



Labor fluctuation in the public accounting profession at the Big Four public accounting firms in Austria – A study on perceptions of young professionals after their job resignation

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Abstract

Purpose: This study inquires into how the actual working condition in Big Four public accounting firms are perceived by trainees who have left their former employers. It also examines the reasons for their resignations.

Methodology/Approach: Questionnaires were distributed among trainees who previously worked for the Big Four audit firms and quit their job in 2004.

Findings: The participants mostly stressed a lack of mentoring by their immediate superiors, inappropriate salary and very heavy work schedule. The perception of the salary, the change of profession and the extended working time were the main reasons stated for their resignations.

Originality/value of paper: The findings should shed light on the reasons why trainees decide to quit prematurely their contract and give guidance to the Big four audit firms and other similar enterprises in knowledge-based service industries on how to reduce the labor fluctuation.

Introduction

In service industries it is crucial to get the right work performed, in the right way by the right people wearing the right clothes. This is what the garment of professionalism is all about and what justified monopoly (MacDonald, 1995). Both the knowledge and experience of the personnel is crucial to the success of the specific enterprise. As the consumer mostly lacks the possibility to evaluate the quality of the outcome, he will have to consider alternative signals like the reputation and the education of the service provider. Labor fluctuation is therefore endangering the success of a wide range of industries, like accounting, medicine or law to name the most common examples. The most crucial part to secure the sustainability of the development is the promotion of capable trainees. These young professionals, mostly recently graduated from university, become socialized within the industry, where they are exposed to both formal (necessary knowledge) (Atkinson, 1981; Coffey, 1993; Friedson, 1970) and the informal parts (how to be a member of a certain profession) (Bucher & Stelling, 1977; Dingwall, 1977) of the socialization process. These processes don't vary much between different firms of the same size and industry, but

in the end they are strongly centered about "regulating the self"². Crossing all professions, enforcement of the socialization process as a 'power-effect' will lead to resistance (Jermier, Knights & Nord, 1994). The most obvious resistance strategy a trainee can opt for is the premature termination of the training contract. Finding out why young auditors feel forced to change their employer provides important perspectives on how their employers might retain them or minimize the labor fluctuation by sending out the right signals before contracting trainees. For this reason the authors conducted a survey within a limited geographical area, the mid-European state of Austria. As neither the mindset and the socialization process of accountants nor the management and organization of the big 4 public accounting enterprises varies much all over the western world, the example of Austria can be taken as representative.

This leads to the following questions: How did the actual conditions present within the enterprise as a set of behavioural norms

² For a deep going discussion of Intractionists understanding please see Anderson-Gough, Grey, Robson, 2001.



embedded within the organization correspond to the expectations of the trainees? And, which reasons did they have for resigning from their positions? Were the reasons for the resignation to be found in the area of the enterprise or the area of the individual?

Labor Fluctuation In Accounting Firms

Today after the collapse of several enterprises of public interest due to intentionally misleading financial information (e.g., Enron, Worldcom), reliable and trustworthy accounting services have become essential for the effective operation of worldwide financial markets. To keep up with the heightened expectations the auditing profession is in the need to attract and retain the best employees available. Since the 1970s the industry has been deregulated, leading to much stronger competition. With the rising number of suppliers, the demanders began to ask what they would get for their money. This put additional pressure on the need for selectivity in the choice of their workforce. Nowadays accounting firms have to cope with high fluctuation rates in employment. *"We have to hire more people than needed to do the lower level work in part to provide enough seniors and managers (mainly seniors, those with two to five years' experience)"* (Biggs 1986, 15). This leads to losses in terms of recruitment costs, brain drain within the profession and education costs. Each newly hired worker causes direct costs of about 25-30% of the annual base salary (Mitchell, 1989). Additional costs arise from disturbance of organizational structure. The respectability of public accounting firms may be negatively affected by the perception of a client who has to deal with different staff every season.

