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2023 SPECIAL FEATURE

Righting Retention

A look into the accounting profession's greatest management challenge.

ABOUT US

Founded in 1903, the Illinois CPA Society (ICPAS) is one of the largest state CPA societies in the nation, with the core mission of “enhancing the value of the CPA profession” through meaningful and convenient education, timely and relevant information, influential advocacy, and countless opportunities to make powerful professional connections.

ICPAS serves an extraordinary community of more than 21,700 accounting and finance professionals in a variety of CPA and non-CPA roles positioned throughout the public accounting, corporate finance, not-for-profit, consulting, education, and government sectors.

insight

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INSIDE

It's Time to Talk Turnover

Our post-pandemic world is extremely complex, but there's a common theme that's consuming the accounting profession: talent.

One leading question has stymied organizations for ages: How do we find and retain good people?

Amid our post-Great Resignation workplaces, increasing pressure on people managers and anxiety over future talent needs have intensified the dialogue around retaining the best and brightest. While the traditional CPA firm model was never built for 100% retention, the strain on the profession caused by perpetually high turnover rates and concurrent compounding issues can't be ignored any longer. It's safe to say that "righting retention" is now the next frontier of the profession's pipeline problem.

Our research for this year's Insight Special Feature highlights why talent is leaving and offers employers insight into what they can do to reign in turnover, particularly among the next generation of leaders. Resolving the profession's turnover troubles means meaningfully and purposefully developing a pipeline of talent, both for current roles and the positions we hope to fill in the future. It also means stewarding our human capital resources in a manner that's responsive to their needs and those of our organizations.

The leading reasons talent cited for leaving their organizations shouldn't surprise anyone. Salaries, burnout, and lack of work-life balance, just to name a few, have been indicated as the root causes for so many of the profession's human capital-related issues. While those issues have historically plagued public accounting, that's no longer the case.

Every segment of the profession is, or soon will be, impacted by retention challenges. Collectively, we need to get out of our comfort zones and become more attuned to the needs of our greatest resource. I believe the focus should be on our underlying organizational cultures and how the issues identified in our research that are driving talent to pursue other opportunities relate to them.

As we look to the future, organizations must be ready to discuss what their culture gaps are and how they can implement concrete, actionable solutions to address them. People join this profession with hopes of being supported along their journeys toward meaningful careers. Creating the conditions for talent to develop their professional skills and contribute to meeting organizational objectives, now and in the future, not only gives them a reason to stay but also helps your organization keep its best and brightest in place over the long term.

After looking at the results of our research, my advice is simple: Always listen to your people and genuinely consider their perspectives. They know what they need more than anyone else. Be honest and responsive. Be transparent and approachable. Foster the right strategy, stewardship model, and culture. Do this and you'll demonstrate to your teams that you value them and their contributions. With that foundation in place, you can address the tough turnover issues and, ultimately, right retention.

Geoffrey Brown, CAE
President and CEO, Illinois CPA Society
To share your thoughts, email me at browng@icpas.org.

10 Turnover Takeaways

1 **Rising turnover is real:** Almost 39% of employers responding to our survey said they're seeing increased turnover rates (approximately 42% of public accounting firms and 34% of public and private companies). On the contrary, fewer than 14% of employers said their turnover rates were declining.

2 **Accountants quit their employers, not necessarily the profession:** While many employers (about 33%) participating in our survey believe their accounting and finance talent is leaving the profession, the truth is that less than 1% of the employees responding to our survey who changed jobs actually left it.

3 **Compensation counts:** "Salary" was the most cited reason for our survey respondents to resign—it's also the most attractive benefit they see in an employer, as cited by 92% of respondents.

4 **People are feeling the burn:** Across experience levels, we found the second most cited reason accounting and finance professionals leave their jobs is due to "too many hours/burnout," which was closely followed by the third most cited reason for quitting: "lack of work-life balance." In response, employees ranked "flexible hours" as the second most attractive benefit in an employer, with "remote work" following next.

5 **High turnover hurts those who stay:** We found that just over 67% of employers have seen workloads increase for staff at the leadership level due to their retention challenges, while 65% are seeing workloads increase for remaining staff at similar levels, further compounding the issue of burnout.

