Peggy Cross & Natalie Santiago

Navigating the Post COVID Hiring Market

In today's hiring market, there is no doubt the tax profession is in a candidate-driven market with high demand and a low supply of talent to fill a large number of open roles in both in-house tax departments, professional service firms and the IRS. The tax hiring market has always cycled between employer-driven and candidate-driven, so this certainly isn't the first candidate-driven market tax has experienced, nor will it be the last. That being said, tax has never experienced a candidate-driven hiring market like the one tax leaders face today. It is apparent to anyone in tax looking to hire or retain talent that this market feels different from any we have encountered before. Now more than ever, it is harder for companies to identify and attract quality talent, and it is more difficult to retain existing talent in even the most established tax departments.

The big question on every tax and finance leader's mind is why and what can we do about it? In this whitepaper, we will discuss the different market factors that are playing a key role in creating this unprecedented candidate-driven market and various solutions that leadership can employ to effectively navigate the challenges in hiring and retaining talent in today's rapidly changing market.

Why is this market different from candidate-driven markets we have seen in the past?

Four major factors driving the exponential changes we see in the market:

1. Remote Work is Becoming More Common:

The biggest change the current hiring market is experiencing is the growing popularity and demand of remote work. This has caused a ripple effect on tax department's ability to retain and attract talent. Prior to remote work becoming more commonplace, companies looking to hire were only able to attract candidates in their local area or those open to relocation to that specific location. With remote work becoming more popular, employers can now contact candidates for available roles nationwide, resulting in employees being contacted more than ever before about opportunities they may not have been able to entertain from a geographic standpoint in the past.

This monumental shift has resulted in a drastic increase in the target pool of candidates for employers offering flexibility to work on a full-time remote basis. While this can be beneficial to those companies, it has created unprecedented challenges in retaining talent for tax departments across the board as their employees are now being approached at a much higher rate than ever before. This also creates difficulties for companies looking to hire that can't provide a similar degree of flexibility than their remote counterparts. Even for departments that offer remote, it can still be difficult to stand out from the crowd as candidates are being contacted at such an increasing rate.

The increasing prominence of remote work has also put pressure on compensation. While more candidates are being contacted by companies in higher cost of living areas, these companies are often not adjusting compensation to reflect cost of living differentials in other areas of the country. This has led to sharp inflation of candidates' compensation expectations in the market, which in turn, has put pressure on companies to raise compensation packages to retain and attract talent in this highly competitive market.

2. Drastic Demographic Shifts in Tax and the Exodus of Baby Boomers

Because Baby Boomers make up such a large portion of the demographic makeup of the tax profession, the growing number of retirements among this pool is creating a situation where talent is leaving faster and at higher numbers than talent entering the profession.

The result of this will entail a massive drain of knowledge with baby boomers walking out the door. With over two-thirds of heads of tax retiring in the next 5 years and over half of #2's retiring in the same timeline, critical market and legacy knowledge will be leaving the profession (well over 50% of the knowledge in the market as a whole). This is not just limited to in-house teams as it is also occurring among advisors and auditors.

As the rate of retirements among Baby Boomers has continued to accelerate, the demand for talent to replace these employees has increased drastically. This increase in demand is compounded by the fact that we have a small pool of Gen Xers and Millennials in tax ready to accelerate into these vacant leadership roles. This has led to fierce competition among companies to attract top talent among these pools and made it increasingly challenging for departments to retain the high-performing Millennial and Gen Xers on their own teams.

3. More New Tax Departments are Being Created

In this active market, we are now seeing an increasing number of spinoffs, IPO's, SPACS, which has resulted in more departments being created than in prior years. All of these situations require highly skilled tax department leaders and team members who can navigate and comply with all the pressures put on tax from an increasingly aggressive SEC. The large number of newly created tax functions in the market has only further exacerbated the already high demand for skilled talent in the tax market.

4. New Regulations and Statutory Changes are Further Increasing the Demand for Highly Skilled Talent

In the past, the tax profession would have to contend with major tax reform once every 30 years or so. In today's political climate, we are now seeing that 30-year cycle transition to major changes taking shape every four years. In addition to new statutory changes coming out at an increasingly high rate, we have seen NGOs becoming more involved in monitoring tax like never before. These changes and tighter regulations result in the need for tax departments and professional service firms to ensure that they have enough talent to help them navigate this challenging regulatory landscape.

