



Recruitment Market Trends
June / July 2009

Accounting & Finance Recruitment
Australia

ambition

Introduction

Welcome to the June/July 2009 edition of the Ambition Australian Accounting Market Trends Report, where we answer the questions: "Are we there yet? Are we at the bottom of the Australian accounting recruitment market cycle as evidenced by the demand for accountants?" We say "Not yet, but we're close"

This report is a general market overview and we are happy to discuss any specific situations and queries you may have about your market sector and geographic location.

Summary

The key market trends are:

- Worsening business sentiment means that the demand for accountants has continued to fall, although the rate of seasonally adjusted monthly decline in May was down 1.3% on April. This is the lowest since the downturn began towards the end of last year. We're not at the bottom yet!
- Organisations are taking a much more pragmatic and considered approach to the challenges created by the current business conditions. Although the outlook is tough, there is more calmness and certainty around decision making than there was four-six months ago. Anecdotally we are seeing clients make fewer wholesale redundancies and apply more focus on specific headcount reductions and other ways to balance the books – unpaid leave, sabbaticals, salary reductions, paring back of benefits etc
- It continues to be an employers market with a much greater emphasis on hiring an "Exact Fit" profile. While there are many good people in the market seeking work, there aren't necessarily those with the exact fit skill set for each position especially for more specialist or senior requirements – causing confusion amongst hiring employers who expect to be bowled over by suitable candidates in this market
- There appear to be two classes of job seekers out there – those looking because they 'have to' and those looking because they 'want to'. Those "have to's" face a much more difficult PR challenge to overcome, as potential employers question more critically the reasons for their availability

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This report was written by:

Paul Lyons CA CPA (Australia)
paul.lyons@ambition.com.au
Group Managing Director
Ambition Group
www.ambition.com.au

Contributions also received from Sally-Anne Blanshard, Matthew Crossley, Emma Crowley, Adam Dickson, Peter Hayes, Gavin Houchell, Mark Howard, Duncan McNeill, James O'Reilly and Ben Shields

Demand Factors – What's happening now?

Worsening business sentiment...for now

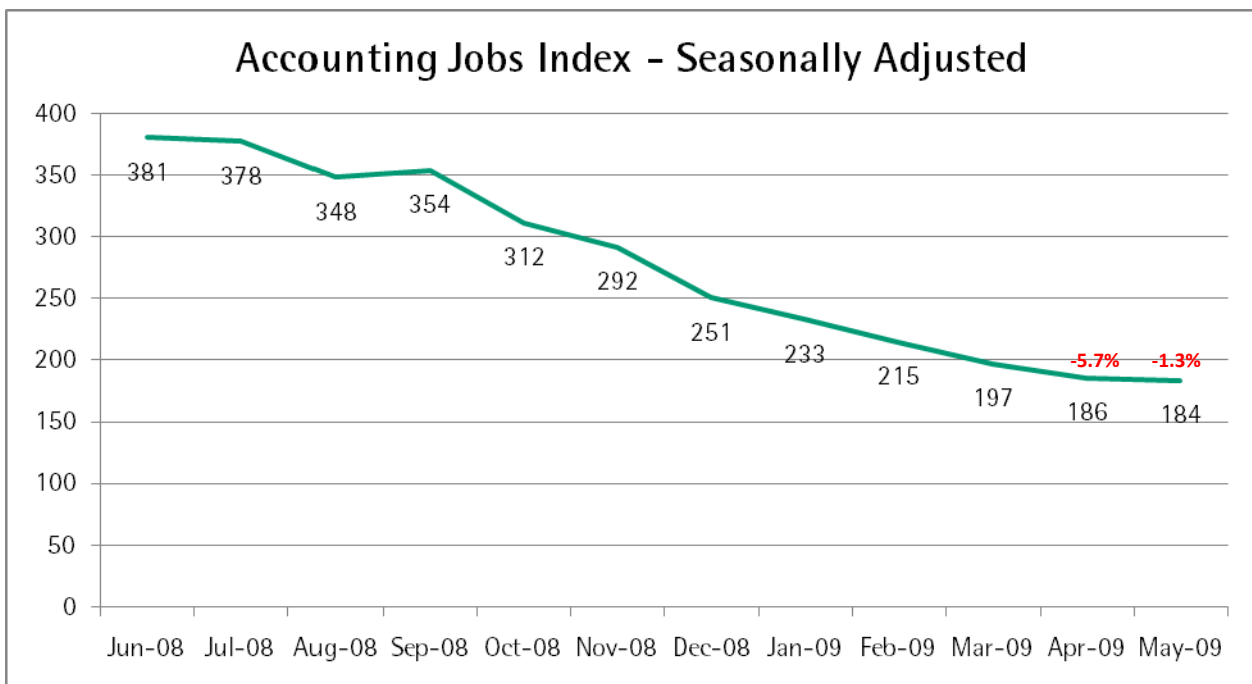
We believe business sentiment is worsening and that barring a few exceptions, most organisations are experiencing pressure on profits and some on cash flow, with no expectation of an immediate improvement.

