

NEXUS 2:

THE ACCOUNTANCY PROFESSION— A GLOBAL VALUE-ADD

November 2015



International
Federation
of Accountants®



Exposure Drafts, Consultation Papers, and other IFAC publications are published by, and copyright of, IFAC.


IFAC does not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

IFAC logo, 'International Federation of Accountants', and 'IFAC' are trademarks and service marks of IFAC.

Copyright © October 2015 by the International Federation of Accountants (IFAC). All rights reserved.

Written permission from IFAC is required to reproduce, store or transmit, or to make other similar uses of, this document, except as permitted by law. Contact permissions@ifac.org.

ISBN: 978-1-60815-256-8



“The point at which the need for strategic thinking meets the accountancy profession is the nexus at which good decision making helps strengthen organizations and advance economies, in the public interest.”

– Fayez Choudhury, IFAC Chief Executive Officer

In 2015, IFAC commissioned independent economics and business research consultancy, Cebr, to analyze our membership data from 2009 to 2013.

Nexus 2: The Accountancy Profession—A Global Value-Add, is the second of two reports to look behind Cebr's analysis, and provides a snapshot of the accountancy profession's economic contribution to the global economy, and to society.

The first report, ***Nexus 1: The Accountancy Profession, Behind the Numbers***, published in October 2015, provided details and insights behind those numbers. It highlighted the importance of professional accountants to growing economies, and compared the profession's growth with total employment growth within regions. The overall picture showed a profession in demand, growing steadily, and making significant contributions to all areas of society.

NEXUS 2: THE ACCOUNTANCY PROFESSION—A GLOBAL VALUE-ADD

“A more developed economic system requires an accounting structure that captures the necessary relevant information about the productivity and performance of various sectors.”¹



The point at which the need for strategic thinking meets the accountancy profession is the nexus at which good decision-making helps strengthen organizations and advance economies, in the public interest.

Earlier this year, IFAC announced that the number of professional accountants represented by our 175+ member organizations in over 130 countries and jurisdictions had reached 2.84 million.

Nexus 2: The Accountancy Profession—A Global Value-Add, reflects groundbreaking research by Cebr to associate, for the first time, the size and growth of the profession with the development of economies.

The study found a strong correlation between the number of accountants working in economies with GDP per capita, and an even stronger correlation with the UN Human

Development Index, which measures indicators including life expectancy, years of schooling, and income.

The profession's impact on better information, reporting, measurement, and decision making is decisively linked to improved living standards and the health, well-being, and prosperity of nations and their citizens.

The report also estimates that the global accountancy ecology—including members of IFAC professional accountancy organizations (PAOs), as well as people who identify their roles as accountants or accountancy support—contributes over half a trillion dollars (USD) annually to the global economy. Of this amount, IFAC PAO members contribute almost over 43%.

These measures highlight the crucial role accountants play in advancing economic stability and growth at multiple levels throughout society.

Accountants contribute significantly to the sustainability of small, medium, and large organizations, sound capital markets, effective stewardship of public finances and delivery of public services, and—ultimately—the economic prosperity highlighted in this report.

As the global organization for the accountancy profession, IFAC—through its member organizations—fosters a vibrant profession based on strong educational and ethical foundations. We are proud to represent a profession that is defined by its dedication to the public interest—a trusted partner of governments, policy-makers, businesses, and the communities we serve.

Fayez Choudhury
Chief Executive Officer, IFAC

¹ Sawani, Assma. “The Changing Accounting Environment: International Accounting Standards and US Implementation.” *Journal of Finance and Accountancy* (2009).

KEY FINDINGS



KEY FINDINGS

1

Economic development and improved living standards are linked to a robust accountancy profession

Accountants play an important public interest role, working throughout society to strengthen organizations and enhance economies. There is a strong link between a robust profession, economic prosperity and improved living standards - including better life expectancy, more years of schooling, and higher income.

2

The economic contribution of the global accountancy ecology is \$575 billion; IFAC PAO members contribute \$248 billion

This substantial global economic contribution—defined as gross value added (GVA)—of accountants is comparable to the contributions from some mid-sized developed economies. This contribution is critically important to governments, policy-makers, businesses, and the public, with whom the profession works to promote economic growth and prosperity. Beyond this direct contribution, accountants play an important role throughout global society enabling production and growth across economic sectors.

3

Biggest contributions from Europe and North America; opportunities exist in other regions

The profession makes the largest economic contributions in developed economies—particularly in Europe and North America. Other regions of the world present an opportunity to contribute more to the global economy. IFAC and its member organizations are actively engaged in building capacity and developing the profession in those regions.

