

Turnover in Accounting Firm Organization Justice, Career Growth, Market Demand

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ABSTRACT

This study reviews and synthesizes the literature investigating employee turnover in accounting firms. Prior studies in turnover contain several perspectives, and there are three main factors, including organization justice, career growth, market demand for employees. Salary and gender may affect employees' justice and lead employees to change their minds. Besides, future career growth also has a cause-effect of employee turnover. Moreover, market demand for different employees will drive a turnover trend, and employees may follow the market trend to change their working environment. This paper proposes that standing on the employee-side will weak the rate of employee turnover. Specifically, efficient training and a complete bonus system can benefit the current satiation. Results of the current analysis suggest that the traditional version and the market changes will drive employees' intention.

Keywords: Career growth opportunities, Organization justice, Turnover intention, Public accounting firms

1. INTRODUCTION

1.1. Background

Employee turnover is a critical long-term issue for accounting firms as firms need employees to generate more projects. Human capital is one of the significant competitive advantages in this industry. Auditors will have high pressure with the heavy workload during the busy season. After the busy season, auditors will face high pressure from the professional certification testing. The unequal relationship between pressure and salary would change employees' minds. As a result, employees would leave the firm to release this pressure. Besides, auditors can meet with the various companies and better understand the different industries. They would know themselves better during work and have good networking skills to help them switch to a dream company. From the perspective of accounting firms, they provide entrance training for employees. If the employees leave the firm, the training cost will decrease the firm's profit. Many large accounting firms have paid more attention to balancing the cost and profit generated by employees.

1.2. Related Research

Herda et al. emphasized that the auditor-audit firm relationship would affect employee turnover. The relationship faced several challenges as the high stress

from the workload. The relationship showed the employees' prediction of the firm. The authors find two factors. The commitment has a negative correlation with the employees' turnover rate. Besides, the perceived fairness has a direct cause-effect on the turnover rate. The firm reduced the level of burnout by providing a fair working environment [1]. Parker and Kohlmeyer pointed out that accounting firms might have bias, which would bring negative consequences such as lower organizational commitment, lower job satisfaction, and higher turnover. The authors suggested that accounting firms must endeavor to allocate consistently organizational rewards. Besides, the firm should communicate with employees from top to down, emphasizing the consistency principle and integrating the decision-making process [2]. Nouri and Robert reviewed many kinds of literature. They indicated that "demographic variables (e.g., gender), firm-level variables (e.g., type of job), psychological attachment variables (e.g., job satisfaction and organizational commitment), role variables (e.g., role ambiguity), mentoring variables (e.g., whether the employee has a mentor and psych-social support) and organizational justice variables (e.g., distributive justice)" would influence the turnover ratio. Therefore, they suggested providing a work-life balance environment and a clear career pathway [3].

George and Wallio "investigate the relationship between distributive justice, procedural justice, and turnover intentions for Millennial employees working in the public accounting environment." They emphasized that controlling for gender and tenure had significant adverse effects on the relationship between distributive justice and turnover. Thus, the authors stated that "public accounting firms must thoughtfully assess their retention programs and evaluation policies in order to manage perceptions of procedural justice and reduce turnover intentions" [4]. Nouri and Parker pointed out that employee turnover is an ongoing problem for the accounting firm. Then, they process a survey for testing psychology and organizational behavior. Afterward, they stated that career growth opportunities influenced employees' choices and led employees to switch jobs. Therefore, they suggested that the accounting firm focuses on employees' career development to decrease the turnover ratio in accounting firms [5]. Brown et al. stated that organization image came from aspects including individuals' beliefs, focal organization's using of information, and individuals' responses. A positive company image and reputation will benefit both individuals and the company. To accurately identify the organization, the authors provided four dominant themes. The first conceptual concerns member organizations in the same industry and how they define the organization. The second concept involved how a particular stakeholder group identifies the company and intends to draw the organization's strategy. The next point is construed images that collect the organization's outside version. The final point is that the individual thinks of one company, including the employee environment. These four factors would build a good company image and make people part of the organization, which has a positive effect on employee turnover [6].

