The 2011 Year End Tax Hiring Outlook

An Employment Survey Analysis of Corporate Tax Hiring Authorities

2011 Year End Corporate Tax Hiring Outlook

Table of Contents

2011 Hiring Survey Results Summary

TaxTalent recently conducted its 2011 employment survey focusing on anticipated hiring practices within corporate tax departments for the remainder of the year. The 221 respondents to the 2011 survey were tax hiring authorities within corporate in-house tax departments located within the United States.

Three themes became evident in the results of this year's survey. The first is an apparent disconnect between tax departments' expectations to hire staff (63%) during the remainder of this year and their expectations to incur turnover (39%). Upgrading employees will become the focus in replacing talent rather than hiring the same employee profile lost in turnover. Since it is unlikely that the replacement employees will come from the general unemployment ranks, there will be more turnover within tax departments as their employees are sourced by other companies.

The second theme is the type of employee tax departments anticipate to hire. Last year's hiring survey predicted a slowing on tax accounting and a potential shift toward research, planning, and audit. The survey data for 2011 confirms that prediction. The main area of hiring this year is in tax operations, but in smaller overall percentages (down to 55% in 2011 from 67% in 2010). The 2011 survey showed that CTO's anticipated hiring 25% in tax accounting and holding at 30% hiring in compliance (Fig. 5). As predicted in the 2010 survey, hiring in research and planning and audit increased from 15% to 21%.

The third theme is in the area of compensation. 56% of respondents either believe their tax departments are below market value on employee compensation, or are unsure of the present salary/employee situation. A significant percentage of respondents lack confidence that they are at current market value. This could be a major factor that contributes to overall turnover rate. While compensation is never the exclusive reason for employee mobility, it often serves as the basis for employees to explore career alternatives. This pressure is already evident based on the survey differential of 63% expected hires vs. turnover at 39%.

The survey results show that the areas of audit, research, and planning are increasing in overall hiring percentage. The area of compliance is steady but still solidly producing jobs, and the specialty of tax accounting is slowing slightly in the anticipated overall hiring picture for the latter half of 2011.

Tax
Talent

www.TaxTalent.com

2011 Hiring Plans

Of the 221 total online respondents, 63% said they intended to add headcount to their departments during the 2011 calendar year (Fig. 1).
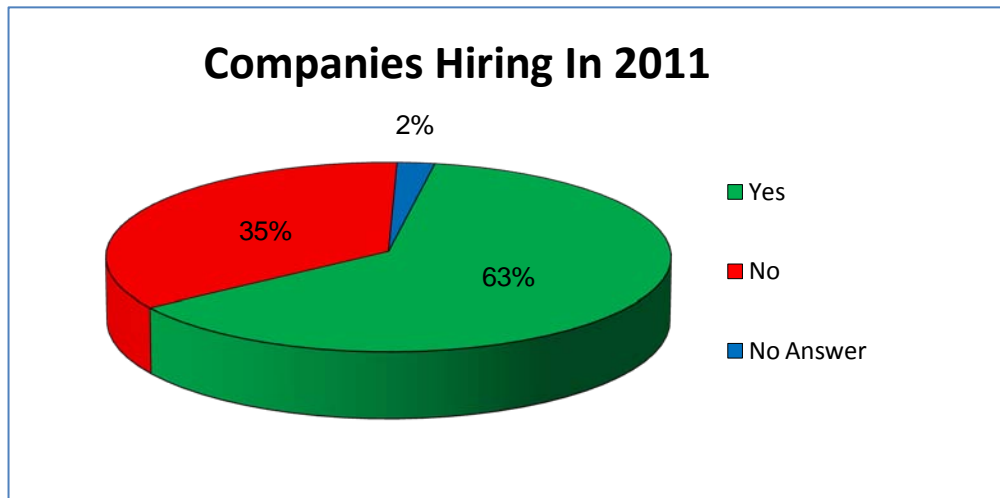

