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# Public Accounting: Can Female CPAs Find A Comfort Zone?

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## INTRODUCTION

Accounting literature is replete with anecdotal evidence of women's plight to advance to the highest levels of the accounting profession. Their failure to break through the glass ceiling has been attributed to a myriad of factors, including conflicts between career and family obligations, job stress, cultural biases against working women, and ambiguous success criteria. The American Institute of Certified Public Accountants has recognized the need to address women's upward mobility since 1984 when the issue was identified as one of the most significant problems facing the profession.<sup>1</sup>

Although some accounting firms have taken a proactive approach to alleviating the obstacles to advancement, talented women continue to leave the profession or become stymied in lower or middle management positions. Some progress has been made, however. In 1977, most women in public accounting held entry-level jobs. A 1992 survey of accountants revealed that 20.8 percent of the female respondents were partners, 7.4 percent were principals, 22.4 percent were managers, and 16.8 percent were supervisors.<sup>2</sup> Even so, none of the Big Six firms has a woman as a national chairperson, senior partner, managing partner, head of audit, head of tax, head of insolvency, or head of management consulting.<sup>3</sup>

According to a recent survey of accounting firms, nearly half of all professional staff hired in the past three years are women. Firms with 20 or fewer AICPA members employ a greater proportion of females.<sup>4</sup> Since the 1980s, more than half of the accounting graduates have been women. And, according to the results of a 1991 AICPA study, 59 percent of new graduates employed in 1990 by

public accounting firms are women.<sup>5</sup> These data clearly show that gender parity exists at the entry level. At the top, however, gender disparity is evident. During the last decade, the ranks of partners, principals, directors, and senior managers were primarily filled by men.<sup>6</sup>

Turnover of female CPAs may, in fact, be attributed to the difficulties of juggling the demands of a family with those of a career. On the other hand, employee turnover may be tied to specific employment practices of accounting firms—practices which create an ever-widening gap between the expectations and needs of employees and those of the firm. This article examines the employment policies and practices of public accounting firms and provides data that should assist accountants and accounting students—particularly female students—in making “correct” career decisions.

## THE STUDY

In August 1995, the researchers surveyed 5,000 randomly selected members of the AICPA who are employed by accounting firms of varying sizes throughout the country. Each individual included in the survey was asked to disclose his/her employer's human resource practices that are designed to attract, retain, and motivate employees. Specific questions addressed hiring, training, promotion, work scheduling, benefits, compensation, appraisal, discipline and other human resource issues. The survey elicited 741 usable responses, yielding a 15 percent response rate.

Of the 741 firms represented in this study, 9 are main offices of multi-office national firms, 47 are branch offices

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of multi-office national firms, 50 are main offices of regional firms, 54 are branch offices of regional firms, and 581 are local firms. The data in Table 1 show the

accounting has dramatically increased, (2) the business of accounting firms is seasonal in nature, (3) the skills of a CPA are more cross-situationally transferrable than in

**TABLE 1**  
Distribution of Employees of Surveyed Firms by Gender and Size of Firm

	Partners		Managers		Seniors		Staff Accountants		Clerks		Other	
	M	F	M	F	M	F	M	F	M	F	M	F
Small Firms (1-10 accountants) N = 389	705	108	118	87	138	149	192	306	60	520	33	131
Medium (11 - 50 accountants) N = 310	1570	166	702	420	723	734	923	986	202	1387	243	402
Large Firms (more than 50 accountants) N = 41	641	48	884	402	1134	768	1004	663	422	719	181	105

distribution of full-time employees of the firms represented in this study.

These data reveal that women are more likely to become partners and/or managers in small firms: 13.3 percent of the partners in small firms are female; 9.6 percent of the partners in medium-size firms are female; and only 7 percent of the partners in large firms are female. Similarly, 42.4 percent of managers in small firms are female; 37.4 percent of managers in medium-size firms are managers; and 31.3 percent of managers in large firms are female.

other professions where a high level of situation-specific training may be necessary, and (4) business necessity dictates the retention of qualified women who frequently quit during their fourth to sixth year of employment.<sup>7</sup> Table 2 depicts the utilization of part-time (less than 32 hours per week) and temporary employees by accounting firms represented in this study.

Survey respondents indicated that their employers utilize part-time and temporary workers to handle special assignments, to accommodate scheduling preferences of

**TABLE 2**  
Number of Firms that Utilize Part-Time and Temporary Employees  
(741 Survey Respondents)

	Part-Time Employees			Temporary Employees		
	Accts.	Clerical	Other	Accts.	Clerical	Other
Small Firms (1-10 accountants) N = 390	134	148	33	78	71	13
Medium Firms (11-50 accountants) N = 310	192	131	34	120	72	10
Large Firms (more than 50 accountants) N = 41	25	19	7	20	8	1

#### FIRMS' USE OF PART-TIME AND TEMPORARY EMPLOYEES

Public accounting is beginning to respond to the increased demand for part-time professional employment. Each of the Big Six firms now offers some form of part-time employment for its staff members. Four reasons may explain the shift toward a greater utilization of part-time employees: (1) the percentage of women in

full-time employees, to handle temporary (tax season) workloads, and to avoid layoffs of permanent personnel. Three hundred and fifteen (315) respondents stated that part-time assignments were the preferred choice of those individuals who worked less than 32 hours per week. Only 78 of the 741 respondents acknowledged the use of part-time employees as a means for minimizing benefit costs. Overwhelmingly, temporary employees are hired



through temporary personnel agencies and through "word-of-mouth" advertising. Only 17 percent of the firms represented in this study formally advertise for temporary workers.

