

Working Toward Achieving Significant Representation: Changes In Diversity And Their Implications In The Accounting And Auditing Profession

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ABSTRACT

The purpose of this paper is to examine the demographic changes to the accounting and auditing profession over the past several decades on two levels of diversity (gender and minorities). Using data from a variety of sources, we find significant improvement in the representation of women and minorities in accounting degrees and entry to the profession. However, we also note areas where additional efforts are needed to provide more significant representation including the wage gap and greater representation in higher-level positions.

Keywords: Diversity; Gender; Accounting Profession; Minorities

INTRODUCTION

The accounting and auditing profession has been growing over the past four decades, which is generally well-documented. But the primary purpose of this manuscript is to explore the demographic (diversity) changes in the profession and the reasons behind them.

It is important to make sure the accounting and auditing profession is able to experience the benefits that diversity brings. However, without understanding why the professional population does not represent that of the general population, steps cannot be taken to try to increase minority representation. In addition, without understanding why women tend to leave the field of public accounting, it is hard to find ways to retain them. This information is not only important to current accountants and auditors but also to students who are deciding their future career paths. Having more women in leadership positions within accounting firms can bring many benefits, which include having a strong reserve of women to help fill the need for new partners once Baby Boomers retire, increasing firm clients as there are more female business owners and organization leaders, and creating a firm that is aware of accommodating a work-life balance for its employees (El-Ramly, 2013).

There are also ample benefits of aligning diversity in the workplace to the mission of an organization. These include being better able to react to varying economic environments, enticing top job candidates, decreasing the negative economic effects of turnover and unproductive workers, and creating and retaining a large, diverse market share (Lockwood, 2005). With all these positive effects of diversity, accounting firms have many incentives to do as much as possible to ensure they are able to retain and promote workers of diverse backgrounds. Gabre, Flesher, and Ross (2015) include in their article about racial diversity in the accounting profession that “Due to the changing business landscape, increasingly diverse demography, and the global nature of business transactions, it is imperative for companies to understand that an ethnically diverse workforce is a business necessity and not just a matter of affirmative action” (Williams and Barenbau, 2012, p. 32).

Within this paper, diversity is defined on two levels— by gender and by minority (non-white) individuals. Though different, each measure is important in evaluating the composition of the population—both in education and in the

workforce. Published data¹ is used to explore the historical composition of the workforce and of the classroom. Both women and minority individuals face challenges that are similar and different in their advancement in the accounting profession, and some of those will be discussed below.

STUDENTS AND EDUCATION: GETTING TO THE ROOT

Gender Representation

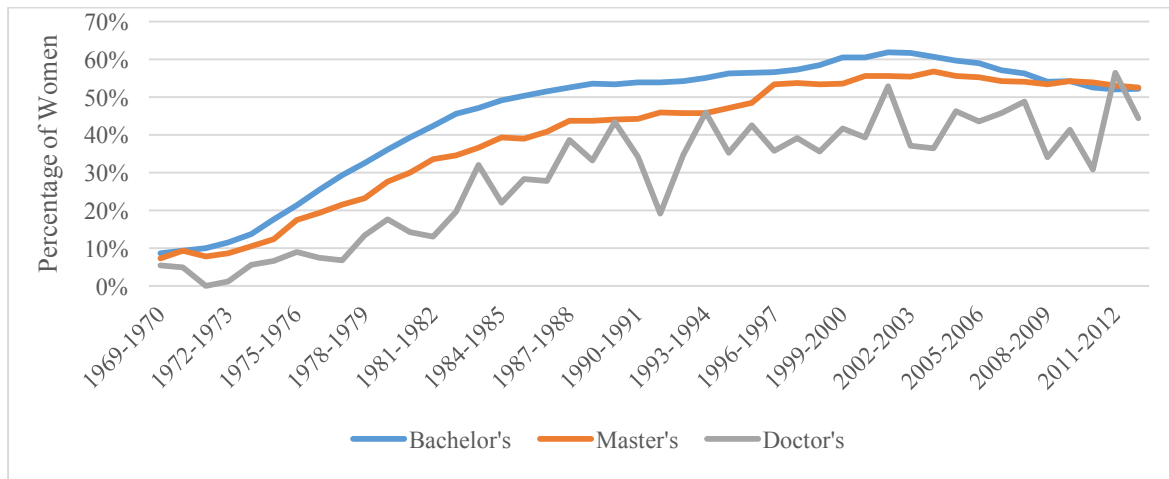
Because entry into the accounting and auditing industry generally is through colleges and universities, the programs and initiatives at this level are extremely important if adequate representation is to appear in the professional workforce. The enrollment in accounting programs and degrees received in accounting has never been higher (Moore, 2013). Women's increased presence in the accounting and auditing profession could partially be because more women are enrolling in college than men. The U.S. Department of Education's National Center for Education Statistics reported that in the fall of 2013, females comprised 56% of the total undergraduate enrollment. From the period 2000 to 2010, enrollment for male students increased by 36%, which was 3% lower than the enrollment increase for female students. In addition, it is expected that female enrollment will grow by 15% while male enrollment grows by 9% from 2013 to 2024 (U.S. Department of Education, 2015b).