CHALLENGES AND OPPORTUNITIES

This study has identified trends, opportunities and challenges for the global profession, including:

The critical role of professional accountants in the global economy, and their economic contribution to society

IFAC and the accountancy profession must continue to work with governments, policy-makers, regulators, businesses, and the public to ensure that the profession's contribution to businesses, communities, and the economy is recognized and developed. What more can we do to highlight the profession's global economic contribution? Are there different—or new—metrics or systems that can be utilized in this effort?

Growing the profession in developing nations

The profession is critically important to resilient, transparent, and accountable economies. IFAC—and the profession in developed nations—must continue to help build capacity in emerging nations to support their economic growth and stability, and integration into the global economy. Much is already being done by PAOs to support capacity building in developing countries, but how do we stimulate the flow of additional development funds for the benefit of the profession?

Attracting accountants to, and educating and training them within, a global profession

The global economic contribution of individuals defined as accountants by national statistics, but not affiliated with an IFAC PAO, is \$327 billion. This figure highlights a significant opportunity for the global profession to be even more coordinated and impactful, and thus contribute even more to economic growth and prosperity. What more can PAOs do to attract members to PAOs? What new skills should the profession be promoting to potential candidates—and what new skills do the next generation of accountants need?

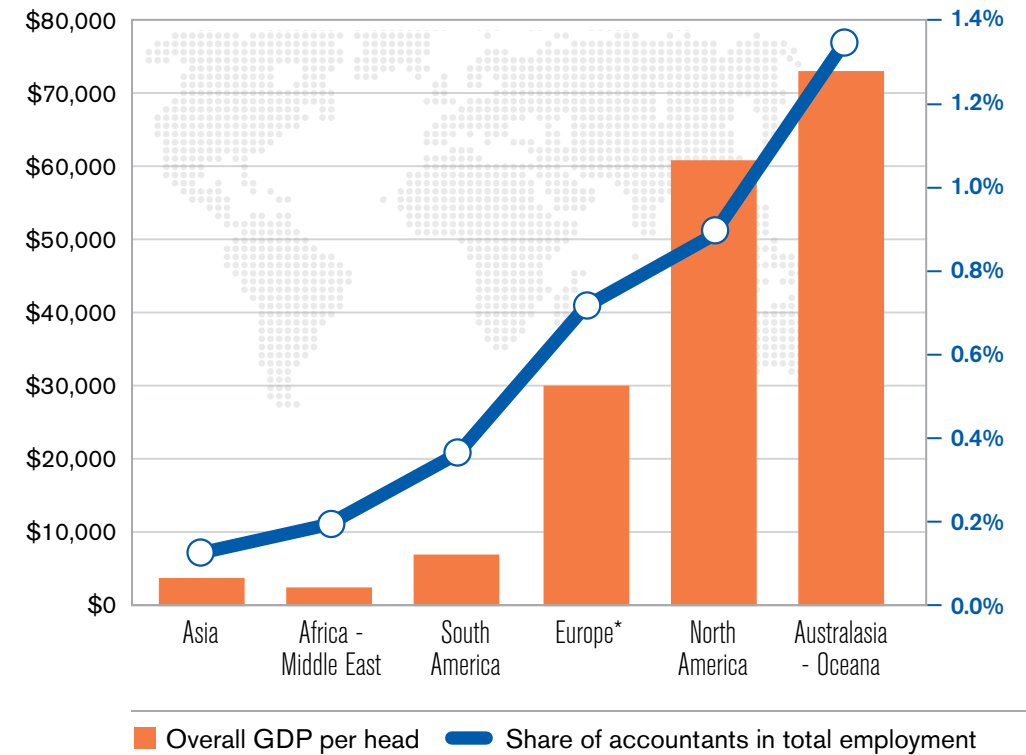
ECONOMIC HEALTH AND LIVING STANDARDS LINKED TO SIZE OF ACCOUNTANCY PROFESSION

Economic development, measured by gross domestic product (GDP) per capita, correlates strongly with the proportion of accountants in the workforce. The correlation is strongest among emerging economies, and weaker among the least-developed economies.

Professional accountants support economic growth by promoting transparency and efficiency. Their work is crucial to creating and sustaining the investment climate required for improved productivity and economic development. And as economies grow, they are able to move into higher value-added activities through better education and stronger institutions, which increases the prevalence of the service sector—particularly professional services.