Smith et al. examined the influence of stress arousal and burnout since they may mediate the antagonistic relations between role stressors and job outcomes. During the test, authors find that "in line with predictions regarding the temporal ordering of stress arousal and burnout in the model, each of the job stressors had a significant positive influence on accountants' stress arousal, and the influence of the individual role stressors on each burnout dimension was either partially or fully mediated via their relations with stress arousal." [7]. Nouri also examined the effect of gender, race, position, and service line in turnover, and she focused on "Big-4" to support her opinion. As a result, turnover is higher among women, African Americans, senior and management professionals, and professionals in the audit area than men, Caucasians, partners, executive directors, senior managers, staff, and professionals in the tax area, respectively [8]. Park and Shaw conducted a meta-analysis of the relationship between turnover rates and organizational performance. The results were conducted by 300 total correlations (N = 309,245) and 110

independent correlations (N = 120,066), and it shows that the relationship between total turnover rates and organizational performance is significant and negative. The authors also suggest future research to distinguish the type of turnover [9]. Padgett et al. examined the relationship between work-family conflict, employment expectations, and length of stay in public accounting. They suggested that accounting firms could provide an adequate job of providing recruits with realistic job previews, family-friendly policies, and fixable schedules that employees care more about [10].

1.3. Objective

This study will focus on three factors that drive the employees' turnover intention. The structure of the paper is as follows. Firstly, the effect of organizational justice is identified by reviewing previous studies from Herda et al., Cohen-Charash et al., and Parker et al. Next section reviews studies that talk about the importance and attractions of promising future opportunities. Afterward, this study points out an external factor which is market demand. The turnover intention is not only generated internally but also generated externally. Future research can pay attention to how external drives employees' minds. The concluding section summarizes the current research and discusses some recommendations.

2. ORGANIZATION JUSTICE

Organizational justice is defined as "the conditions of employment that lead individuals to believe they are being treated fairly or unfairly". Justice included distributive justice and procedural justice.

2.1. Salary

In the study of Herda et al., she defined that the perceived fairness of the firm was the critical aspect of measuring the overall fairness of the firm [1]. The research also found that perceived fairness has a direct effect on turnover intentions. Therefore, employees will trust what they think. For example, "equal pay" is one of the fairness treatments that employees desire. However, they may define equal pay for equal work in a subjective manual such as comparing team members' working time. This subjective thinking will affect how individuals regard fairness. As a result, the definition of fairness may not be the same between different employees.

Robert et al. evaluated the fairness of accounting firms in deciding pay, promotions, and job assignments [2]. When employees feel they suffer unfair treatment, they will perform a lower job satisfaction and lower organizational commitment. As a result, they will leave the accounting firm. In terms of unequal treatment, there are some aspects.

Unequal treatment can reflect by pay. One of the common career pathways for accounting firms' employees is switching to famous investment firms like "IBD." Fresh graduate is one example. The famous accounting firm and IBD firm have a similar target school list and require similar technical skills. Graduates have a similar educational background and skill as they leave school. However, the average monthly base salary for the team's auditing associate is lower than a consultant in an investment firm. Except for the base annual salary, the other three salary factors are bonuses, overtime, and travel allowance. The bonus system also has some unfair drawbacks. There is a big difference bonus gap between different levels of employees. Generally, senior associators can receive the bonus. However, if the company did not successfully go public, the bonus may be zero. Meanwhile, the overtime payment also has some unfair treatment. They did not get enough overtime salary with corresponding hours. As a result, these employees who worked for one to five years may have a lower final salary than expected. To conclude, organization justice will result in a higher turnover intention.

3. CAREER GROWTH

Career Growth is another factor that led junior-level employees in accounting firms to leave their position. Such growth includes current opportunities and future opportunities with other employees.

Nouri assessed a proposed theoretical model to demonstrate the cause-effect of career growth in accounting firms located in the Northeast and Southern United States [5]. There are two factors of career growth, including training effectiveness and organization prestige. Meanwhile, these two factors also affect the organization's commitment: as a result, low organization commitment would have a higher employee turnover intention [5]. Therefore, the company should pay attention to career growth to decrease the employee turnover rate. When students leave the university and begin to work, they may still think that they are students. They need to independently find the task and solve it instead of asking for a good answer. During this period, they may feel difficulties and lonely. As a result, they will have a lower efficient working conditions and lower company commitment. However, if the company provides some efficient training and organizing orientations, such as teaching them how to manage the working task, employees will have a high level of commitment. Besides, accounting standards are inconsistent and will change with the country and significant events. Therefore, the accounting industry requires continuous learning. An efficient training system will increase work efficiency and help employees save more working time to enjoy the idle time.