Figure 1 shows various types of degrees in accounting received by women. While there was a period of time when women were the majority of bachelor's and master's degree recipients, that lead appears to be decreasing. In addition, even though women are receiving more doctorate degrees, they are not outpacing men as frequently as they did in the other degrees.

Minority Representation

Minority representation is also increasing within the post-secondary education system. The United States Department of Education's National Center for Education Statistics states Hispanic students made up 4% of the American college population in 1976 whereas they comprised 15% of the same population in 2012. In addition, Black students increased their representation in American colleges from 10% to 15% over the same period. From 1976 to 2012, white students went from being 84% of the American college population to 60% (U.S. Department of Education, 2015a).

¹ Much of the data used in this paper are from the Current Population Survey (CPS) conducted by the United States Bureau of Labor Statistics and are not totally comparable for all the years listed because the classifications of the different occupations have changed frequently during this 40 year period. The occupational category for some of the early data is simply "accountants" whereas in later years it changed to "accountants and auditors." As much data as possible was retrieved from the CPS tables on the website of the Bureau of Labor Statistics, but it was necessary to contact the Bureau directly to retrieve data for certain years.

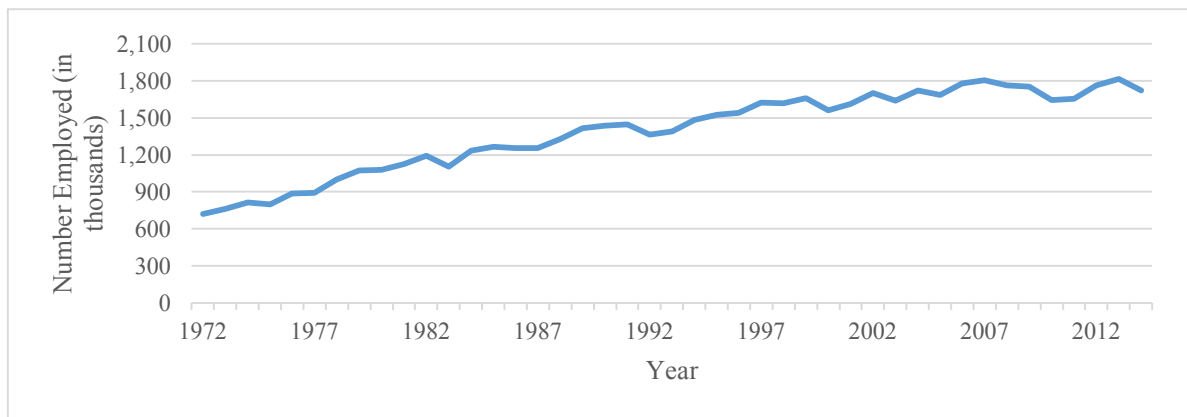
Figure 1. Percent of Accounting Degrees Earned by Women

Source: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS). (Various Years). Bachelor's, Master's, and Doctor's Degrees Conferred by Postsecondary Institutions, by Sex of Student and Discipline Division.
Note: Only those degrees specifically named "Accounting" were included in this figure.

