THE ACCOUNTANCY PROFESSION IN THE UK AND IRELAND

A REPORT FOR THE CONSULTATIVE COMMITTEE OF ACCOUNTANCY BODIES

NOVEMBER 2018
About the CCAB

The combined membership of the five CCAB bodies – ICAEW, ACCA, ICAS, CIPFA and Chartered Accountants Ireland – amounts to some 275,000 professional accountants in the UK and the Republic of Ireland (415,000 worldwide).

CCAB provides a forum for the bodies to work together collectively in the public interest on matters affecting the profession and the wider economy. CCAB’s credibility stems from its insight into all areas of finance and accounting, from finance director and audit partner to management accountants, professional advisers, public sector finance leaders and entrepreneurs. CCAB’s members work through the financial value chain in all sectors as key decision makers and business leaders within the UK and around the world.

November 2018

All data shown in tables and charts are Oxford Economics’ own data, except where otherwise stated and cited in footnotes, and are copyright © Oxford Economics Ltd.

The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

It is acknowledged that there are many accountancy bodies in addition to those covered by the FRC and IAASA reports, upon which sections of Chapter 1 of this report is based. While these bodies do influence the structure of the industry/profession, they are excluded from the analysis in Chapter 1. The analysis in Chapters 2 and 3 cover all accounting activity in the UK and Irish economies, regardless of its representative accountancy body.

To discuss this analysis further, please contact:

Osman Ismail, Lead Economist
Oxford Economics
oismail@oxfordeconomics.com
+44 (0)20 3190 8000

To discuss this report and the other work of CCAB, please contact:

Sharon Grant, Manager
CCAB
sharon.grant@ccab.org.uk
+44 (0)20 7920 8494

© 2018 CCAB Ltd

All rights reserved. If you want to reproduce or distribute any of the material in this publication, you should obtain CCAB’s permission in writing.

The views expressed in this report/publication are those of the authors. Although this study was commissioned by CCAB, CCAB does not necessarily share the authors’ views. CCAB will not be liable for any reliance you place on information in this report.

Published by CCAB Ltd, PO Box 433, Moorgate Place, London, EC2P 2BJ, United Kingdom

www.ccab.org.uk
TABLE OF CONTENTS

Executive summary ................................................................................................................................. 4
1. Structure of the UK’s and Ireland’s accountancy profession ....................................................... 6
   1.1 Membership of professional accounting bodies ................................................................. 6
   1.2 The UK’s accounting firms ............................................................................................... 7
2. The direct economic contribution of accountancy in the UK ...................................................... 9
   2.1 Contribution to GDP .......................................................................................................... 9
   2.2 Contribution to UK employment ..................................................................................... 10
   2.3 Contribution to tax revenues ........................................................................................... 11
   2.4 The market for accountancy services ................................................................................. 12
3. The direct economic contribution of accountancy in Ireland .................................................... 14
   3.1 Contribution to GDP .......................................................................................................... 14
   3.2 Contribution to employment in Ireland ............................................................................. 15
   3.3 Contribution to tax revenues ........................................................................................... 16
   3.4 The market for accountancy services ................................................................................. 17
EXECUTIVE SUMMARY

The accountancy profession plays a crucial enabling role in all types of commerce. The collection, analysis, and reporting of financial information underpins business decision-making and administration at all levels. And professionals who are proficient in this “language of business” are a necessary ingredient of economic activity. This report explores the annual impact of the profession on the economies of the UK and Republic of Ireland, in order to understand and contextualise its importance.

The professional accountancy bodies of the UK and Republic of Ireland represent over half a million global members, with membership figures reaching 536,400 in 2017. Around 326,200 of these are based in the UK, 38,000 in Ireland, with a further 173,400 members across the rest of the world.

According to the Financial Reporting Council (FRC), there were around 5,660 registered audit firms in the UK at the end of 2017. The largest 100 accountancy firms received £14.2 billion in fee incomes during 2016-17, according to Accountancy Age, with the largest four firms claiming over 75 percent of this sum—highlighting their continued dominance of the sector in the UK.

ACCOUNTANCY’S DIRECT IMPACT IN THE UK

In the UK, the accountancy profession contributed £59 billion to GDP in 2017—of which £21 billion was generated by the activities of the accounting industry. A further £38 billion is estimated to have been contributed by “in-house” accountants embedded within other industries throughout the economy.