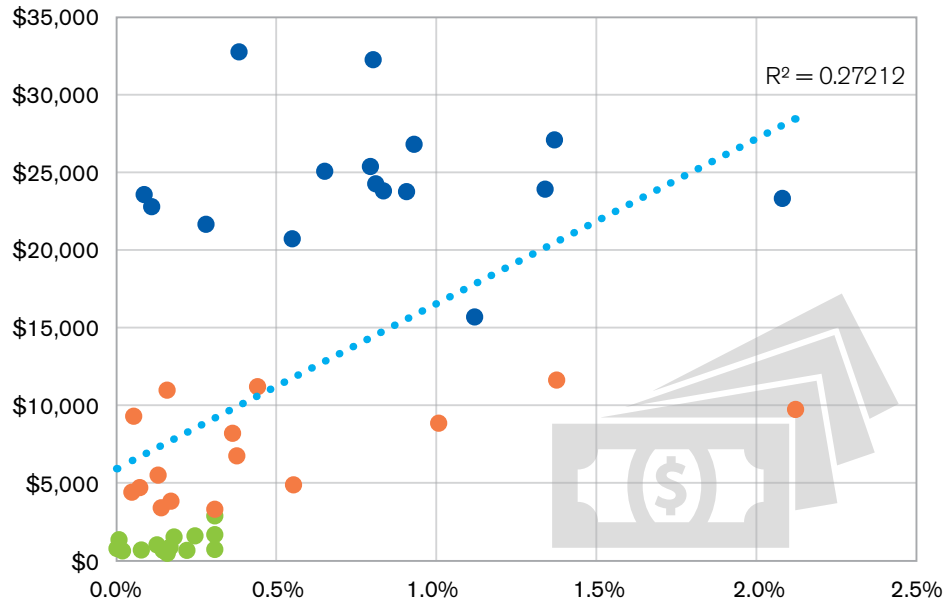


OVERALL GDP PER CAPITA AND SHARE OF ACCOUNTANTS IN TOTAL EMPLOYMENT



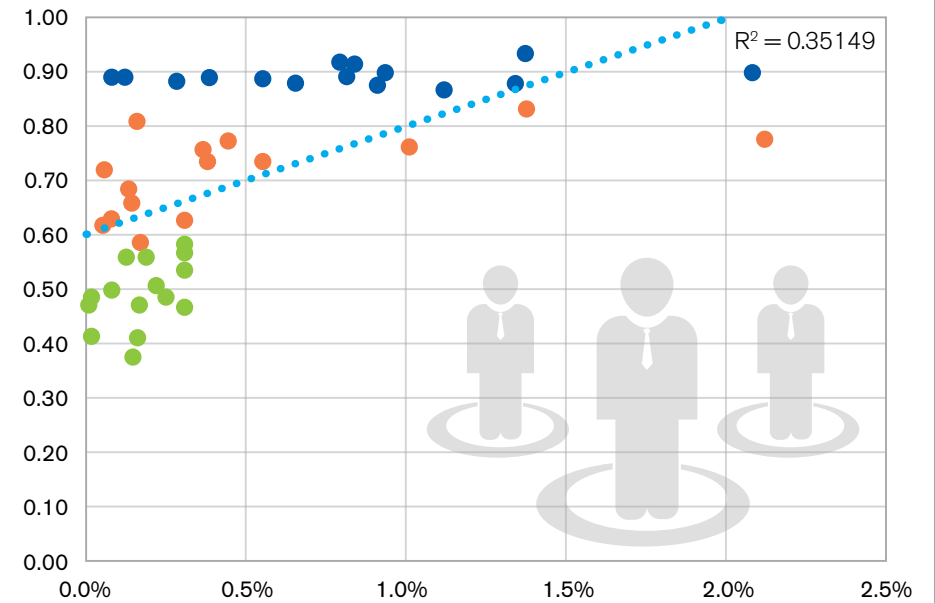
ECONOMIC HEALTH AND LIVING STANDARDS LINKED TO SIZE OF ACCOUNTANCY PROFESSION

GDP PER CAPITA CORRELATION WITH % ACCOUNTANTS IN WORKFORCE



● Advanced economies ● Emerging economies ● Least developed economies

UN HUMAN DEVELOPMENT INDEX CORRELATION WITH % ACCOUNTANTS IN WORKFORCE



● Advanced economies ● Emerging economies ● Least developed economies



The correlation between the proportion of professional accountants in the workforce and the UN's Human Development Index (HDI)—which measures a number of indicators including life expectancy, years of schooling, and income, and is broader than GDP—is even stronger.