The definition focuses on what employees believe [6]. Brown believed that organization prestige plays a vital

role in employees' decisions. They thought that organization prestige would bring a powerful mirror reflecting the social status of individuals. Therefore, some accounting specialists may leave the current accounting firm and then find a high prestige firm. Meanwhile, organization prestige is also reflected by the title of working role. For example, the junior level staff in an accounting firm is called "senior staff" but may call as "manager assistant" in another small firm. Individuals may seek a more well-known title.

Except for training effectiveness and organization prestige, another factor of career growth is task tolerance. As for auditing projects, there is relatively high repeatability in different projects. Employees may concentrate on a few accounts in one year and process many repeatability procedures. Some employees think the improvement in technical knowledge is limited and narrow. As for investment banking projects, these managers need to be responsible and have higher risk tolerance. They need to know auditing, tax, risk assessment, and other multiple industries' knowledge. Such knowledge requires excellent learning ability, creative thinking, and professional judgment. These projects are more variable and challengeable than auditing projects. As a result, individuals who prefer learning through diversity projects may change their jobs to satisfy such preferences. Besides, such a job has a high level of irreplaceability. Individuals will have a higher organizational commitment. Adversely, junior-level auditors are easy to replace. To conclude, career growth will affect employees' turnover decisions.

4. MARKET DEMAND EFFECT

One famous career pathway is switching from an accounting firm to a security company. The current employment market drives this change. There are some indicators.

4.1. Standard

The policy will determine what the firm can do and change the employment market by pointing one direction for employees. For example, on January 1st, 2022, China updated the new auditing policy, which emphasized the importance of monitoring. The policy suggested that a centralized, unified, comprehensive, authoritative, and efficient audit supervision system is necessary; meanwhile, the government will tighten the related controls and increase the number of professional CPA certification holders in an IPO project. With the standard changed, employees in an accounting firm will face more difficulties, including monitoring pressure and certification pressure. They have a high level of responsibility to adopt the new standards and need to learn the new rules quickly and apply them in the auditing project. These pressures will bring a harmful effect that

may lead employees to have mental and physical illnesses. However, the salary does not change with the increasing pressure. There is no positive correlation between what employees are required to do and what employees can get. As a result, they may choose to leave the firm.

4.2. Demand of Security Company

Another indicator is that these security companies have a higher demand for employment. With the STAR Market opening, security companies and investors face an opportunity to expand to the STAR market. Hiring more qualified employees is one significant step of expansion. These qualified employees should have professional judgment and technical skills; meanwhile, they should have good decision-making skills. Security companies will provide an attractive salary to attract these professional and experienced candidates. Junior employees in accounting firms will be a perfect choice for security companies. Besides, the IPO pricing inquiry system helps the security companies increase their salary. The new policy stated that the pricing did not need to follow the previously limited pricing, which means the security company could bid a higher price than before. Then the employees' salary will increase, attracting more professional employees. Moreover, the capital market has an encouraging development trend as 2019, 2020, 2021 are three bull markets. More investors will enter this market that increasing the number of business projects. Such a trend gives security firms more confidence and a chance to expand.

4.3. Employees Similarity

Compared to the security firm, employees in the accounting firm have a relatively higher employee similarity. As for the new entry, the entry barriers for accounting firms are relatively lower than for an investment bank. For example, the auditing firm is kind to graduate student and accept many students that do not major in accounting or auditing. The accounting firm provides diversity training for different primary graduate students. However, the investment banks have a stricter student major requirement, and experienced employees are preferable. The different entry barriers cause the accounting firm to provide a more prominent position for graduates than investment banks. Besides, as for the number of firms in the industry, famous and large-scale accounting firms are around ten firms; however, similar security firms are twice or triple the accounting firm. Therefore, the security firm will have more projects and job opportunities for experienced candidates.

5. CONCLUSION

In this study, three factors increase employees' turnover rate in accounting firms. Organizational justice

is too subjective to rely on entirely, and fairness is difficult to judge. Therefore, a strict bonus rule will be helpful. Afterward, career growth is the main turnover factor for experienced employees whose leave will bring a high cost for the accounting firm. One suggestion is to provide more training opportunities and a clear career pathway. Finally, the external capital market will increase employee turnover as well.

The current studies are focused on the traditional psychology view. Employees' minds are significant reasons for human actions; however, the industry demand for different kinds of employees also dramatically affects the employment trend. Future research should consider the effect of the capital market.

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