There were around 613,100 individuals employed in accounting roles in the UK during 2017—of which 432,000 were employed as in-house accountants, while a further 181,000 worked as accounting professionals in specialist accounting practices. Alongside this, the accounting industry employed a further 199,400 staff in non-accountancy roles.

The accounting profession also generated an estimated £8.9 billion in tax revenue for the Exchequer—1.5 percent of all HMRC receipts in 2017. This encompasses the income tax and National Insurance contributions paid on the wages of accountants (working in practice and industry), as well other support workers in the accountancy sector. It also includes the business rates, VAT and corporation taxes paid by accounting services firms.

Accounting services worth some £17.7 billion were procured by industries across the UK in 2017. This demand, equivalent to 1.1 percent of all B2B operational purchases in 2017, was mainly met by the UK’s accounting practices. A relatively small amount, with an estimated value of £610 million, was made up of imported accounting services.

The UK also exported £3.1 billion-worth of accounting services in 2017, equivalent to 11 percent of all professional services exports. These exports were five times as valuable as accounting imports in that year, helping to illustrate the global appeal of the UK’s accounting standards and services.
ACCOUNTANCY’S DIRECT IMPACT IN IRELAND

In Ireland, the accountancy profession supported a GDP contribution of €12.9 billion in 2017. One-quarter of this sum (€3.2 billion) was generated by the accounting industry itself, with the remainder—around €9.7 billion—was made up of the value provided by in-house accountants within other Irish industries.

The accountancy profession in Ireland supported 61,200 jobs in 2017. This is made up of around 37,900 people who were employed as in-house accountants across the Irish economy, along with 23,300 workers within Ireland’s specialist accounting practices.

Accounting activities and supporting services directly supported €1.3 billion in tax revenue for Ireland in 2017. The clear majority of this figure, around €1.2 billion, was made up of “labour taxes” (encompassing Income Tax, PRSI, and USC), with the remainder representing taxes on the sales, profits, and purchases of Irish accounting firms.

Businesses in Ireland also purchased €2.3 billion-worth of external accounting services in 2017. This demand was driven principally by sectors such as the finance, manufacturing, and wholesale and retail industries. In aggregate, the demand for accounting services was equivalent to 0.6 percent of all B2B purchases in the Irish economy in 2017.
1. STRUCTURE OF THE UK’S AND IRELAND’S ACCOUNTANCY PROFESSION

1.1 MEMBERSHIP OF PROFESSIONAL ACCOUNTING BODIES

The number of registered members stood at 326,200 for professional accounting bodies in the UK, and a further 38,000 in the Republic of Ireland by December 2017. Looking at all members globally, these professional institutions represented 536,400 members.

Fig. 1. Global membership of UK and Irish accounting organisations, 2017

With around 149,300 members, the Institute of Chartered Accountants in England and Wales (ICAEW) has the largest professional membership of these bodies within the UK. Globally, the Association of Chartered Certified Accountants (ACCA) represents the highest number of professional accountants, at over 204,300 people.

Worldwide, female professionals make up over one-third (36 percent) of memberships in 2017, up two percentage points since 2013.¹ This growth in the proportion of female members is likely to continue into the future, as more female students enrol into the profession. Currently, female students constitute almost half (49 percent) of all students registered.

¹ It is acknowledged that there are many accountancy bodies in addition to those covered by the FRC and IAASA reports, upon which sections of Chapter 1 of this report is based. While these bodies do influence the structure of the industry/profession, they are excluded from the analysis in Chapter 1. The analysis in Chapters 2 and 3 cover all accounting activity in the UK and Irish economies, regardless of its representative accountancy body.
1.2 THE UK’S ACCOUNTING FIRMS

At the end of 2017, 5,660 registered audit firms were active in the UK, according to the FRC. The accountancy industry overall continues to be dominated by four major players, whose combined fee income amounted to around £10.7 billion in the latest reporting year. Overall, the top 100 accounting firms received over £14.2 billion in fee income that year.

PwC retained its position as holder of the largest market share in the UK, in terms of fee income. In 2017, the firm brought in over £3.4 billion in fees, up 11 percent from 2016. Following closely behind, the next three largest firms each accrued £2 billion or more in fees during the reporting period. In total, these firms make up over three-quarters of all fee incomes earned by the top 100 firms. This market concentration is illustrated in Fig. 2.