This has translated to a much greater pressure being placed on finance teams, to work longer working hours, to deliver timely and accurate information in immense detail, as well quicker cash collection and payroll processing.

The market is now completely opposite to twelve months ago, with low demand and high supply of candidates. The employer is now more likely to have the upper hand when hiring and most companies are taking either an active aggressive approach to losing staff, or a cautious approach to hiring.

Demand for accountants' falls again in May but the decline is slowing, down 1.3% on April 2009

The demand for accountants as evidenced by the Ambition Accounting Jobs Index has continued to fall, although the rate of seasonally adjusted monthly decline in May - down 1.3% on April. This is the lowest monthly fall since the downturn began last year. We're not at the bottom yet but these figures suggest we're close. The Index stands at 184 down from 186 a month ago - the index began at 100 in May 2003.



In national market share of accounting jobs per capital city in March, Sydney experienced a slight rise to 38.5% whilst Melbourne was static and Brisbane fell several percentage points.

Meanwhile year on year comparisons on the volume of accounting jobs, including both permanent and contract, show a hefty decline nationally – down 54.4% on a year ago with Sydney down a massive 61.1% on May 2008, Melbourne down 55.1% and Brisbane down 54.8%

Businesses are taking a more pragmatic approach to balancing the books

Whilst business sentiment continues to worsen, organisations are taking a much more pragmatic considered approach to the challenges created by the current business conditions. Although the outlook for trading is tough, there is more calmness and certainty around decision making than there was four-six months ago.

There is a much greater sense of urgency and the recognition that decisive action has to be taken if needed. The paralysis phase is well behind us and most employers are taking the right decisions for their business without worrying unduly about market perception.

Much of this pragmatism has come with time. Having had time to reflect after several months of the current climate as to whether their business is the right shape size and structure and if not, then what clear and smart decisions need to be taken. There also has been a view that their workforce will be far more understanding about the decisions that are made – they may not agree with all the decisions but they don't criticise them as much.

Anecdotally, we are seeing clients making fewer wholesale redundancies and applying more focus on specific headcount reductions and other ways to balance the books such as unpaid leave, sabbaticals, salary reductions etc

It continues to be an employers market with a much greater emphasis on hiring an "Exact Fit" profile

The dynamics of the employment market have now firmly changed in favour of the employer, as the demand for accountants has collapsed and supply dramatically increased. Employers now have far greater leverage on everything and accordingly, their expectations have also risen. They are far less flexible on candidate profiles than they used to be and have much more focus on achieving an "exact fit" in their recruitment.

An interesting twist to the market is that while there are many good people in the market seeking work, there aren't necessarily those with the exact fit skill set for each position. Certainly more challenges surround specialist or senior requirements, causing confusion amongst hiring employers. Whereas in a hot market employers would hire an average candidate, now they won't and are leaving positions unfilled or are opting for a contract option.

We are still seeing more candidates experiencing multiple offers which, in this market suggests that while top calibre candidates are still very much in demand, those with a less compelling proposition are not being hired as readily as a year ago.