Companies Hiring In 2011

- Yes 63%
- No 35%
- No Answer 2%

Figure 1

Of the 35% of respondents who said they did not expect to add positions (Fig. 2), 44% of them stated that not having any turnover was the primary reason. 29% stated it was not in the budget and 6% stated they had no retirements. The 21% "other" responses included several comments that multiple factors above applied, that they just completed hiring, or that they still had some hiring left to do. Several respondents stated that they were expecting turnover, but they were not planning on increasing headcount, just replacing people who left. Others were decreasing headcount for various reasons, including outsourcing, undergoing financial stress, doing more with less, or using technology and attrition to reduce global headcount.
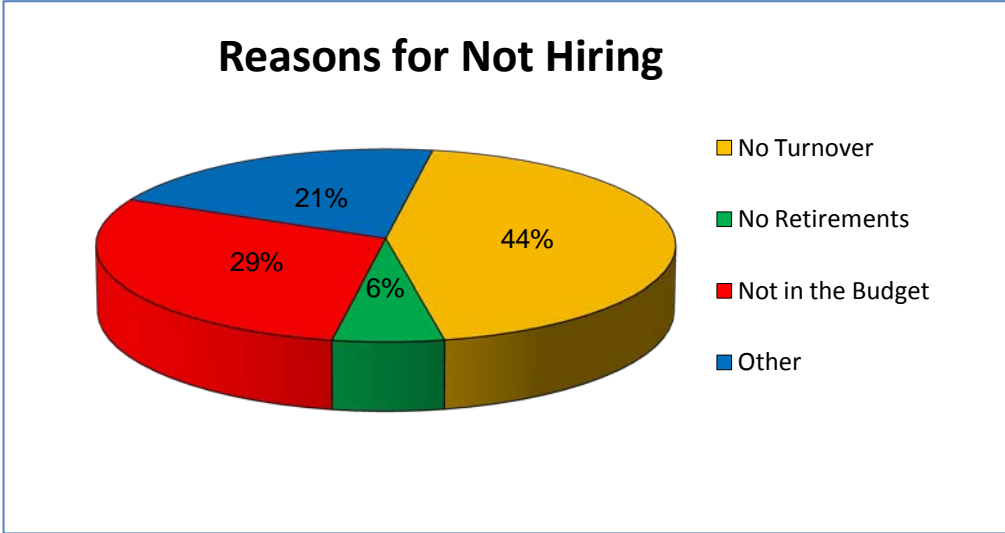
Reasons for Not Hiring

- No Turnover
- No Retirements
- Not in the Budget
- Other

44% — 29% — 21% — 6%

Figure 2

For those companies that selected yes to the first question (adding headcount), each had the option of filling in the number of job positions they had open in three categories (Table I). The table shows the average number of positions, which is the total number of open positions divided by the number of companies answering for that particular position. Companies that put a zero in the blank were not counted in the average. The table also shows the highest number of positions recorded by at least one company in the survey.

Table I

	Average # Jobs Open	Highest
Senior Analyst	1.57	8
Mid-level manager	1.49	5
Director or above	1.81	7

(Avg. # = Total # of open positions / # of companies answering for this question)
(Highest = highest # of open positions recorded by a single company)