**Fig. 2. Market shares of largest accounting practices, 2016-17**

![Diagram showing market shares of largest accounting practices, 2016-17](image)

Of the top 100 firms, only 11 collected more than £100 million in fee incomes in 2017. In contrast, over half of the top 100 firms earned less than £15 million in fee incomes over the year (see Fig. 3, overleaf).

---

2 These data are drawn from Accountancy Age’s Top 50+50 rankings for 2017. This ranking collates the income reported by all firms based on their respective latest reporting years, that range from mid-2016 to the end of 2017.
The size of the accounting market among the top 100 firms has grown by 9.4 percent between 2016 and 2017. A sizeable portion of this was driven by growth among the four largest firms, which accounted for over three-quarters of this growth.

Fig. 3. Distribution of top 100 accountancy firms by fee income bracket, 2016-17

Source: Accountancy Age
2. THE DIRECT ECONOMIC CONTRIBUTION OF ACCOUNTANCY IN THE UK

Accountancy plays a pivotal role in delivering important professional services to all sectors of the economy. The profession contributes to the UK economy through the activities of specialist accounting practices, as well as through the work of in-house accountants present across all sectors. We will explore the various channels of impact of accountancy in this chapter.

This approach allows us to estimate the so-called “direct” impact of the accountancy profession. This direct impact describes the economic activity attributable to accountancy profession itself—quantified in terms of jobs, output, tax revenues, and exports.

2.1 CONTRIBUTION TO GDP

The contribution of the accounting services sector to UK GDP was £21.1 billion in 2017 (see Fig 4). A further £37.9 billion was contributed to UK GDP by the work of in-house accountants. The scale and significance of in-house accountants were calculated through analysing the distribution of accounting occupations within the UK workforce. We then estimate their economic contribution, based on the average productivities observed in the industries in which they work.

Fig. 4. Accountancy’s contribution to UK GDP, 2017

The aggregate contribution of the accountancy profession to UK GDP is around £59 billion in 2017. This is equivalent to 3.2 percent of all economic activity in the UK during that year, or around 45 percent of the output of the entire financial services sector.
2.2 CONTRIBUTION TO UK EMPLOYMENT

In 2017, the accountancy profession supported the employment of around 613,100 individuals in accounting, bookkeeping and audit roles across the UK. This includes professionals who were employed in specialist accountancy firms as well as “in-house” accountants within other businesses.

The accounting industry also supported a further 199,400 jobs through many disparate roles that are not directly relating to accounting. These occupations can range from administration, management, IT to a host of other positions. Together with the number of accounting roles throughout the economy, the accountancy profession directly supported the employment of 812,500 people.

Fig. 5, Employment within the UK accountancy profession, 2017

All sectors in the UK employed in-house accountants, demonstrating their central importance within all kinds of economic activities. The employment of 432,200 accountants were distributed across the economy, with the largest employer being the public administration, education & health sectors with 62,200 accountants. The manufacturing sector featured a similar number of in-house accountants in 2017 (see Fig. 6, overleaf).
The accountancy profession in the UK and Ireland

The accounting industry itself has the largest share of accounting professionals in its workforce. Almost half (48 percent) of total employment within the accounting industry in made up of accounting professionals.

Within the “membership organisations” sector, the share of accounting professionals employed is relatively high, at around 11 percent. This sector includes accountancy bodies, such as the members of CCAB, trade unions, political and religious organisations. The industry with the next-highest share of accounting professionals in its total workforce is the finance and insurance sector, at 3.6 percent.

2.3 CONTRIBUTION TO TAX REVENUES

During 2017, the accounting sector alone contributed an estimated £5.6 billion in tax revenues to the UK Exchequer. This includes labour taxes such as income tax and National Insurance raised through the employment of the industry’s workforce, as well as corporation tax, VAT, and business taxes paid by the industry’s firms.

In addition, £3.2 billion in tax revenue was raised by the employment of in-house accountants in other industries. Combined with the accounting sector’s own tax contributions, we therefore estimate that the accountancy profession supported £8.9 billion in tax contributions during 2017 (see Fig. 7, overleaf)
The combined tax contribution of the accountancy profession amounts to 1.5 percent of all HMRC receipts in 2017. This is the equivalent to £1 in every £67 of government receipts that year. This is attributable to the employment, profits, or transactions that are directly supported by the accountancy profession.

2.4 THE MARKET FOR ACCOUNTANCY SERVICES

Businesses in the UK rely on services provided by the accounting profession. In 2017, £17.7 billion in accounting services were procured by businesses around the UK. This amounts to 1.1 percent of all business-to-business purchases in the economy that year, underlining the importance of accounting activity within all types of commerce. We illustrate the sectoral importance of accounting services in Fig. 8, overleaf.