These relationships show the importance of the accountancy profession to national economic development and corresponding living standards. The profession plays a crucial role in advancing economic stability and growth—through better information, reporting, measurement, and decision-making—that is decisively linked to improving living standards and the wealth and prosperity of nations and their citizens.

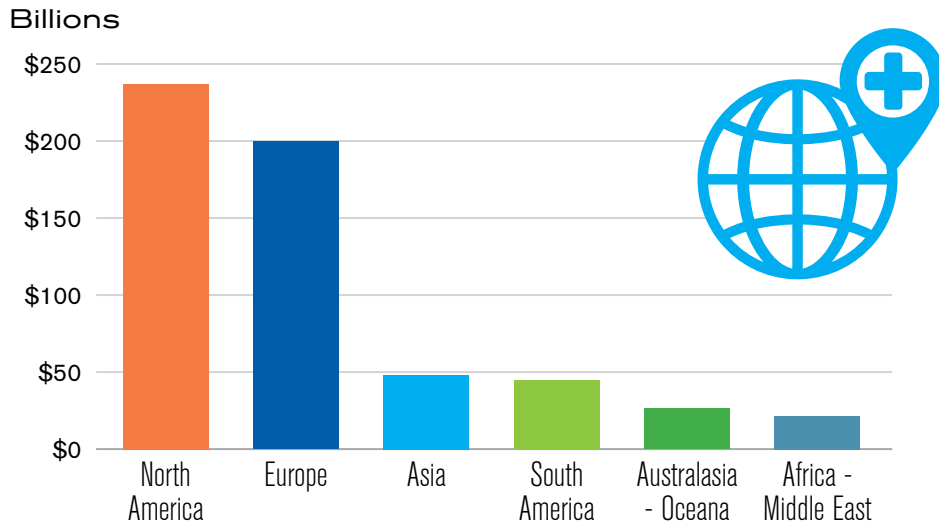
THE GLOBAL ACCOUNTANCY PROFESSION MAKES A SUBSTANTIAL ECONOMIC CONTRIBUTION

Economic contributions are often described in “gross value added” (GVA) terms—roughly speaking, the sum of employee compensation, profits, surpluses, and taxes on production.

\$575 BILLION: THE ESTIMATED GVA OF THE GLOBAL ACCOUNTANCY ECOLOGY.

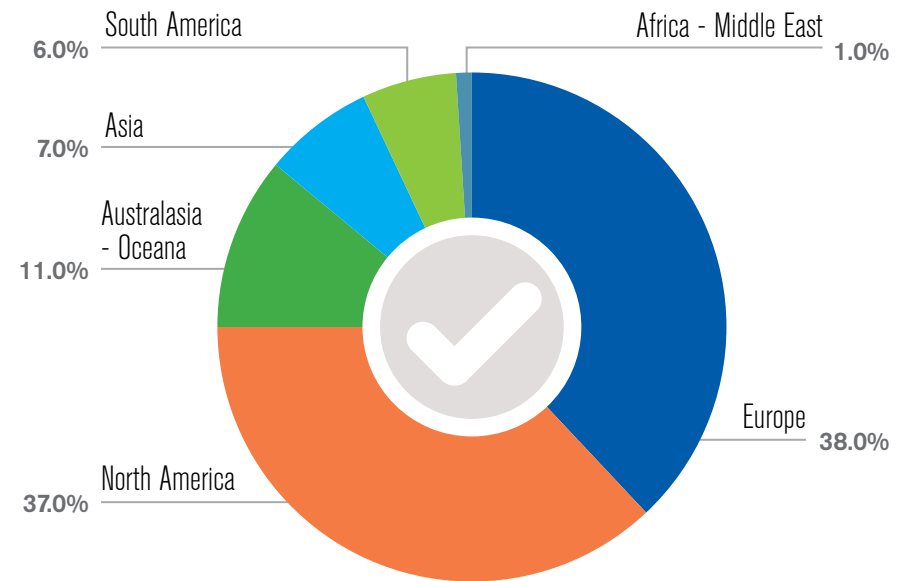
This exceeds total GVA of many developed, mid-sized countries.

ANNUAL GROSS VALUE ADDED (GVA)



Australasia, with relatively few accountants, and the Middle East and Africa, with relatively smaller value added, have about half the accountancy-related GVA of South America and Asia.

