

# Promotion doesn't add up to gender equity at leading accounting firms

August 17 2022, by Sara Zaske

---



Credit: Pixabay/CC0 Public Domain

Often instead of making partner, women in public accounting firms appear to be sidelined into less prestigious, less powerful director positions, a study has found.

Examining public audits from the seven largest firms, including Deloitte and KPMG, researchers found that directors signing audit reports for nonprofit entities were twice as likely to be women than men, despite the fact that there are fewer [female directors](#).

The analysis of this data, which is accessible because the audit clients are [public institutions](#) like nonprofits or universities, provides a window into promotion practices, said Kathleen Harris, an accounting assistant professor with Washington State University's Carson College of Business.

"Women and men are hired into these public accounting firms at a very equal ratio, but at the [partner](#) level, it's disproportionate," said Harris, the corresponding author on the study published in the *Journal of Accounting and Public Policy*. "If we want equity in accounting, then both men and women need to be at the table making decisions."

Partners and directors can both lead audits of nonprofit entities, but there are considerable differences between the two groups. Partners are the top leaders of their firms. They buy into the firm, hold voting power and help strategically plan how the firm goes forward. It is a high risk, high reward position, Harris said. Directors, while highly skilled and compensated, are salaried employees without voting power.

Both leadership levels lack gender equity with women making up 32% of directors but just 18% of partners, according to self-reports by large firms in 2016. This "vertical segregation," where men are clustered at higher levels than women, was also noted in earlier research in 2011 with the [director](#)-level dubbed a "pink-collar ghetto."

The current study shows that division is persisting. Harris and her co-authors, Elizabeth Almer of Portland State University as well as Julia Higgs and Joe Rakestraw of Florida Atlantic University, analyzed more

than 1500 audit engagements from 2017 Federal Audit Clearinghouse data for the seven largest public accounting firms. They found that among audit signers, directors were more often women, and partners more often men.

In addition, audit clients paid more for female partners who signed audits versus female directors or even male partners and directors. This study could not determine exactly why that was the case, but Harris said it is possible that some [audit](#) clients with goals for increasing diversity may be specifically asking for women partners to lead their audits, driving up demand for a limited supply.

It is also hard to pinpoint the reasons for the continued gender equity problems in accounting leadership. Harris said it could involve unconscious bias, lack of opportunity for women to develop the necessary skills, or women themselves choosing not to take on [leadership roles](#) that require long hours away from family.

"The first point of change is awareness," Harris said. "Once you identify a problem, the next step is to discuss what opportunities there are to develop equity in the firm."

For instance, Harris suggested firms address work-life balance for both men and women versus assuming it is just an issue for one gender, which might help level the playing field. Advocacy and sponsorship are also key to helping [women](#) and other underrepresented employees advance into top leadership roles, and once more of them are there, it can help improve diversity overall.

"You can't really hire diversity. You have to create an environment that attracts diversity," Harris said. "For anybody going into [accounting](#), if they can see themselves as a success story because they can see a partner that looks like them, then, it's more attractive for them to enter that

field."

**More information:** Elizabeth D. Almer et al, Gender equity in public accounting: Evidence from single audit partner and director engagement leaders, *Journal of Accounting and Public Policy* (2022). [DOI: 10.1016/j.jaccpubpol.2022.106941](https://doi.org/10.1016/j.jaccpubpol.2022.106941)

Provided by Washington State University

Citation: Promotion doesn't add up to gender equity at leading accounting firms (2022, August 17) retrieved 19 April 2024 from <https://phys.org/news/2022-08-doesnt-gender-equity-accounting-firms.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.