Solutions

Now that we better understand the market forces driving this candidate-driven market, we need to pivot to the next big question on tax leaders' minds: How can we adapt to this rapidly evolving market? To address this, we have identified four different areas that tax department leaders should take into consideration:

1. Explore whether remote/ hybrid work schedules will realistically work for your team

Take time to better understand the needs of different tax team members and the overall department and company goals to see what type of remote/ hybrid work models could work for your team, but don't rush. At TaxSearch, we have seen multiple instances of roles that were hired as exclusively remote during the height of the pandemic but are being pulled back into the office. Most of these roles are pulled in on a hybrid schedule, but some companies have even taken the step to be 100% back in the office. The market will take time to correct itself as candidates still believe that remote work is abundant. For companies that have had to pull some of their fully remote roles back into the office, turnover is nearly inevitable.

While it can be tempting to provide flexible work arrangements that existing team members or new talent you are trying to attract request, it is essential not to rush into this without getting some key questions addressed. Is there a great demand for remote or hybrid work models among your team? If so, can the individuals in these roles feasibly work these positions without being in the office full time? Do you have the sign-off from all key stakeholders in the organization from the C-suite down to allow for the requested flexible work arrangements? Lastly, do you have the onboarding process adjusted to where it needs to be to give team members starting on a remote/ hybrid basis to succeed, particularly in front-facing business roles? These are all critical questions to address if you believe there is an appetite and ability to provide flexible work arrangements in your department.

We see the hybrid model being a more durable option for companies and the direction most companies are leaning towards. If your company can offer hybrid, you will find yourself attracting more candidates than if you require a full-time in-office schedule as there are candidates in the market still willing to relocate for the hybrid scheduling model. This model also offers the ability for the tax teams to still have in-person collaboration and team building, something critical for the Manager and below positions for their tax technical and soft skills development.

2. Prioritize succession planning

With the exodus of the Baby Boomers and some Gen Xers, it is beyond critical for tax departments to have succession planning in place. This is a point we at TaxSearch have been hammering home in recent years as retirements have started to not only occur but also accelerate with COVID and additional tax reform looming. Succession planning goes beyond your #1 and #2 positions in the department. Laying out potential career development and advancement opportunities for your top performers will be essential to retain these individuals in upcoming years as more departments and firms look to recruit them for their own functions. Remain close to your top performers, take the time to understand their career ambitions, and place them in positions and on projects to help them to gain the needed experience to achieve those goals.

3. Ensure that your department's compensation is competitive with today's market

Companies should also make sure they are being competitive regarding compensation, especially with your top 20%ers. We see inflation across the board with our current economic market, and tax is also being affected. We have a captive labor pool, high demand, and low supply, which is currently causing inflation in salaries. We recommend doing compensation studies at least every other year to ensure your top performers are at market.

4. Harness valuable Baby Boomer legacy knowledge

Companies need to be flexible with the Baby Boomers as many of them are open to contracting or taking full-time interim roles where there is an end date. This is a way of keeping the knowledge in the market for a few more years. Once you have them on board, they are always happy to mentor and share knowledge. If you have a 20%er, have the Baby Boomer mentor them and transfer the industry knowledge. This will also work for the new spinoffs, IPOs, and SPACS we see in the market.

These are just a few reasons we are experiencing a candidate-driven market and how to maneuver this right now. COVID truly changed everything in terms of work structures and the viability of remote and hybrid work situations, but we have yet to truly understand the long-term implications.

New lessons surrounding remote work, the accelerated Baby Boomer exodus, the growing number of tax departments combined with new regulations and statutory changes are only making the market more challenging to combat and talent more difficult to attract. The main points to take away from this are there needs to be a significant increase in flexibility to attract new employees, but there also needs to be prioritization to understand the existing tax team's wants and needs to retain them successfully.

If you would like to discuss your specific tax department's situation or discuss this article further, reach out directly to Peggy Cross or Natalie Santiago at TaxSearch, Inc.

Peggy Cross
Peggy@taxsearchinc.com
843-216-6664 ext. 114

Natalie Santiago
Natalie@taxsearchinc.com
843-216-6664 ext. 115