Reasons for Hiring

The following chart (Fig. 3) shows the percentage of "yes" answers for each of the four possible reasons for having open positions.
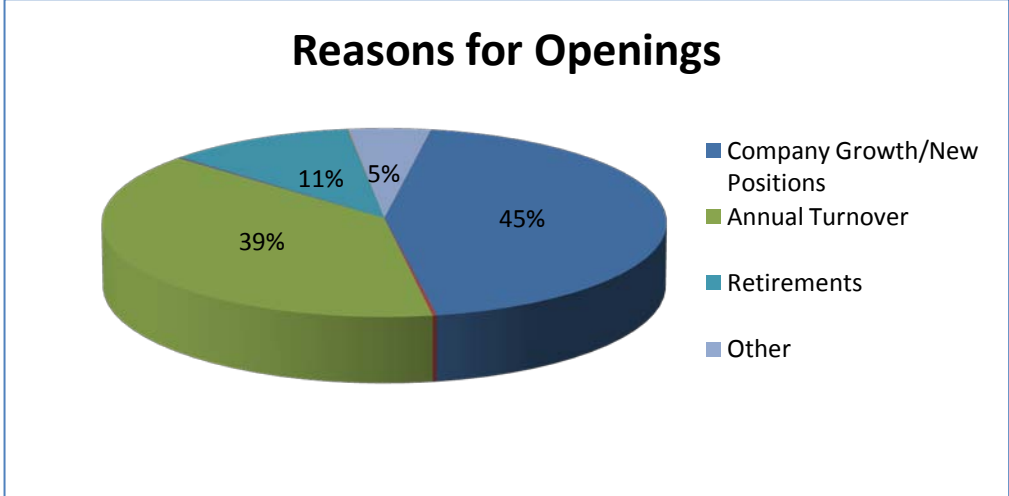

Figure 3

45% of the respondents who answered yes chose company growth as their reason, 39% of the yeses are due to annual turnover, and 11% cited retirements. Interestingly, 5% answered "other" as a reason.

For the 5% "other" responses, reasons given for the openings included succession planning (mentioned twice), replacing outsourced employees or contractors with staff employees (also mentioned twice), and several mentions of international expansion, turnover, or backfilling positions. Other answers included Sarbanes–Oxley Control, a need for somebody who can do systems/data plus tax functions, and a VAT manager to address business regulation changes in Europe.

Finding Qualified Candidates

Employers were also asked to rate how difficult they think it will be to find potential candidates for their open positions on a scale of 1 to 5, with 5 being the most difficult (Table II).

Table II

Difficulty Rating	1 (Easiest)	2 (Fairly Easy)	3 (Neutral)	4 (Difficult)	5 (Most Difficult)
Employer Answers	6%	9%	34%	35%	17%

We see here that slightly more than 1/3 of respondents were neutral on the difficulty of finding qualified candidates and about the same number chose 4, or difficult. Another 17% thought that it would be most difficult to find potential candidates. Over half (52%) of the respondents believed it would be difficult or most difficult to find candidates, while only 15% believed it would be an easy task for them.

Recruiting Methods

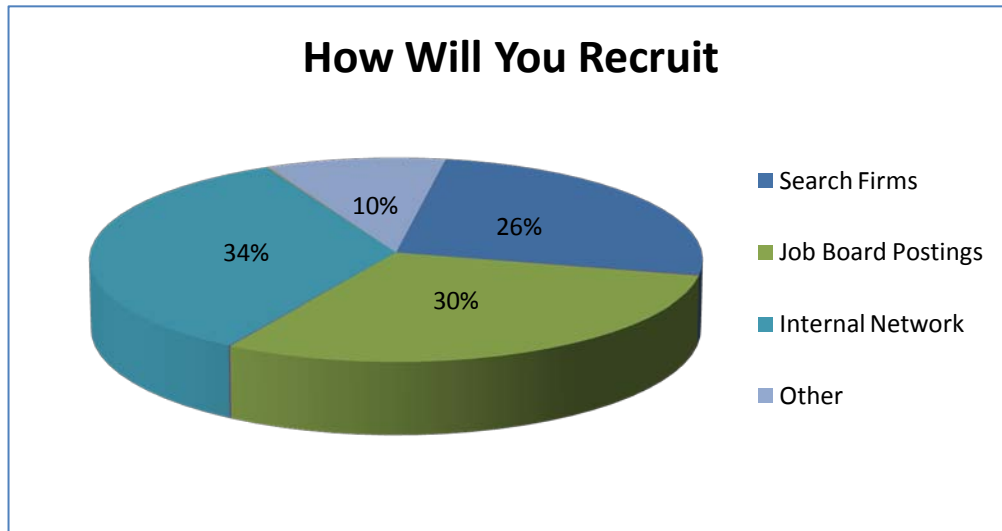Respondents were asked how they planned to recruit for their open positions (Fig. 4).