More companies are willing to discuss the future

Whilst the line of sight on talent for most organisations is limited to the short term, some CFO's/COO's and HR Directors are starting to think about taking advantage of the changing landscape and hiring potential new talent. We are having more discussions with more clients about the upturn and how companies can position themselves to attract and retain finance talent in the future. Whilst this isn't yet translating into large scale hiring decisions, it is a positive indicator about the future.

Great opportunities exist for employers to up skill to higher calibre staff

As indicated above, some organisations are taking advantage of the current market downturn by upgrading the quality of their finance team. They are replacing people of average skills and attitude that were hired in the good times, when better candidates were much harder to attract, with candidates from the market with "more will and more skill"

Although good people are still hard to find, there are more accountants to choose from and little market pressure to make quick recruitment decisions.

We are already seeing clients raising the bar in terms of required performance and attitude, then counselling people out through a performance management process, and hiring people with a better fit. This will continue and the market over the next few years will slowly shake out the lower performers and raise the standards.

This "flight to quality" is a definite characteristic of a downturn. Organisations are focusing on upgrading their staff and individuals, reassessing their position and analysing whether they can move to a company with better security and prospects.

Recruitment practices change in response to worsening market conditions

Despite the continued uncertainty, we are still recruiting accountants for clients in permanent and contract positions. Although, we are experiencing some changes in the ways employers are recruiting:

Sign off by more people

The number of people involved in signing off on the authority to recruit has significantly increased. This in turn has lengthened the time it takes to obtain authority, especially if the higher authority is based overseas.

Assignments taking longer to complete

Virtually all assignments are taking longer and there are various reasons for this:

- More interviews and other selection tools in the process
- Less market pressure driving the need for quick decisions
- Greater indecision on the part of senior management or the board in making the hiring decision

In our recent experience, the indecision seems to reflect hesitancy on the 'need' and/or budget allocated to the role being recruited. This

indecisiveness seems to be within two parameters; the first being whether a company can 'get away with' spreading the workload to the rest of the team, and the second relating to budget being agreed then withdrawn then agreed and withdrawn again etc.

This has meant that candidates may be briefed on roles several times as they 'come on/go offline' and not receive feedback on shortlist presentation or interview for longer periods of time. This directly impacts an organisation's employment brand negatively as they are being tarnished with the obvious 'bad press' from being perceived as wasting a candidates time, and are losing good candidates to other employers who are moving more swiftly.

As an example on timing, a year ago a newly qualified accountant may have 4-5 interviews arranged within a week and either offers at that stage or at a hastily arranged second interview within the next week. Now, assignments can take 4-6 weeks with 4 interviews and no guarantee of an offer as often authorities are withdrawn through the process.

Employers recruiting themselves

More employers are recruiting themselves using the likes of SEEK to reduce hiring costs, as the perception is that the job boards are candidate rich. Certainly job seeker applications per advertisement are up and some employers are accessing good candidates.

However others are experiencing challenges working through the large volume of applications and managing the process, as well as recognising that the job boards don't offer access to the passive candidate market. Job boards only provide access to truly active candidates or the "have to's" which only represents 31% of the potential candidate market (based on figures released by CareerOne).

"Try before you buy" approach becoming more common

More employers are taking advantage of the benefits this market can bring them in terms of accessing good candidates. We are experiencing more "try before you buy" situations, where our clients are hiring candidates on a temporary contract initially, before making them a permanent offer if happy with work quality and cultural match.

Temporary and Contract roles – no sustained signs yet of the "green shoots"

Whilst we are experiencing increasing interest in hiring contractors and temporary staff, we have not yet seen a sustained pick up in the numbers of accounting contractors and temporary staff being hired. Temps are a lead indicator on the way down and the way up, as organisations take advantage of the flexibility the "temporary" option offers to shed and then hire finance staff.

This is particularly evident in the financial services sector, where some organisations who cut the fat during 2008 and then some "muscle" in 2009 need to strengthen their teams to avoid overloading their existing staff.

We are seeing a preference for Fixed Term contracts, tying candidates in for a fixed period or completion of specific projects, therefore reducing 'flight' risk.