The financial sector was the biggest single purchaser of accounting services in 2016, spending some £2.7 billion. This is equivalent to 3.1 percent of all external purchases by the financial sector in that year. Similarly, accounting services are also important to both the engineering and legal sectors, making up over 7.1 percent of all their B2B spending.
Fig. 8. UK sectors’ procurement of external accounting services, 2017

<table>
<thead>
<tr>
<th>Sector / industry</th>
<th>Procurement of external accounting services (£m)</th>
<th>As a % of total sectoral procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>2,718</td>
<td>3.1%</td>
</tr>
<tr>
<td>Wholesale &amp; Retail</td>
<td>2,073</td>
<td>1.3%</td>
</tr>
<tr>
<td>Other</td>
<td>2,031</td>
<td>0.7%</td>
</tr>
<tr>
<td>Engineering</td>
<td>1,773</td>
<td>6.9%</td>
</tr>
<tr>
<td>Admin Services</td>
<td>1,375</td>
<td>2.1%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,188</td>
<td>0.3%</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,160</td>
<td>2.1%</td>
</tr>
<tr>
<td>Professional Services</td>
<td>1,090</td>
<td>2.0%</td>
</tr>
<tr>
<td>Public, Edu. &amp; Health</td>
<td>951</td>
<td>0.5%</td>
</tr>
<tr>
<td>Transportation</td>
<td>913</td>
<td>0.9%</td>
</tr>
<tr>
<td>ICT</td>
<td>907</td>
<td>1.1%</td>
</tr>
<tr>
<td>Construction</td>
<td>828</td>
<td>0.4%</td>
</tr>
<tr>
<td>Law</td>
<td>712</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Source: ONS, Oxford Economics

Furthermore, the UK exported £3.1 billion in accounting services in 2017. This is equivalent to 11 percent of all professional services exports in that year, a proportion that has grown steadily from a low of 5 percent in 2011. The UK’s exports of accounting services are now worth five times as much as its accounting imports.

This means that accountancy activities help provide a positive boost to the UK’s trade balance. The value of overseas services sold by the UK’s accounting firms far outweighs the accounting services purchased from abroad by British firms. This further highlights the UK’s status as a global leader in accounting activities.

Fig. 9. UK imports and exports of accounting services, 2007-2017, £bn

Source: HMRC, Oxford Economics
3. THE DIRECT ECONOMIC CONTRIBUTION OF ACCOUNTANCY IN IRELAND

The accountancy profession also provides equally important business services to the Irish economy. In this chapter, we present the impact of the profession in the Republic of Ireland. Once again, we assess the activities of accounting practices (or the accounting industry itself), as well as that of in-house accountants working in all other industries of the economy.

Our approach again enables us to measure the direct impact of the accountancy profession. This direct impact encompasses all economic activity of the profession, and is quantified in terms of jobs, output and tax revenues.

3.1 CONTRIBUTION TO GDP

The accounting services sector itself contributed €3.2 billion to the GDP of Ireland in 2017 (see Fig 10). A further €9.7 billion was contributed to GDP by the work of in-house accountants. This calculation draws upon the Central Statistics Office’s (CSO) breakdown of occupations within all industries of Ireland, allowing us to identify the sectors in which Irish accountants are based.

Overall, we find that the aggregate contributions of the accountancy profession to Irish GDP were €12.9 billion in 2017. This is equivalent to 4.4 percent of all economic activity in Ireland that year, and only a little smaller than the economic contribution of the country’s real estate sector (€14.5 billion).
3.2 CONTRIBUTION TO EMPLOYMENT IN IRELAND

During 2017, around 23,300 individuals were employed in the accounting, bookkeeping, and audit sector in Ireland. This figure represents all workers in that sector, encompassing accounting roles as well as non-accountancy occupations (e.g. administration, management, IT, etc).³

Fig. 11. Employment within the Irish accountancy profession, 2017

There were also 37,900 in-house accountants working across many sectors of the Irish economy, as illustrated in Fig. 12. The largest employer of in-house accountants by sector was wholesale and retail, which employed 6,600 accounting professionals, followed by the manufacturing and finance & insurance sectors, which employed nearly 6,000 accountants in 2017.