Figure 4

Analyzing the "yes" answers shows us that over 1/3 of the respondents (34%) plan to use internal networks to fill positions, 26% plan to use search firms, and 30% plan to use job board postings. 39 respondents (10%) chose "other" as a recruiting method. These results are roughly on par with the 2010 survey.

Many of the "other" responses seemed to be a reiteration of the three choices given—or at least further explanation or more information for those choices. Some of the answers included internal recruiters, specialized tax websites, or retained search firms.

Functional Areas

When asked which functional areas they would be hiring, the respondents answered as shown in Figure 5 below.
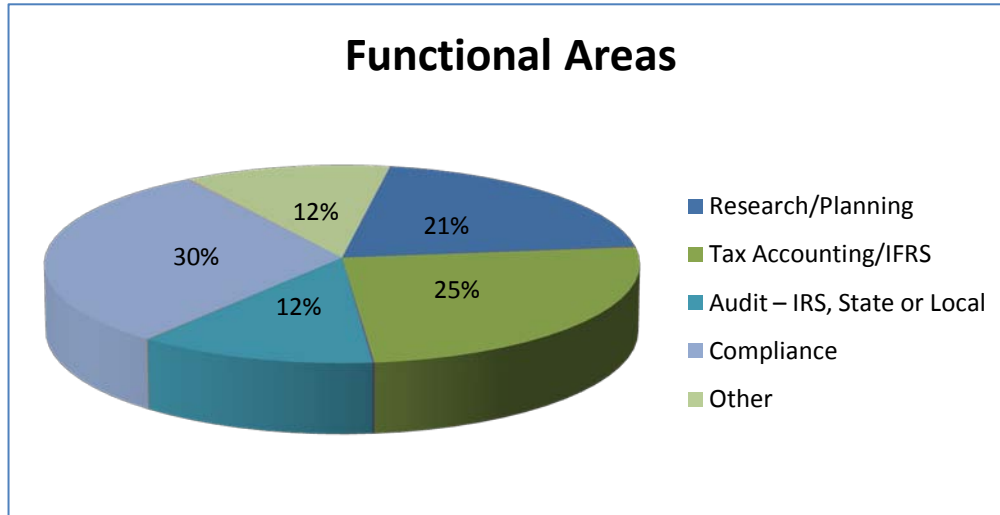

Figure 5

55% of the "yes" respondents stated they would be hiring in the general area of tax operations, 25% in Tax Accounting and 30% in Compliance. Compliance also showed the highest average number of jobs available (see Table III below) with 1.64. Tax accounting produced the single highest number of jobs available reported by a company: 12.

Table III

	Average # of Jobs	Highest	Percent of Job Openings
Research/Planning	1.35	4	21%
Tax Accounting/IFRS	1.48	12	25%
Audit – IRS, State or Local	1.5	6	12%
Compliance	1.64	7	30%
Other	1.81	8	12%

(Avg. # = Total # of open positions / # of companies answering for this question)
(Highest = highest # of open positions recorded by a single company)
(Percent = number of jobs openings in specific area / total number of job openings)

Trailing Compliance and Tax Accounting, at 21%, is the area of Research and Planning. 49 companies reported hiring in Research and Planning, but with far fewer jobs in that field available at each company.

27 companies entered answers for "other" functional areas, at least one of which reported having eight jobs open. Of the "other" responses, seven of them dealt with international tax positions. Ten of the "other" responses stated they either had positions that combined functional areas above or that they were looking for generalists, staff pool positions, diversified, or cross-functional people (some of those responses were also included with the international replies). Because of the high demand in tax operations, companies need to plan for unexpected turnover in these areas.

Diversity

Respondents were asked how important increasing diversity was within their departments on a scale of 1 to 5 with 5 indicating the most important (Table IV). The average rating is 2.8, or just barely to the less-important side of the neutral position. These figures are disappointing in that more companies evidently have not embraced the need for increased diversity in their hiring.