6 **Job hopping is a myth:** The perception that job hopping is prevalent didn't pan out. Most employees responding to our survey (67%) have had only one or two employers since entering the accounting and finance profession. On average, 44% stay with their employers for 1 to 3 years, 36% stay between 4 and 6 years, 18% stay 7 years or longer, and just 2% leave within their first year.

7 **The future matters:** Just over 67% of employees responding to our survey view "career advancement paths and opportunities" as one of the most attractive benefits in an employer, while nearly 30% ranked "mentors/mentorship program" as one of their top desires. Yet, 48% of employers don't (or don't know if they do) communicate defined advancement paths for employees, and 43% don't (or don't know if they do) offer a mentorship program.

8 **Employers and employees are out of touch with each other:** According to our findings, 33% of employees are never asked what they value most in terms of employee benefits. On the flip side, 28% of employers responding to our survey said they never ask their employees what they most value.

9 **There's insight in exit interviews:** Nearly 81% of employees said the feedback they provided during their exit interviews was at the very least somewhat candid. However, just 39% of employers think the feedback received during exit interviews is truly valuable, and nearly 8% of employers surveyed don't even conduct exit interviews.

10 **It's not too late to turn the tide:** According to our findings, 64% of employers have increased employee compensation within the last two years, and almost just as many have begun offering remote work options. Further, just over 49% have implemented flexible hours. Encouragingly, only 14% of employers told us that they haven't made any changes to address the turnover challenge. This tells us employers are becoming more reactive and more willing to make change and right their retention efforts.

Can We Turn Down Turnover in Accounting?

What drives higher-than-average turnover rates in the accounting and finance profession? New survey data reveals employees' and employers' perspectives on one of the greatest management challenges facing the profession.

By Derrick Lilly

Sometimes it's hard to remember what things were like before COVID-19 changed our world. For many, the pandemic era was a black hole of lost time and missed opportunities. For others, it was a blip before getting back to business as usual. Yet so often when we talk about the issues impacting the accounting and finance profession today, it still doesn't feel like business as usual, and we still preface so many of our conversations with "since COVID."

Well, since COVID struck in March 2020, tens of millions of American workers have left their jobs—and the accounting profession hasn't been immune to the mass exodus. About 334,000 accountants quit their jobs between 2019 and 2021, according to U.S. Bureau of Labor Statistics (BLS) data. After a slight rebound, the BLS reported there were about 1.65 million U.S. accountants and auditors in 2022, down nearly 17% from 2019's pre-pandemic peak.

The widespread exit of workers in the pandemic's wake became fittingly known as the "Great Resignation." In August 2023, BBC's Kate Morgan interviewed the man who coined that term, Anthony Klotz, a professor of management at University College London's School of Management. According to Klotz's analysis of BLS data leading up to the interview, quits have "normalized" to pre-pandemic levels: "I think we can say it's [the Great Resignation] over," he told Morgan.

After hosting and listening in on various boardroom discussions between some of Illinois' most prominent accounting and finance leaders throughout the summer, it seems they also feel the talent turmoil they experienced in recent years isn't quite as pressing at present. In fact, with threats of a broader economic slowdown and possible recession lingering, some firm partners boldly told us their organizations aren't experiencing enough turnover. On the corporate side of the accounting and finance profession, research from Avalara similarly found that 51% of chief financial officers are anticipating a recession and are operating in "cutback mode" in preparation for an economic downturn as of August 2023.

Indeed, mounting economic fears are also shifting staff sentiments. "Even if you want to quit your job, you look out at the market and think, 'maybe I shouldn't'," Klotz said during the BBC interview. "The economy has slowed down, there's layoffs in the headlines, warnings in the headlines that AI is going to take all of our jobs—it all makes people think twice before they quit." Klotz wasn't speaking specifically about accountants—but he might as well have been.

In May 2023, outgoing EY Global Chairman and CEO Carmine Di Sibio publicly shared on CNBC's "Squawk on the Street" that EY's turnover rate had gone from more than 20% to 12% "pretty suddenly," highlighting how quickly things can sometimes change in the accounting and finance profession.

While accounting and finance leaders seemingly await clarity on the economy, much of their conversation surrounding talent has turned into debates over what's behind the unabating falloff in students pursuing accounting degrees and the certified public accountant (CPA) credential. But, with fewer new bodies entering a profession known for burning and churning through talent, shouldn't the profession be thinking more seriously about how to hold on to what talent it has left?