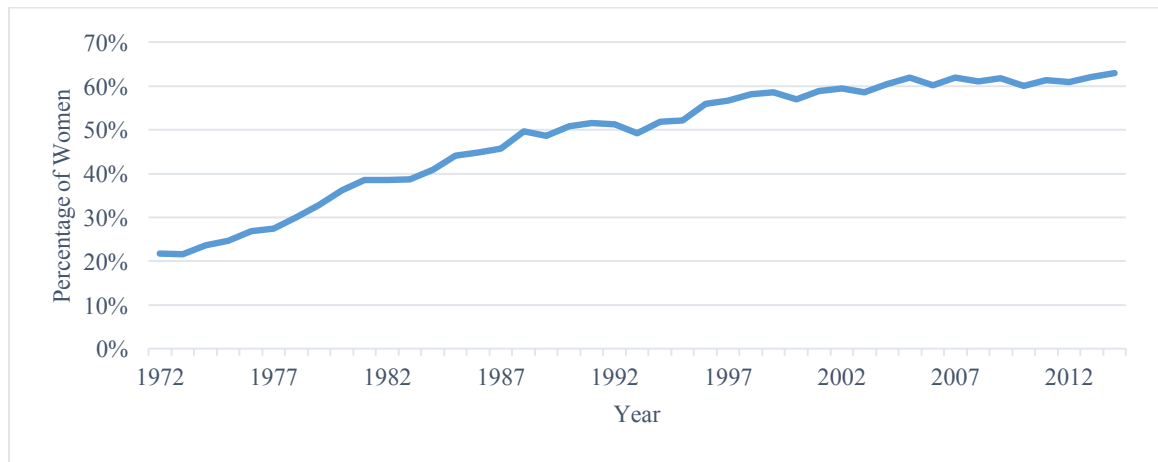
PROFESSIONAL EMPLOYMENT

Gender

After work has been done at colleges and universities, the second part of achieving significant representation occurs in the professional setting. *Figure 2* shows that the employment level for accountants and auditors has generally increased over the last 40 years. The AICPA's 2013 Trend Report noted public accounting firms are hiring more than ever before (Moore, 2013). From 2012 to 2022, the Bureau of Labor Statistics expects the accountant and auditor profession to grow by 13%, which is in line with other occupational growth averages (Bureau of Labor Statistics, 2014). In addition, women have risen to the majority of accountants and auditors (*Figure 3*).

Figure 2. Total Employed Accountants and Auditors

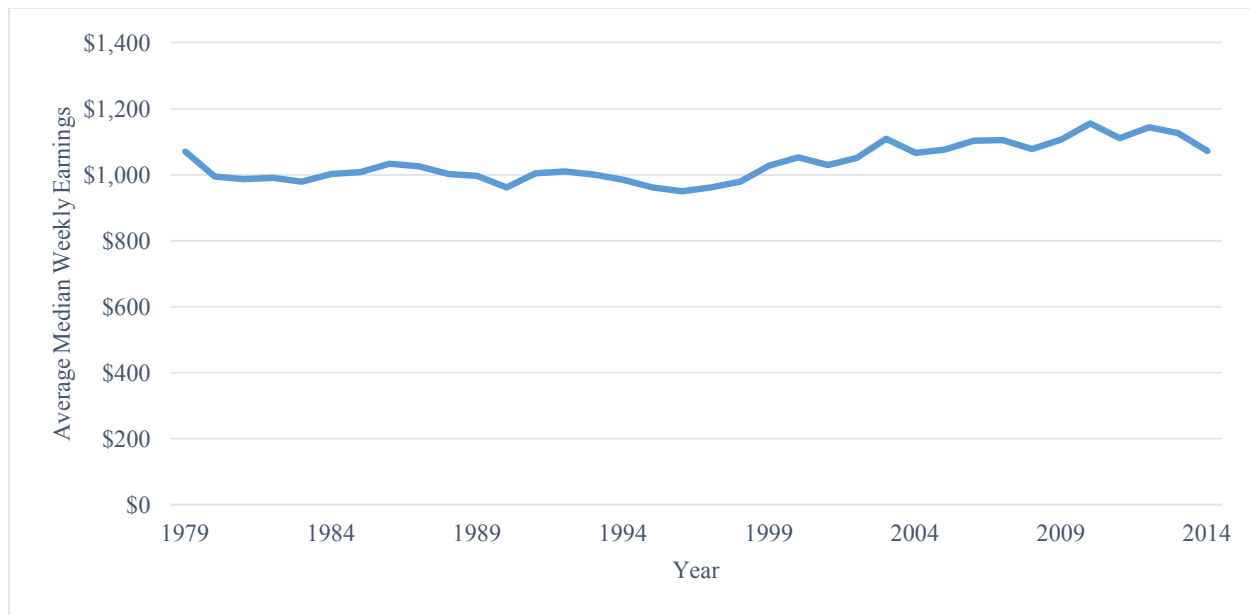
Source: Bureau of Labor Statistics, U.S. Department of Labor. (Various Years). Labor Force Statistics from the Current Population Survey