³ It was not possible to disaggregate the composition of the accounting industry’s workforce along occupational lines. This is because the occupational breakdown published by CSO is provided at a more aggregated level, allowing us only to identify the share of accountants within the professional services sector as a whole.
Across these wider sectors, the finance & insurance industry employs the highest proportion of accounting professionals as a share of its total employment (6.4 percent). Other industries with notably high shares of accounting professionals include real estate (5.4 percent), the ICT sector (3.3 percent), and manufacturing (2.9 percent).

3.3 CONTRIBUTION TO TAX REVENUES

In 2017, the accounting sector raised €437 million of tax revenue for the exchequer of Ireland. This headline figure encompasses labour taxes such as income tax, PRSI, and USC, raised through the accounting industry’s workforce, as well as corporation tax, VAT, and taxes on production paid by the industry’s firms.

Another €874 million was generated through the employment of in-house accountants in other industries. When combined with the accounting sector’s own contribution, this brings the total direct tax impact of Ireland’s accountancy profession to €1.3 billion in 2017.
The accountancy profession in the UK and Ireland

17

Tax contributions of the accountancy profession, 2017

This tax contribution is equivalent to 2.6 percent of all receipts of the Office of the Revenue Commissioners of Ireland in 2017—or €1 in every €39 of government receipts. This sum is attributable to the employment, profits, and transactions that are directly supported by the accountancy profession.

3.4 THE MARKET FOR ACCOUNTANCY SERVICES

Businesses in Ireland purchased around €2.3 billion in external accounting services in 2017. This amounts to 0.6 percent of all B2B purchases in the Irish economy during that year. We illustrate the sectoral importance accountancy services in Fig. 14.

Ireland’s financial sector was the biggest single purchaser of accounting services in 2017, spending €302 million. This is equivalent to 1.5 percent of all external purchases by the finance industry in that year. The procurement of accounting services are also important to the manufacturing, wholesale & retail, and administrative services sectors.

Fig. 13. Tax contributions of the accountancy profession, 2017

Fig. 14. Irish sectors’ procurement of external accounting services, 2017

<table>
<thead>
<tr>
<th>Sector / industry</th>
<th>Procurement of external accounting services (£m)</th>
<th>As a % of total sectoral procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>302</td>
<td>1.5%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>283</td>
<td>0.2%</td>
</tr>
<tr>
<td>Wholesale &amp; retail</td>
<td>278</td>
<td>1.6%</td>
</tr>
<tr>
<td>Admin services</td>
<td>245</td>
<td>2.0%</td>
</tr>
<tr>
<td>ICT</td>
<td>229</td>
<td>0.4%</td>
</tr>
<tr>
<td>Professional services</td>
<td>224</td>
<td>1.8%</td>
</tr>
<tr>
<td>Public admin, education &amp; health</td>
<td>139</td>
<td>1.0%</td>
</tr>
<tr>
<td>Transport &amp; storage</td>
<td>91</td>
<td>0.9%</td>
</tr>
<tr>
<td>Insurance</td>
<td>59</td>
<td>0.5%</td>
</tr>
<tr>
<td>Construction</td>
<td>42</td>
<td>0.3%</td>
</tr>
<tr>
<td>Other</td>
<td>166</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Source: Eurostat, Oxford Economics.
To help meet their accounting needs, businesses in Ireland imported an estimated €66 million-worth of accounting services in 2017 (see Fig. 15). This is a relatively small figure, representing just four percent of total professional services imports to Ireland in that year. Moreover, official data suggest no significant export of accounting services over recent years. The comparatively small scale of Ireland’s international trade in accounting services suggests that the sector in Ireland is geared more towards meeting the domestic accounting requirements of Irish firms.

**Fig. 15.** Irish imports and exports of accounting services, 2012-16, € million ⁴

---

⁴ Eurostat data suggest that Ireland’s exports of accountancy services were zero in the period under analysis. We speculate that it may be the case that Irish firms do provide some accountancy services to international customers, but that these are delivered within broader professional services contracts. If such activity was reported to (and classified by) Irish statistical authorities as occurring under more general services trade, their accounting-specific nature would not be identifiable in official data.
OXFORD ECONOMICS

Oxford Economics was founded in 1981 as a commercial venture with Oxford University’s business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world’s foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, with regional centres in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC. We employ over 300 full-time people, including more than 200 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities, from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics. Underpinning our in-house expertise is a contributor network of over 500 economists, analysts and journalists around the world.

Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base now comprises over 1,500 international organisations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.