The sentiment within the accounting profession has long been that its higher-than-average turnover rate—which has persisted long before the pandemic (especially among CPA firms)—is just the way it is. The current lull—if you can even call it that—in accounting talent voluntarily exiting their positions compared to what's been experienced throughout the peak pandemic years seems to have only reinforced complacency with mid-teens turnover rates. While this might be tolerable in the short term, is it really sustainable given the pipeline issues the profession faces?

The harsh reality is that fewer and fewer new accountants and CPAs are coming into the profession. The AICPA's "2023 Trends" report, released in October 2023, found the number of students earning accounting degrees fell a sharp 7.7% in 2022, dropping to just 65,035 bachelor's and master's accounting degrees earned—a low not seen since 2007. Similarly, the report shows the number of CPA candidates followed suit. There were just 30,251 new CPA candidates added in 2022 for a total of 67,336 unique candidates in the pipeline, down 6% and 7%, respectively, from 2021—lows not seen since at least prior to 2006, which is as far back as the 2023 report looks.

This long-term and devastating trend poses a real threat to the profession—a threat that's further compounded by the fact that more working accountants and CPAs will be leaving in due time, especially as a growing number of baby boomers age out and phase out of the profession.

Worse, 24% of accounting and finance professionals plan to leave their employers within the next year, and 17% plan to make their exit within the next six months, according to an October 2023 report by the Institute of Management Accountants and Robert Half (the Illinois CPA Society was also a research partner). What's more, 11% of those surveyed plan to leave the profession altogether within the next year.

More troubling is that Robert Half found in another survey that 41% of accounting and finance professionals are either looking for a new job now (as reported in September 2023) or plan to launch their search by the end of 2023.

Simply put, amid a progressively weakening pipeline of new accounting talent, retaining talent is destined to become a more pressing issue than ever before. The question now: How do we keep them?

To answer that question, we surveyed both current and former members throughout summer 2023 to gain a better understanding of what's behind the profession's long-term trouble with turnover and what can possibly be done about it.

In soliciting employer feedback (449 respondents), the survey aimed to reveal the unique challenges that public accounting firms and private companies, among other organizations, are facing when it comes to retaining their accounting and finance talent. The survey sought to gain insight into current turnover rates and explore when turnover is happening most, why employers believe their talent is leaving, where employers think their talent is going, and what—if anything—they're doing about it. On the employee side (433 respondents), the survey mirrored the employer survey in many ways, with the goal of identifying any notable discrepancies between employer and employee perspectives. The employee survey also dove deeper into the reasons behind their voluntary quits and questioned what perks and benefits are most attractive to them.

The results revealed several areas where action can be taken to help improve the retention of accounting talent, including the leading reasons accounting and finance professionals leave their employers.

Putting Turnover Into Perspective

Let's pause on EY's admission of realizing an attrition rate of more than 20% as recently as spring 2023. To put that number into perspective, consider the fact that 20% is a much higher turnover rate than that of the broader professional services industry. The global professional services industry, which includes entities like the Big Four accounting firms and other leading business and IT consulting organizations, averaged annual turnover of 13.4% in 2022. Now further consider that even 13.4% turnover is more than 26% higher than the 10.6% average annual turnover rate for all industries combined, according to global LinkedIn data.

INSIDE Public Accounting's (IPA) 2023 Practice Management Report, which covers key performance metrics from 589 CPA firms across North America, confirms that turnover in the high teens is being seen consistently across the country and across firm sizes. IPA found turnover across all firms is averaging 15%, with nearly 84% being voluntary. Perhaps unsurprisingly, the top 100 largest firms by revenue ($48.8 million up to $27.9 billion) are experiencing the highest levels of professional staff turnover at 16.3% on average—nearly 84% of the reported turnover was voluntary. On the other hand, the highest level of voluntary turnover (87%) occurs within the smaller and more midsize firms (Nos. 301-400, who generate revenues from $9.3 million to $14.9 million).

Interestingly, 20% annual turnover is, anecdotally, the "good" whisper number that's expected by partners within Illinois' CPA firms when discussed behind closed doors. Surprisingly though, about 56% of the public accounting firms responding to our survey in the fall indicated that they're experiencing turnover levels of 10% or less. Still, nearly 20% are realizing turnover levels between 11-20%, approximately 7% are experiencing 21-30% turnover, and almost 4% are victim to turnover of 30% or greater (about 14% were unsure of their turnover levels).