Figure 3. Percent of Women Employed as Accountants and Auditors

Source: Bureau of Labor Statistics, U.S. Department of Labor. (Various Years). Labor Force Statistics from the Current Population Survey.

Wages

Once the average median weekly earnings are adjusted for inflation, there is really no clear trend that appears (*Figure 4*). As Humphrey, Johnson, and Pullum showed from 1983 until 2002, there was no statistically significant change in the “constant-dollar weekly average median wage” when females made up the majority of the profession from 1994 to 2002 versus when males made up the majority of the profession from 1983 until 1987 (2013, p. 16-17).

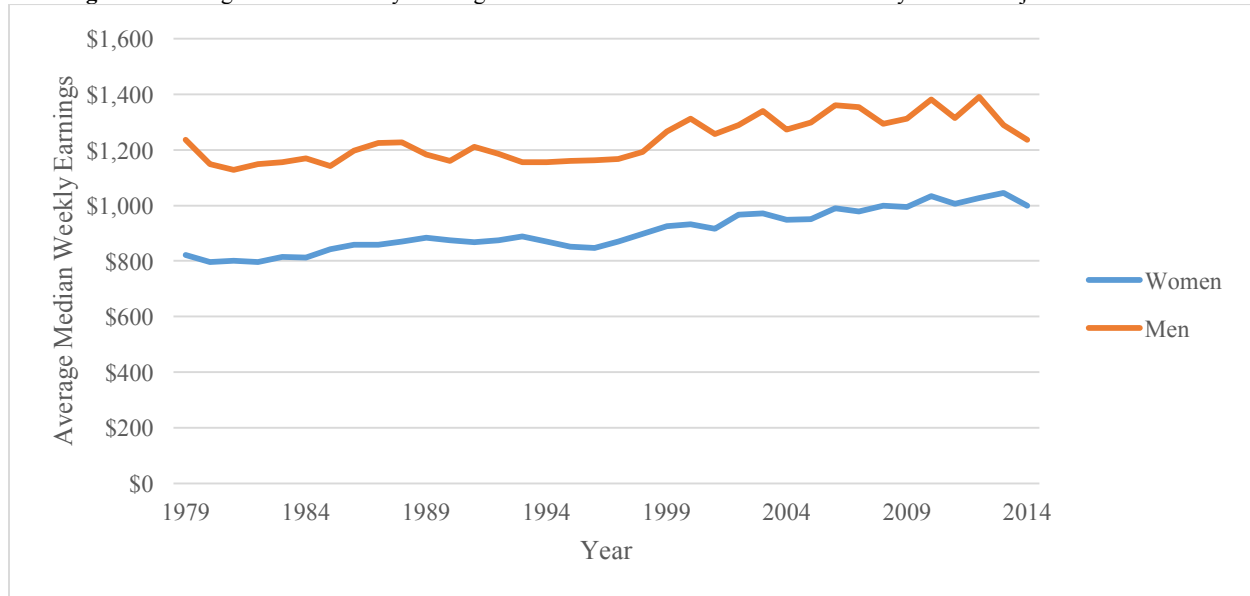
Figure 4. Average Median Weekly Earnings of Full Time Accountants and Auditors Adjusted for Inflation

Source: Bureau of Labor Statistics, U.S. Department of Labor. (Various Years). Labor Force Statistics from the Current Population Survey.