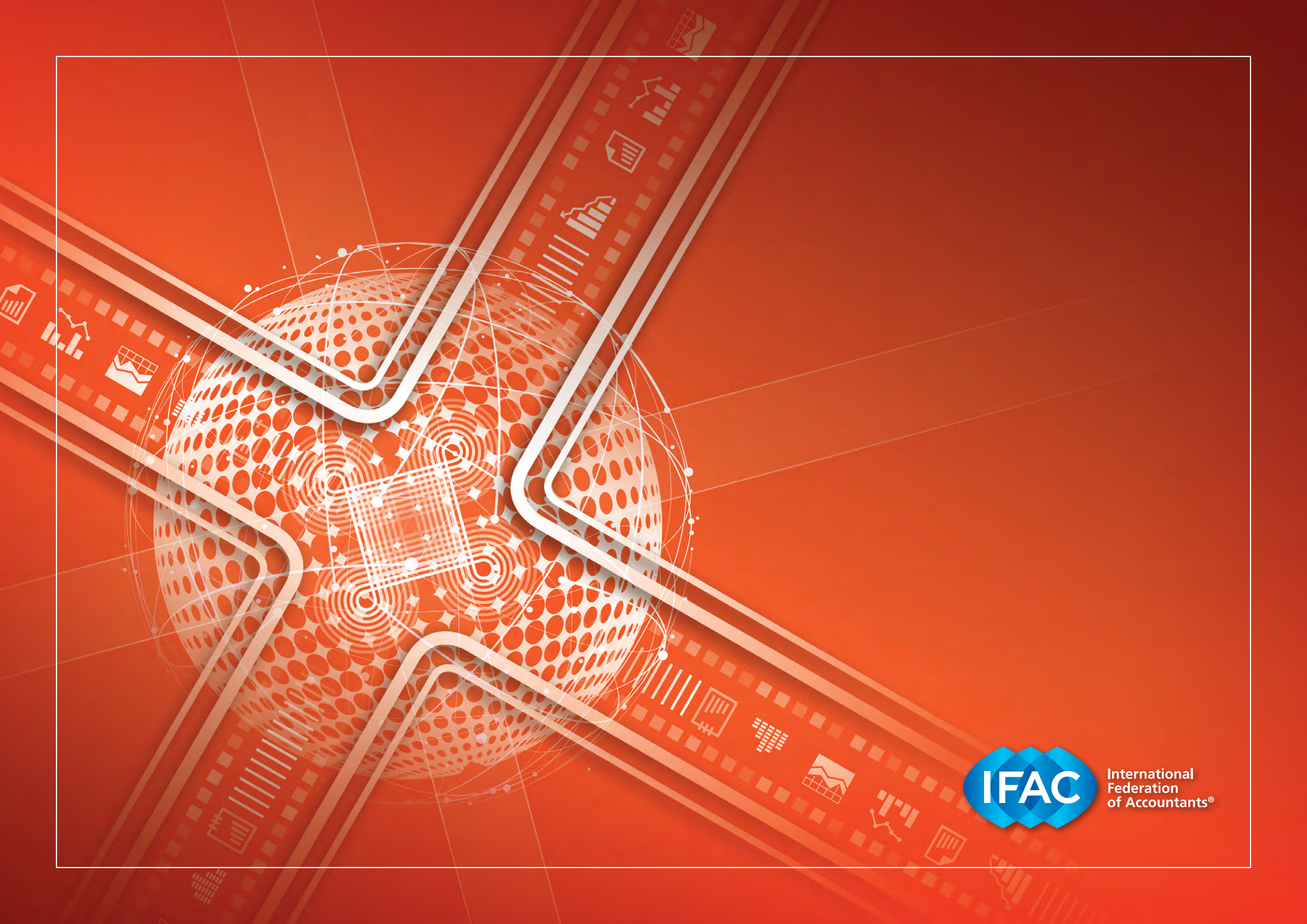
ANNUAL GROSS VALUE ADDED (GVA) OF IFAC PAO MEMBERS (2013)



The GVA of IFAC PAO members totals approximately **\$248 BILLION** or about **43%** of the global accountancy ecology

Three quarters of this “IFAC GVA” is estimated to come from North America and Europe. Australasia is the third-highest GVA contributor. The accountancy profession is unique in terms of its global organization and its broad adherence to internationally accepted professional standards. The economic contribution of IFAC PAO members will continue to grow alongside professionalization and capacity building efforts.





International
Federation
of Accountants®