Introduction To Research

In past years, the emphasis on explaining the socialization processes of trainees had been placed on medicine (e.g. Atkinson, 1981, Becker, Geer, Hughes, & Strauss, 1961; Friedson, 1994) or law (e.g. Abbot, 1988, Rueschemeyer, 1986). Remarkably few researchers focused their attention on the accounting profession. This fact is even more astonishing if the economic importance of the accounting profession is taken into account.

Within the research of recent decades various trends can be observed. One common interest has focused on the nature of the work of the accounting profession, indicates individual attributes, and compares them to the required job specifications (Paolillo & Estes, 1982; Ferguson & Hatherly, 1991; Blank et al. 1991). Secondly, researchers have investigated gender aspects and different perceptions regarding factors relating to job satisfaction and turnover intentions (Bullen & Martin, 1987; Covin & Brush, 1993; Hunton et al. 1996). Very few researchers have concentrated their work on career choices and therefore retention strategies for junior auditors (Fogarty 1996; Chia 2003). Regarding the socialization process of accountants and auditors, Coffey (1993, 1994) provided detailed insight information together with others concentrating on specific aspects like time-reckoning (e.g. Anderson-Gough, Grey, Robson, 2001, 1998). Anderson-Gough et al. also focused on the gender specific socialization processes to be found within audit firms. They showed how informal and formal organizational processes are intertwined so as to reproduce gender domination (Anderson-Gough, Grey, Robson, 2005).

Research Method

A questionnaire survey was conducted in 2005. The questions were generated following a review of the relevant literature and informal discussions with researchers, graduates and students as well as employees of the Big Four public accounting firms. The questionnaires were distributed by graduates of the University of Innsbruck among trainees who previously worked for the Big Four public accounting firms (the Big Four). The participants themselves were asked to send the questionnaire to fellow former trainees of Big Four. Through this network, 40 usable responses were gained. The first part of the questionnaire asked for descriptive data such as sex, age, type of studies, and duration of employment before and with the Big Four. The next part asked for the assigned business unit and for the perceptions of the respondents regarding job characteristics. The survey items required a response on a five-point Likert scale. If a question was not answered by a respondent, the authors omitted it from the tally of the responses.



Research Findings

Out of the population surveyed 60% were female, 90% had a business degree - two participants held a degree in law, and two participants had not finished university studies yet. Ages ranged between 22 and 34 years with the mode of 25 years. 90% were assigned to the audit departments, 10% to others, such as corporate finance or tax advisory. 60% of the population had previous work experience of less than 6 months, 40% had already gained work experience of more than 6 months prior to their entrance to the Big Four. To get a first impression the participants were asked about their initial attitude towards the public accounting profession in general. 60% of the answers showed a very positive opinion, followed by a neutral impression. No negative opinions were stated.

Afterwards the specific perception of the Big Four was asked. Here, too, the answers showed a clear positive attitude. Compared to the question above, the same number of respondents chose "very good", less than 20% indicated a "rather negative" opinion, one fifth was "neutral". As far as the working climate was concerned, most respondents were satisfied. Fifty-five % described it as very good or good, only 25% chose "negative" or "rather negative".

When asked about the impression of coaching by their superiors, the perception was decidedly negative. 45% described their relationship to their superiors as negative or rather negative, just 15% indicated a very good relationship. One participant argued that in her case the manager in charge changed every week. Prior studies have pointed out that public accounting employees who have a mentor are more inclined to remain with the enterprise (Almer, Kaplan 2002; Viator, Scandura, 1991). As prior studies have suggested the establishment of these relationships are vital for job satisfaction and the amount of time trainees stay with the same enterprise (Viator, Pasewark 2005). 60% stated that the requirements of the Big Four public accounting firms could be fulfilled by their state of knowledge. 20% had the perception of being overstretched by the task.