Note: Adjusted for inflation using the CPI Inflation Calculator from the Bureau of Labor Statistics with 2014 as base year

Figure 5 shows the clear gender gap in accountants' and auditors' pay from 1979 until 2014, adjusted for inflation. The gap is fairly constant, indicating not much has resulted from any efforts to close it.

Figure 5. Average Median Weekly Earnings of Full Time Accountants and Auditors by Gender Adjusted for Inflation



Source: Bureau of Labor Statistics, U.S. Department of Labor. (Various Years). Labor Force Statistics from the Current Population Survey.

Note: Adjusted for inflation using the CPI Inflation Calculator from the Bureau of Labor Statistics with 2014 as base year

More information is needed to tell exactly why this gap is persisting. One of the stronger issues may be that women do not hold the higher paying positions in the firms, which pushes their average median salary down. When considering all firms in the AICPA's 2013 Trend Report, only 19% of the partners were female (Moore, 2013).

The Pew Center for Research cited Macpherson and Hirsch as well as O'Neill and O'Neill when it reported some of the factors that contribute to the wage gap beyond level of education, job separation, and hours on the job. These additional factors include "gender stereotypes, discrimination, professional networks that are more robust for men than for women, and hesitancy on the part of women to aggressively negotiate for raises and promotions" (Pew Research Center 2013 para. 18; as found in O'Neill & O'Neill, 2005 and Macpherson & Hirsch, 1995).

Although the wage gap between men and women is apparent, there is hope that it may be closing in the near future because of Millennials. In the United States, female workers 25 to 34 years old in 2012 had hourly earnings that were 93% of men's hourly earnings (Pew Research Center, 2013). However, even though the gap is closing for young women, there is no guarantee the gap will stay closed as women progress in their careers, potentially taking time out to have a family. While this survey/study was representative of the entire United States, the specific accounting and auditing profession may pose its own challenges. Part of the reason the wages increased for women overall was due to their increased participation in the workforce (Pew Research Center, 2013). Women, though, have been a large part of the accounting and auditing profession for some time, meaning the gap may be more likely attributed to the positions women hold relative to men.