June/July will be an interesting indicator for the demand for contractors, as financial year end often brings additional work loads. We are expecting most organisations to redeploy the additional workload but contracting is also an option.

Some hotspots, but not many

Against the backdrop of a difficult economy, there are still sectors relatively immune from the downturn that contain organisations that are hiring either to build teams or upgrade their quality.

Such sectors generally include those involved in staple goods (pharmaceuticals, food and beverages), utilities, health, education and any government related businesses and companies benefiting from infrastructure investment. In addition, some businesses in some tough sectors are also going well where they have identified and capitalised on market opportunities.

In terms of positions and roles, the newly/recently qualified market remains reasonably consistent and recently we have seen an increase in demand for risk specialists. Companies are now viewing Risk as a strategic methodology post Oct 2008 to proactively protect themselves against the "what if" scenario; whereas traditional Risk was viewed as a compliance exercise that needs ticking.

We have also seen CFO activity starting to rise as companies either look to replace incumbents who possess the wrong skill set for this market, or to replace CFO's they have moved into the top job for their strong finance and operational skills.

Supply Factors – What's happening now?

Substantial increase in supply of accountants – now an oversupply

There has been a substantial increase in the number of accountants actively looking for work in the past few months.

This supply has come from many different sources:

- Those made redundant late 2008/early 2009
- Those that have returned from overseas especially from the UK and Asia (many candidates with a financial services background in this category)
- Recently arrived migrants
- Those passively looking for roles as they are concerned with the viability of their current role or employer

It's difficult to quantify but we would estimate there are broadly 6 times as many candidates as there are vacant jobs. There also appears to be two classes of job seekers out there: those looking because they "have to" and those looking because they "want to".

Those "have to's" face a much more difficult PR hurdle to overcome as potential employers question more critically the reasons for their current circumstances

This PR hurdle is in addition to the normal challenge for candidates in being able to differentiate themselves sufficiently to employers when employers have so many people to choose from.

This challenge is particularly acute in the \$70-\$100k space, where candidates with only a few years of post qualified experience haven't created enough marketability in their profile. Broadly, the more experience and skills you develop the more ability you have to distinguish yourself positively or negatively, but as a counter balance, there are fewer opportunities at a senior level and employers are seeking a more exact fit

Individuals still extremely risk averse

Pretty much every accountant realises their position may not be 100% safe. This is changing perceptions to a range of factors including risk around changing jobs, views on workload, productivity and work/life balance beyond the current economic cycle. Individuals are now more cautious when considering a role, asking more questions and seeking more assurances about the viability of the company. There is also a fear that moving would place themselves in a more vulnerable position if the organisation has to make redundancies (on the last in first out principle)

Job security now the number one priority

The most evident trend from our conversations and meetings with job seekers is that job security is now firmly the number one criteria ahead of career development, work/life balance, salary or training and development.

We have seen some fallout from younger accountants wishing to sit out the current economic conditions, but for the most part, Gen Y'ers are still conforming to the current market demands.

Pressure on existing finance staff

We are interviewing more employees concerned about the ever increasing pressure being placed on them, and we are meeting more Finance Managers/CFO's concerned about their employees well being.

There is a false economy in this, but many organisations have no choice but to focus on the short term and accept the risk of resignations and the longer term cost of wear and tear on their finance team.

We are hearing from employers and individuals about a marked increase in workloads due to more work and often less people to do that work. As the months roll by through budgeting and half year/full year cycles, the wear and tear on the teams will increase, mistakes will happen and morale will start to fall.

People will then choose to move even if there are few opportunities in the market place. Leaders have to find ways of keeping morale and energy up and we'll probably see a rise in the numbers of contract staff hired to cover for resignations or increasing work loads.

Poor candidate management presents an employer branding challenge to organisations

Whilst some organisations are less concerned about their employment brand in this candidate rich market, they face the real danger of tarnishing their brand now through poor recruitment practice, which will inhibit their ability to attract talent when the market recovers.

We are experiencing adverse feedback from many candidates that they are not being managed very well through the recruitment process by companies either through on site career portals or overworked line or human resource managers.

