire them, they asked high position of offering themselves as a partner. For a small firm like my firm, I can't afford to pay them. Many CPAs join companies which provide a good salary or they open their own firms.

4.5. Future Challenges in Recruiting Accounting Graduates

More than half participants were optimistic in their business. They saw the economic growth along with the government regulation favoured their profession because many more companies would use their service. They were certain that in future they would employ more accounting graduates as staff. Some firms commented that the economic growth would have no or little effect on their business based on the fact that their clients were fixed clients, they were located in small city, and they faced competitions with other accounting firms.

In relation to the future business, more than half of the participants said that there would be difficulties in recruiting staff in the future because of the competition level acquiring qualified staff and the cost-revenue problem. One of the participants from small-tier firms said

By looking the regulation in Department of Finance, I think there will be more staff needed. Nowadays, it is easier for people to invest. The economic condition is also better. I think it will be still difficult to get staff because the problem nowadays is so many cakes available and many cakes are prettier (in term of salary). The graduates now are more realistic, with their expensive education, they ask for high salary. They no longer look for the prestige in becoming accounting staff in accounting firm

Even though many graduates are available in the market, the money becomes the problem. With their cost of education, they want more salary than those offered by accounting firms especially the small one.

5. Conclusions and Limitations

Indonesia has abundant of accounting graduates each year and has only 505 public accounting firms. Based on the demand and supply theory, there is more supply than demand and could result in high competition in the labour market of accounting graduates. However, this study found that it demand shortage was not the case in Indonesia. Based on the respondents' point of view, there is a supply shortage of accounting graduates to the public accounting firms. The respondents mention several factors that cause students choose other professions. First, the primary issue was the perceptions of accounting graduates. The firms believed that graduates perceive working in accounting firms to be difficult, risky and to provide low compensation; and therefore they choose to work elsewhere. The respondents also mentioned that these factors could be caused by the accounting education which did not introduce the work of accounting firms and by the accounting profession because of lack engagement with the academics and students.

The second reason was the quality of the graduates. Most of the respondents mentioned that accounting graduates were not work-ready and were of low quality. The respondents mentioned that a weak relationship between the academics and the practitioners could be the reason. This condition made them selective in the recruitment process to find the best staff which forces them to provide training to increase the skills of the recruits. However, the high staff turnover disappointed accounting firms because they were used as a stepping stone to get better jobs or better positions in other occupations after staff received the necessary training.

The other reason was the tight competition with other firms, regarding remuneration as well as non-monetary benefits. Mid and small-tier accounting firms have smaller

clients, thus are unable to give high salaries as do the Big 4 or other accounting occupations. The non-monetary benefits such as support for continuing education were also difficult to provide to staff because of limited budgets.

According to most of the respondents, in the future, the demand for accounting services is expected to increase which also increases the demand for accounting staff. However, respondents doubted whether they could easily get qualified graduates to join their companies if the students' perception of a public accounting career did not change.

The findings suggest that future research on the accounting students' career intentions could be conducted to investigate their career choice and the underlying motivations to give information to the accounting firms. This information could be used by public accounting firms to modify their recruitments strategies as well as their working environment to attract accounting graduates to work in their firms.

However, several limitations exist in this study. First, the sample was only Indonesian accounting firms. Therefore, the findings could not be used to conclude the overall conditions around the world. The comparison study can be proposed to increase the generalisation of the findings. Second, the participants of the study were mainly partners of public accounting firms. The future study could compare students and practitioners view about the accounting profession to give a rich insight into the students' perception toward accounting profession. This may also give information to professional accounting bodies as well as accounting educators to campaign the work of public accountant to the students to change the perception of the students toward accounting profession.

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