The demand for part-time professional employees is likely to grow in the future, according to a recent survey of 300 public accounting firms. Fifty-nine percent of the survey respondents felt that the need for part-time professionals will increase. The remaining respondents felt that the need would remain the same, while no firms anticipated a decreased need. Interestingly, 70 percent of the part-time employees of firms included in that study were female.<sup>8</sup>

### Hiring New Employees: What Is Important?

Students and faculty members alike often discuss the criteria on which employers base their hiring decisions. Data in Table 3 show the relative importance of six criteria that impact the employment decisions of the accounting firms represented in this study.

**TABLE 3**  
Characteristics Crucial to Hiring Decisions  
(741 Survey Respondents)

RANK	CHARACTERISTIC	MEAN SCORE
		1 = LOW 5 = HIGH
1	college g.p.a.	3.3
2	interview skill/poise	3.1
3	references	3.0
4	college attended	2.6
5	portfolio of previous work	2.3
6	test(s) administered	.8

As expected, an applicant's overall academic performance, as measured by grade point average, is clearly the most important factor in the employment decision, followed by performance in an interview. Surprisingly, an applicant's previous work experience was viewed as being less important than the college/university attended and/or professional references.

### BENEFITS OFFERED BY ACCOUNTING FIRMS

Benefits paid to employees may be much more significant than many people realize and may be directly tied to employee turnover. Harris and Fink, for example, suggest that benefit satisfaction is related to organizational commitment, and attitudes toward benefits are determinants of pay satisfaction which, in turn, is related to absenteeism and turnover.<sup>9</sup> Given the relatively high rate of turnover of talented female CPAs, public accounting firms should closely scrutinize their benefit packages. A beginning step is to determine what benefits employees value most.

According to their recent National Survey of Life Stage Needs, Godwins Booke & Dickenson and HRStrategies Inc., employees cite medical benefits and

various retirement benefits as the most important benefits offered by employers. Specifically, 1,000 survey respondents rated medical insurance as most important, followed by employer-paid pension plan, matched retirement plan, employee-sponsored medical plan for retirees, and sick leave and short-term disability insurance. Survey respondents rated as less important the ability to work at home, discounts on fitness centers, on-site day-care for children, and referral/information services for child/elder care.<sup>10</sup>

In order to assess the various benefits offered to employees of accounting firms included in our survey, respondents were asked to pinpoint the specific benefits provided and to indicate whether the costs were borne by the employer or shared with the employee. Table 4 summarizes this information.

**TABLE 4**  
Benefits Offered by Accounting Firms  
(741 respondents)

BENEFIT	NO. OF FIRMS	COST	
		PAID BY FIRM	SHARED
Medical Insurance	645	350	295
Life Insurance	541	448	93
Pension Plan	471	280	191
Dental Insurance	254	87	167
Child Care Pre-tax Set Asides	254	84	170
HMO/PPO	235	98	137
Child Care Referral	38	17	21
Child Care (on site)	34	13	21
Use of Vacation Homes, Perks	16	14	2

These data show that accounting firms are in the mainstream in terms of helping employees balance family and work concerns. In addition to those benefits listed in Table 4, some accounting firms offer alternative work schedules, elder care, emergency child care when a child is ill, and unpaid leaves of absence during the slow season.<sup>11</sup>

As workforce demographics change, so does the value of many traditional benefit plans. Defined benefit pension plans, for example, designed to reward long-term employees upon retirement aren't appealing to younger employees who frequently change jobs. The American workforce, including individuals in the accounting profession, wants benefit programs that reflect diverse needs. Employers must find other ways to meet employees' needs, such as educational assistance, housing assistance, and health promotion programs. Innovative firms should consider "convenience" benefits such as take-home meals, on-site dry cleaning, and concierge services.<sup>12</sup>

In addition to these benefits, public accounting firms might consider other unique benefits for their employees: housing assistance (preferred mortgage arrangements),

group purchase programs (group auto and homeowners insurance), use of recreational facilities at no cost, home handyman services, automotive servicing, adoption benefits (reimbursement for legal fees, for example), and life cycle accounts with matching funds that enable workers to pay for specific life events (financing a college education, for example).<sup>13</sup>

### SUPPORT FOR GRADUATE SCHOOL, CPE, AND CPA EXAM

In addition to the benefits described above, the public accounting firms included in this survey provide varying levels of support for employees who pursue advance degrees, attend continuing education programs, and prepare for the CPA examination. Table 5 shows the number of firms that provide various kinds of support.