Some downward pressure on salaries

In this market there is absolutely no upward pressure on salaries and some considerable downward pressure. Organisations who are recruiting are able to offer lower salaries to accountants that are unemployed or uncertain about their tenure, whilst a small but growing minority of organisations are cutting base salaries – usually 10-15% and scaling back benefits and bonuses.

Our crystal ball for the remainder of 2009

At the time of writing, (early June) our view on the market for 2009 is that:

- Accounting job numbers will broadly plateau in Q3 2009 i.e. we will have reached the bottom, but that due to market uncertainty and volatility we may not know that until September/October.
- There will be no rise in overall demand for accountants until business sentiment improves
- Because of the current sizeable oversupply of accountants, we are more likely to experience a U shaped rather than V shaped recovery
- A rise in demand for temporary and contract positions will foreshadow a rise in demand for accountants across the board
- The financial services sector is the one most likely to recover first, as it was the first sector to fall and anecdotally many organisations in that sector cut harder and deeper than they can sustain in even a mild upturn in sentiment and demand
- We can't see any factors that will change supply and demand and develop upward pressure on salaries. Demand will remain uncertain and supply will continue to increase

Around the Ambition World

With offices in London, Hong Kong, Singapore and Australia, we are well placed to comment on the global accounting recruitment market.

Our view is that there are "green shoots" beginning to appear in London, especially in the financial services sector. However, the professional services and commercial sectors are still subdued.

Meanwhile in Asia the sudden shrinking of the Singaporean economy has fractured demand for accountants there, although in Hong Kong we are experiencing a slight pick up in demand for high calibre candidates, especially from the investment banking sector.

The 3R's Cycle Model

Note from Paul Lyons

We remain in the redundancy phase of the cycle as detailed below, although organisations are cutting staff far less aggressively than six months ago. Most are happy with their size and structure although we are still seeing evidence of failures and continued downsizing. We would expect that by the end of 2009, the majority of companies were beginning to enter the Replacement phase.

The following is reproduced from the Dec/Jan Market Trends report

In each economic cycle, the accounting recruitment market undergoes radical changes as the demand and supply curves in the economy change. We tend to see three distinct phases; the redundancy phase, the replacement phase and the recruitment phase. Whilst there are some exceptions, the majority of finance teams in the majority of organisations will be affected by the prevailing economic cycle.

Redundancy

Whilst the financial services sector has been retrenching accountants for much of 2008, it is only in the past months that organisations in the mainstream business sectors have been retrenching accountants as they downsize finance and other teams. These have been mostly in business services sectors, where employment costs need to be cut hard to reduce total costs.

Most businesses have undertaken a strategic review. This has resulted in a refocus on core businesses, rationalising, restructuring and closing unprofitable business units, or merging or selling divisions where required. Some have gone into liquidation and others will play a waiting game. A small minority will take advantage of the conditions and expand their business.

For the majority, this strategic approach has or will result in job losses and headcount freezes for accounting and finance staff at all levels. However, those at middle and senior management level will be affected more than those at the more junior transactions levels.

The first wave retrenchments moves are usually vertical cuts and so often indiscriminate with regard to ability. With organisations having to react quickly and decisively, some exceptionally talented people are casualties and are coming onto the market.

As always, the financial services sector has led the way in this redundancy phase mainly as a result of those organisations having to respond quickly to the credit crunch by rationalising and retrenching. I would expect to see the worst of the first wave of redundancies either side of Christmas 2008 and realistically it could take the next two quarters for the rate of redundancies to slow.

We need to move through this period of intense volatility for individuals and businesses to feel that we have reached the bottom. Once that has

happened, organisations will have some certainty that they are then the right size for the prevailing market conditions.

Replacement

Once organisations have made large scale first wave retrenchments, they will then have the time to analyse performance and productivity on a much more detailed and individual scale.

CFO's will look at the structure of the finance team and question its relevance to the new size and structure of the organisation. Does it need to change shape or emphasis? If it does then it's likely that those people that can't be redeployed will have to be replaced.