A major concern turned out to be the question whether the totally performed working

hours came up to expectations. 50% of the respondents were dissatisfied or strongly dissatisfied regarding the extent of their working hours. Only 15% of the respondents found their time spent working was somewhat satisfying. None of the interviewees found that their working time was very satisfying. As prior research has shown, commitment to an organization is often measured by the time dedicated to it (Fink, 1992). It is crucial to understand when to leave work or if it is possible to have a detached personal life (Anderson-Gough, Grey, Robson, 2001). Anderson-Gough et al. (2001) also showed that trainees are getting instructed to get used to working weekends and evenings and that trainees are acculturated in large audit firms. Corresponding to the low appreciation of the working time the perception of the respondents regarding the received financial benefits was moderate. 40% of the interviewed persons were strongly dissatisfied with their earnings, 45% rather dissatisfied. No participant was satisfied. 50% of the population were dissatisfied with the working time and dissatisfied with the salary. The cross table salary by labor experience before entry showed that interviewed persons with previous work experience of more than 6 months expressed stronger dissatisfaction than the sample of participants with less than 6 months work experience

In the last question the participants were asked if they would advise undergraduate students to choose a career in accounting. Despite all the negative impressions stated above, 55% of the interviewees would recommend such a career to young professionals. A mere 15% would dissuade recent graduates from starting their career path in the public accounting profession. In comparison to the initially stated attitude towards the profession it can be shown that 15% of the population originally having a high opinion of the profession would now not advise young professionals to start a career in public accounting. Furthermore, the participants were asked to give three of the most relevant reasons for their resignations. 95% mentioned inappropriate salary, followed by change of profession (80%) and by too extended working hours (65%). Of those who have left their job, 95% left the industry.



Limitations

Since the general population is not predisposed towards responding to questionnaire-type surveys, the basis for this study was a small sample of 40 participants. The total number of young professionals who resigned from their job at one of the Big Four between 2003 and 2004 in Austria is not known to the authors. The research tries to give information on a group of young professionals about whom very little research has been done. This study therefore can be seen as exploratory.

Summary And Conclusion

This study focused on the perceived working conditions of trainees in public accounting firms and their reasons why they prematurely have decided to quit their job. To answer the question the first focus was placed on the initial expectations of trainees in public accounting firms prior to their entrance and tried to explain the differences in actual working conditions found at the Big Four public accounting firms. Their initially positive attitude towards the profession corresponded with a high opinion of the Big Four public accounting firms. The participants felt negatively affected by the perceived dissatisfying mentoring by their superiors, their work hours and their compensation levels. Despite these negative experiences, half of the respondents would recommend a career within the profession to graduates. Raising the level of mentoring may be hard to accomplish as high fluctuation rates can also be seen at the next higher levels. If the fluctuation rate within the group of possible mentors is high, no mentorship relationships can be built with trainees. For accounting firms, finding ways to cope with the perceived lack of mentoring would help to reduce the fluctuation. The dissatisfaction with their work hours stems from wrong image the trainees have preliminarily before entering the profession. A suitable way to meet these differences would be a better information policy during their education or at least when doing the job interview. The better information should also be provided to tackle the dissatisfaction with the compensation levels. As the salaries will rise over-proportionately with the experience, it

should be better communicated that the lower payment will pay off in the following years.

It is interesting that all the Big Four firms do not use assessment centers to pre-select their young professionals. Many enterprises use the possibilities of an assessment center to minimize the risk of mismatching. Additionally, attempts are made to capture behavior in various situations, personality traits, communication skills and motivation. Are the costs of these assessment centers higher than the overall costs of the high labor turnover of young professionals? Could it be that the Big Four consider the first years of working experience within the enterprise as assessment of the candidate's suitability for the profession? Is it possible that to make sure that a sufficient number of seniors and managers are available more young professionals are hired than are actually needed? An affirmative answer to this question leads to the conclusion that the Big Four accept high employment fluctuation rates as inevitable, or that they might even be part of their Human Resource strategy.

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