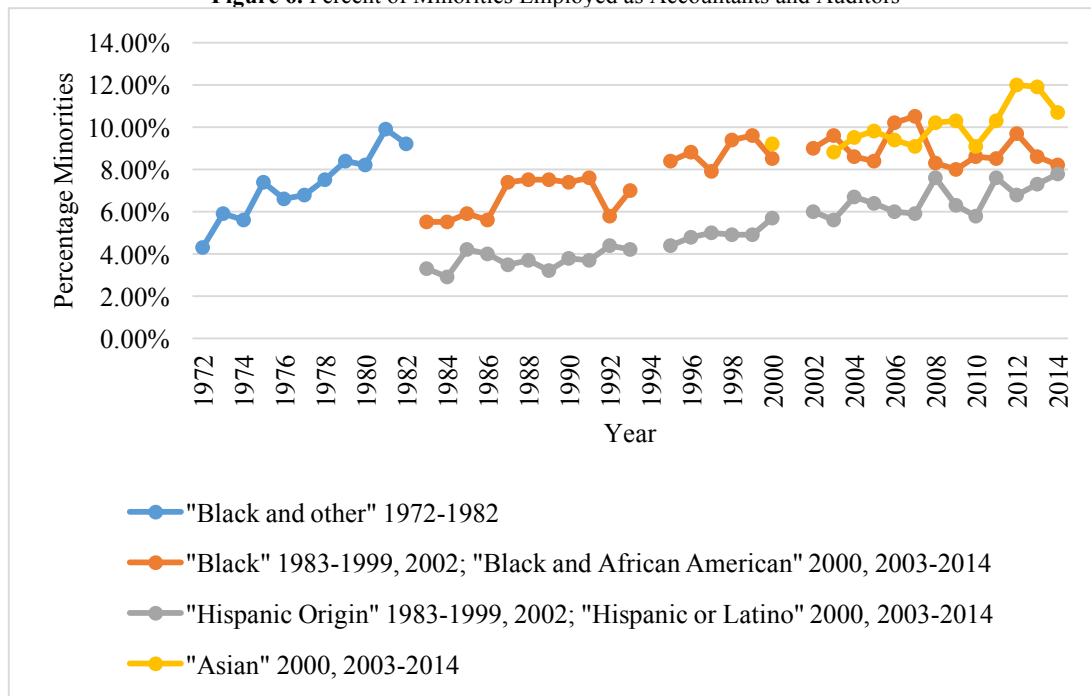
Minorities

The percentage of minorities in the accounting and auditing profession has generally increased over the last 40 years (Figure 6), which could be due to the increased enrollment of minorities into undergraduate programs as mentioned previously. According to the United States Census Bureau, for 2014, 77.4% of the United States population was "White alone," 13.2% was "Black or African American alone," 5.4% was "Asian alone," and 17.4% was "Hispanic or Latino" (United States Census Bureau, 2015). For the accounting and auditing profession, compared to the overall

population, Black and African American as well as Hispanic or Latino individuals are underrepresented. In contrast, Asians are overrepresented in the accounting and auditing profession.

The AICPA's 2013 Trend report shows that in 2012, 25% of the accounting employees at CPA firms surveyed were non-white (Moore, 2013). However, of all firms surveyed, 90% of the partners were white. Therefore, although the percentages of minorities working in the accounting and auditing field overall were not incredibly small, minority representation decreases as one moves up in the field. For example, only 2% of the partners at all firms surveyed in 2012 were Black or African American while 5% were Asian or Pacific Islander. In addition 2% were Hispanic or Latino. Once minorities enter into the profession, it is obvious much more can be done to help retain them.

Figure 6. Percent of Minorities Employed as Accountants and Auditors



Source: Bureau of Labor Statistics, U.S. Department of Labor. (Various Years). Labor Force Statistics from the Current Population Survey.

FUTURE ACTIONS

Education and Students

More effort must be targeted at high schools to make sure minorities are even entering the field of accounting (Tysiac, 2012). Another complication to the recruitment of minorities, discovered when talking to professionals, is the possibility that students and counselors are unclear on what accountants actually do (Bergheim & Scherr, 1991).

James and Hill (2009) conducted a study to explain why more African Americans are not choosing accounting for their careers. They found that the values held by African-American students and the results of an accounting career aligned more than those of Caucasian students, which could indicate more African Americans would be interested in an accounting career. However, there is still a lack of representation among African Americans in accounting potentially due to the lower amount of self-efficacy African-American students possessed when measured by the grade they expected to receive in an accounting course. This is helpful information because it shows accounting professionals and educators the need to increase the self-efficacy of African-American students since their interest in accounting may already exist.

Efforts are also being taken at colleges to increase minority representation in their accounting programs. A public university in Ohio, for example, has a multiple-day accounting camp for minority junior and senior high school students. This camp is sponsored by accounting firms, and the firms as well as accounting faculty keep in contact with these students for the remainder of their high school career and help them in the admittance process if they decide to attend that university (Miami University Farmer School of Business, 2016a). In addition to this program, the university has a multicultural business association, which helps students of diverse backgrounds learn about resources on campus and provides information sessions on topics such as class scheduling, interviewing, and business attire (Miami University Farmer School of Business, 2016b).

Professional Employment

Gender

Although there are more women employed in the accounting and auditing profession, there are significantly less women holding high-level positions in these firms. Reasons why women tend to leave the profession should be further investigated, and programs that may keep women in the workforce should be explored. (Okpechi and Belmasrour, 2011) conducted a survey of female accountants, and among other topics, evaluated what kept women practicing in firms. They noted that substantial pay and yearly increases were what largely mattered for women who stayed with accounting firms. However, the authors suggested that going forward, leaves, female mentors, and the inadequate representation of women in leadership roles will all need to be evaluated. (Okpechi & Belmasrour, 2011).

In addition, Anderson, Johnson, and Reckers (1994) conducted an experiment evaluating auditors' perceptions of the career advancement of theoretical audit seniors. They found that, ultimately, family concerns were viewed as a hindrance to women's achievement of partner status (Anderson et al. 1994).

Scheuermann, Finch, Lecky, and Scheuermann (1998) carried out a survey of women with their CPA certification who had left public accounting recently. They found the women left mainly due to the lack of "satisfaction of internal needs" versus external rewards. Stress was cited by many of the CPAs as their reason for leaving. Surprisingly, "family reasons" was only noted 3% of the time by the women as the reason for leaving, though this could have been included in the "stress" category (Scheuermann et al., 1998, p. 38).