Similarly, CFO's will focus on improving efficiency and productivity by replacing average people with better performers. Those being replaced are cut not always because of a lack of ability but sometimes because their skills are now less relevant to the size structure and direction of the "new" organisation.

Such replacement occurs at all levels. Whilst having the right skill set is important, employees would do well to also understand that having a positive approach and 'will do' attitude can be the difference between staying and going.

The longer and harder the recession is, the longer the majority of companies will be in this phase and the more competitive the fight for jobs will become.

In terms of the effect on the market, we will experience an excess of supply over demand. Those organisations that will be recruiting will become much more risk averse and will be seeking more in terms of skills and experience in their prospective employees than in previous times.

Realistically, they have to be as the cost of a hiring mistake is much greater when times are tight. There will be many more candidates available at every level although paradoxically, companies won't necessarily find it easier to recruit.

Recruitment

We need a crystal ball to understand precisely when this phase will start. It will happen only after we experience a period of certainty. When consumer and business confidence starts to recover, organisations will make decisions to add headcount to their finance team. This could be as early as Q4 2009 but is realistically further out.

What happens in this market phase is that organisations start to add accounting headcount to assist in increases in workload, often hiring contractors initially until confident that the workload increases are permanent. They then start to hire additional permanent staff.

This will happen in the finance sector first as this will be the first to recover and then slowly across the rest of the economy. There will be a sizeable rise in the number of contractors and also a rise in the volume of advertisements for corporate advisory, management consulting financial analysis and

project accounting roles as the focus shifts from cost control and cash management to growth related and 'what if' type roles.

As confidence rises and the lid comes off recruitment, more accountants seek to move as a reaction to the hard years. This is a multiplier affect and the recruitment merry go round begins again as the market reverts to a sellers market. However this phase of the cycle looks a long way off right now.

More Information

For answers to your questions on market trends, salaries, retrenchments or grading please feel free to contact Ambition with the contact information listed on the back page or visit www.ambition.com.au

We will produce this in an electronic format only but as always are very happy to discuss any specific situations and queries you may have.

About Ambition

Ambition specialises in permanent and contract accounting, banking and technology positions in Australia (Sydney, Parramatta, Brisbane and Melbourne), Asia (Hong Kong and Singapore) and the UK (London).

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Careers Recruitment and Contracting
Accounting, Finance and Technology

Sydney – Finance division

Level 8, 45 Clarence Street
Sydney, NSW 2000
Tel (02) 9249 5000

Sydney – Technology division

Level 5, 55 Clarence Street
Sydney, NSW 2000
Tel (02) 9248 6200

Melbourne

Level 36, 140 William Street
Melbourne, VIC 3000
Tel (03) 8629 1000

Parramatta

Level 4, 3 Horwood Place
Parramatta, NSW 2150
Tel (02) 9633 7300

Brisbane

Level 7, 410 Queen Street
Brisbane, QLD 4000
Tel (07) 3211 9333

www.ambition.com.au

Hong Kong

1202 – 1205 Alexandra House
18 Chater Road
Central, Hong Kong
Tel (852) 3101 3066

www.ambition.com.hk

Singapore

65 Chulia Street
#39-05/06 OCBC Centre
Singapore 049513
Tel (65) 6854 5600

www.ambition.com.sg

AccountAbility

Level 5, 55 Clarence Street
Sydney, NSW 2000
Tel (02) 8296 5300

AccountAbility

Level 5, 6 Help Street
Chatswood, NSW 2067
Tel (02) 9406 5300

AccountAbility

Suite 2, 684 Princes Highway
Kogarah, NSW 2217
Tel (02) 9588 0999

www.AccountAbility.com.au

love* Recruitment

Level 5, 55 Clarence Street
Sydney, NSW 2000
Tel (02) 8234 1100

love* Recruitment

Level 7, 410 Queen Street
Brisbane, QLD 4000
Tel (07) 3007 1600

www.loverecruitment.com.au

Witan Jardine

13 Southampton Place
London, WC1A 2AL
Tel (44) 20 7404 4004

www.witanjardine.co.uk