Table IV

Difficulty Rating	1 (Least Important)	2 (Less Important)	3 (Neutral)	4 (Important)	5 (Most Important)
How Important is Diversity	16%	18%	40%	21%	5%

Compensation

When asked if they were confident that their current compensation levels are at market rates (Fig. 6), 56% of respondents believe they are either not at market compensation levels (26%) or are unsure about it (30%). Only 44% expressed confidence in their compensation levels. This data shows an area where TaxTalent Salary Benchmarking can get out the message, providing these companies with comparative salary data and other information to help them get a sense of the market.
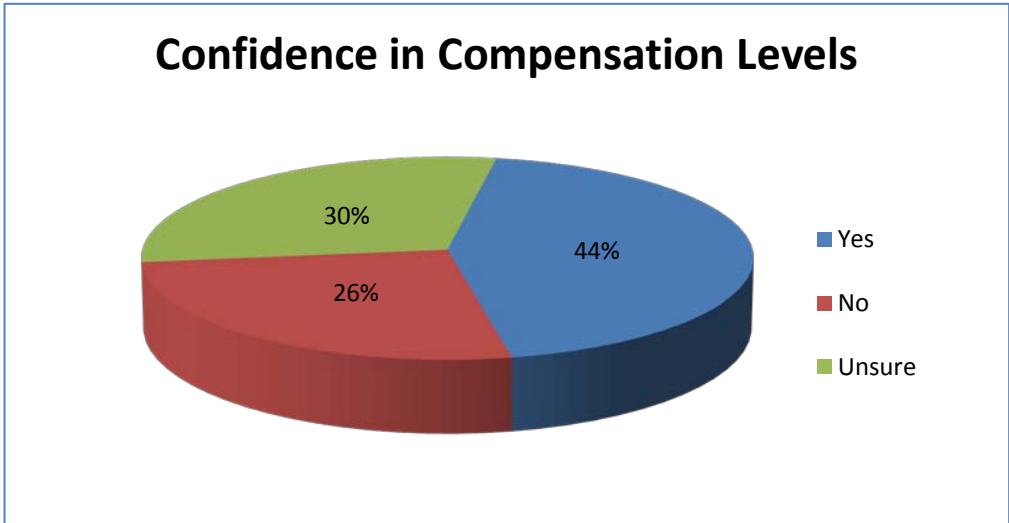

Confidence in Compensation Levels

- Yes
- No
- Unsure

Figure 6

Tax Talent

www.TaxTalent.com

Survey Conclusion

As the economy continues to struggle, corporate tax departments will need to increase overall performance in an environment that is budget-restrictive. Simultaneously, tax departments must continue to balance risk mitigations with tax minimizations in a politically charged climate. Based on the 2011 hiring survey data, tax departments will need to be taking a proactive approach and be thinking progressively to reduce turnover, increase market position for recruiting and to optimize department performance. Understanding future hiring trends is vital for effectively managing department turnover - both anticipated and unanticipated - and for maximizing use of existing resources.

Survey Recommendations

1. Tax department leaders should proactively manage compensation levels and salary strategies to improve both employee retention and candidate recruiting.

2. Tax department leaders will need to stay closer to their top performers and be better prepared for the potential rise in outside poaching of employees.

3. Tax department leaders will need to pay special attention to their tax accounting, planning and audit staff.

4. Tax department leaders should consider more frequent career evaluations to proactively connect with employees and promote greater job stability.

5. Tax department leaders should consider more internal cross-training programs which promote flexibility and help optimize department performance.

6. For those department leaders unsure of their hiring needs, rather than making an impulse hire, instead consider using progressive interim alternatives to fill in gaps.

Additional Resources

There are many generic industry resources for salary calculations and compensation benchmarking; however, TaxTalent provides the only free, tax-specific salary calculator available to tax professionals and tax hiring authorities. In addition, TaxTalent conducts highly specialized salary benchmark studies specifically for tax departments.

For more information on these resources and services to assist you in "building and maintaining a world class tax department," please visit taxtalent.com.

Tax Talent
www.TaxTalent.com