In 1991, an article outlined actions some firms took to keep women in the accounting workforce (Alter). It was interesting that at this time, the American Woman's Society of CPAs stated that less than 20% of accounting management roles were occupied by women (Alter, 1991). When the article was written, some of the strategies used to retain female CPAs were flexible schedules for women, working from home, providing childcare solutions for mothers, informing women of the steps and requirements to become a partner, utilizing mentorships, creating ways to delay partnership for women who could not contribute the necessary hours at that time, forming tracks for women that did not necessarily lead to partnership but that still treated women well, and making sure women took part in all firm events (Alter 1991).

In 2013, 22 years after the previous article was published, the same publication outlet again released guidelines for helping women advance to higher-level accounting positions (El-Ramly, 2013). It is interesting how the guidelines have not changed terribly in over 20 years.

PwC has taken a large role in promoting women's equality. They are supporters of the United Nation's HeForShe Campaign, which is working toward global rights for women (HeForShe, 2015). In addition, PwC has created *Aspire to Lead: The PwC Women's Leadership Series*. This is aimed mainly toward recent female college graduates who are just entering the workforce and is working to help women gain the skills they need to be successful in the profession (PwC, 2015).

Minorities

While the percentage of minorities is increasing, there still can be much more improvement. An assurance manager suggested very few role models may be one of the forces working against the advancement of minorities into higher-level positions within the firms (Tysiac, 2012). However, Viator (2001) noted studies have shown formal mentors are not as effective as informal mentors when supporting mentees. In addition, it was found the likelihood of African Americans having an informal mentor was less than that of Caucasians in public accounting. The Big Four accounting firms appear to be concerned about diversity, as can be seen from their respective websites. For example, KPMG was one of the sponsors behind The PhD Project, which is a support network to encourage minorities to go back to school to receive their PhD. It is hoped that these individuals will become professors and influence minorities to enter the business profession (The PhD Project, 2015). These could be the mentors students need to show them it is possible to be successful in the business world.

There are also different leadership programs targeted toward minority freshmen and sophomore college students. As an example, EY has the Launch Internship Program (EY, 2015) and KPMG has the Future Diversity Leaders Program (KPMG, 2015).

Finally, the idea of implicit biases needs to be discussed. The book *Blindspot: Hidden Biases of Good People*, written by Mahzarin Banaji and Anthony Greenwald, reveals another potential issue—implicit biases—that could contribute to the lack of minorities in accounting. *Blindspot* noted that nearly 75% of the individuals who took the Race IAT either online or in a lab study had a white preference (Banaji & Greenwald 2013, p. 47). The person taking the test may think he or she is a completely unbiased person, yet the IAT shows otherwise. Therefore, it may be helpful for those involved in the hiring and interviewing process to take the Race IAT. Banaji and Greenwald state, “Knowledge is indeed power, and self-knowledge achieved by taking the IAT can exert its power by unsettling existing views of one’s mind” (2013, p. 70).

Finally, Banaji and Greenwald hint at why there is a great loss of minorities and women as they progress in their careers. They state it “could be the consequence of very small levels of differential treatment that are encountered repeatedly” (Banaji & Greenwald 2013, p. 204). It is extremely important to note that even little differences in the way women or minorities are treated can have substantial effects in the future. Though not clear at the time, these actions can be very impactful for employees and their attitudes toward their workplace environment.

CONCLUSION

The accounting and auditing profession has definitely progressed in its representation of women and minorities. The data show a steady increase in both populations in the workforce, and the accounting degrees granted seem to be trending upward as well. Progress has definitely been made! However, there is still significant room for improvement. Women, now that they are in the profession, need to advance to higher levels in the firm in greater numbers, and minorities need to continue to enter the profession at all levels. With more women at higher levels, perhaps the wage gap will close. In addition, firms can experience the benefits of diversity with more women and minorities employed. Although firms are currently implementing efforts to increase diversity, continued improvement in these efforts can work to help advancements in diversity. In short, women and minorities have definitely come a long way in terms of representation in the accounting and auditing field, but there is still room to grow.

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AUTHOR BIOGRAPHIES

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