A few firms provide support to all employees who pursue advanced degrees (MBA, MPA, and Master of

leisure fund. Approximately one-third of the respondents pay regular rates for overtime hours or fail to compensate employees for overtime work.

*Performance Appraisals.* Two-thirds of the 741 firms included in this study conduct annual performance evaluations; 205 (27.7 percent) appraise employees semi-annually; and the remainder conduct evaluation quarterly or following substantial assignments or projects. Salary adjustments are directly tied to performance evaluations.

In 282 of the responding firms, partners are awarded performance bonuses; 338 of the firms give bonuses to managers; 252 firms pay performance bonuses to seniors, and 294 award bonuses to staff personnel. Thirty-one percent of the responding firms (229 firms) do not award performance bonuses.

Of those firms that do award bonuses for performance, over half (53.8 percent) tie the bonus to individual performance, whereas 40 percent of the firms tie the bonus

**TABLE 5**  
CPE, CPA Exam, and Educational Support

	UNPAID TIME OFF	PAID TIME OFF	TUITION REIMBURSEMENT	REGISTRATION REIMBURSEMENT
Graduate Study	126	46	95	
CPE Registration				613
CPE Course	16	693		
CPA Review	241	85		
CPA Exam Fee				184
CPA Exam		231		

**TABLE 6**  
Efforts to Recruit and Promote Women and Minorities  
(741 Survey Respondents)

	EFFORTS TO ATTRACT/PROMOTE FEMALES	EFFORTS TO ATTRACT/PROMOTE MINORITIES
Recruit at Specific Universities	68	64
Place Ads in Different Media	73	47
Have Affirmative Action Goals	60	62
Provide Flexible Hours	282	78
Provide Mentoring Programs	95	61
Provide Diversity Training	59	44

Taxation degrees), but most firms offer support on a case-by-case basis. Two-thirds of the respondents provide in-house CPE training.

### OTHER EMPLOYMENT CONSIDERATIONS

*Women and Minorities.* A significant number of the firms surveyed make a concerted effort to employ, retain, and promote women and minorities. The number of firms that engage in specific pro-active efforts are shown in Table 6.

*Overtime Pay.* Of the 741 firms responding to this survey, 283 (38.2 percent) offer premium pay for overtime; 279 (37.7 percent) bank overtime hours into a vacation/

to firm performance.

*Drug Testing.* Drug testing appears to be rare in the public accounting profession. Only 13 of the 741 responding firms require drug testing of applicants; five randomly test employees for drug use; and seven firms test employees on a case-by-case basis. The overwhelming majority of firms, however, have not formulated drug testing policies and procedures.

*Sexual Harassment Policies.* Slightly more than half of the 741 survey respondents have formal, written policies governing sexual harassment. Only 61 firms (8.3 percent) provide sexual harassment training for all employees and 17 (2.3 percent) firms provide training for managers.

Ninety-seven percent of the responding firms have not experienced a claim of sexual harassment within the past five years. A total of 22 sexual harassment complaints were reported by the remaining firms. Five of these complaints were "quid-pro-quo" allegations and the remainder were "hostile environment" cases.

These data succinctly reveal that sexual harassment is not a major concern for women employed in public accounting. The number of allegations of harassment in these firms pales in comparison to the growing number of complaints in other organizations.

*Up or Out Policies.* Most large accounting firms have long-standing policies that require continual progression to partnership. Employees who cannot advance to that level are not allowed to remain in lower-level positions. Such policies are generally known in the profession as "up or out" policies. Many small firms don't have up-or-out policies. Instead, they frequently offer nonpartnership career paths that allow employees to remain in the firm even if they don't advance to partnership.<sup>14</sup> This may be an important consideration for female accountants who are in dual career marriages and who are required to cope with the demands of work and family.

### SUMMARY

The plight of female CPAs in public accounting is well-documented. For more than a decade, accounting firms have recognized the need to attract, retain, and promote talented females who have historically had difficulty breaking the glass ceiling that separates them from top management positions in public accounting.

High rates of turnover among women CPAs have frequently been attributed to job stress, family concerns, attitudes toward women, and related issues.

To assess whether or not public accounting constitutes an environment in which female accountants can survive and prosper, the researchers studied the human resource practices of 741 firms. This study analyzes the utilization of part-time and temporary accountants, criteria important to hiring decisions, life benefits offered by accounting firms, professional activity support provided by public accounting firms, performance evaluations and pay considerations, and other employment considerations.

These survey findings show that public accounting, in many respects, provides adequate support for females in the profession. For instance, part-time and temporary employment opportunities are available to employees who have family obligations; benefits offered are competitive with those provided by other professions; educational support is commonplace; and the work environment is professional but demanding. Yet, the turnover rate among female CPAs remains high, and women continue to struggle to achieve top-level positions in large firms. Based on the findings of this survey, turnover appears to be tied to the demands of the profession rather than to a hostile or unsupportive environment.

This information should enlighten aspiring accountants—especially female accountants—with respect to the opportunities and obstacles prevalent in public accounting. With this knowledge, students and practitioners can make informed career-choice decisions.

### NOTES

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