Turnover rates fare slightly better on the corporate side of the profession. Here, nearly 69% of public and private companies said their turnover rate is 10% or less, while about 12% are experiencing 11-20% turnover, just over 3% are realizing 21-30% turnover, and approximately 4% are again victim to turnover of 30% or more (about 12% were unsure of their turnover levels).

While most Illinois employers responding to the survey are currently experiencing modest turnover rates, the fact remains that an overall increase in professional staff turnover is very real for them, and it could rightly accelerate higher if a recession never materializes. In fact, nearly 39% of employers responding to our survey said they're seeing increased turnover. On the contrary, less than 14% said their turnover rate was declining, while 40% said their turnover rate is roughly the same as it's historically been (a little over 7% were unsure of how their turnover rate was trending).

At AICPA Engage 2023 in June, guest speaker Michael Bush, CEO of Great Place to Work, argued that turnover rates need to be seen as a key performance indicator: "Turnover used to be just an HR statistic. Now it's a business statistic."

So, here's a business statistic: Voluntary turnover costs U.S. businesses $1 trillion annually. This is according to research by Gallup, who estimates the cost of replacing an individual employee can conservatively range from one-half to twice the employee's annual salary. Naturally, replacement costs climb with the employee's technical skill and rank and consists of factors like recruiting, onboarding, lost productivity, impacts to employee morale, training, lost institutional knowledge, and more.

In other words, not only is high turnover bad for the accounting and finance profession's reputation, it's bad for businesses' bottom lines too. Of course, high turnover also negatively impacts the employees who stay. We found that just over 67% of employers have seen workloads increase for staff at higher/leadership levels due to their retention challenges, and 65% are seeing workloads increase for remaining staff at similar levels. This is especially prevalent among public accounting firms, of which about 77% reported increasing workloads on firm leaders. In turn, firms are experiencing difficulties with business development and business-critical tasks, like bringing on new clients and mentoring and developing staff. The work is simply "trickling up" at this point.

When's Turnover Taking Place?

Every year, the AICPA surveys some 40,000 U.S. CPA firms on issues in the profession, and every year, "finding qualified talent" is named a top concern. Likewise, our own confidential Firm Staffing and Benefits Survey of member firms has found that "acquiring experienced staff" has been the No. 1 "greatest employee management challenge" since the survey's inception in 2020. Rounding out the top three challenges each year? "Retaining experienced staff" and "acquiring new staff."

Shocking, right? Unfortunately, these management challenges won't be going away anytime soon. We found that turnover is challenged across experience levels.

Our survey asked employers, "On average, at what stage in their tenure with your organization are employees leaving?" Across all employers responding, the greatest turnover is among employees with 1 to 3 years' of experience (just over 41%). This is followed by employees with 4 to 6 years' of experience (nearly 30%) and then employees with greater than 10 years' of experience (10.5%). The odd sweet spot for retention at the time of the survey was among employees with 7 to 10 years' of experience, as just over 4% of employers said they're losing talent from this segment. Similarly, a little more than 4% of employers said they're losing talent during their first year with the organization.

All in all, our findings suggest that the longer an employee stays in the profession, the longer they're likely to stay with their employer, and the longer they stay with an employer, the more likely they are to stay for the long term.

Where's Turnover Taking Talent?

Since COVID, the perception has been that high turnover has been driven by people either leaving the accounting profession or just job hopping. More recently, private equity firms have been frequently named as "talent poachers." In reality, it's quite different. Among the employees we surveyed who said they've left their employers within the last two years, nearly 62% left for new positions with public accounting firms. The next largest group of job changers went to public or private companies (just over 23%), followed by private equity or consulting firms (8%), and then nonprofits, educational institutions, or government entities (nearly 7%). In fact, less than 1% of the employees who changed jobs actually left the accounting and finance profession.

These findings highlight some major misconceptions among employers. Many employers (about 33%) believe their accounting and finance talent is leaving the profession (false). Most employers (just over 67%) believe their employees are leaving for other opportunities with public or private companies (they do, but not to an overwhelming extent). Surprisingly, even more believe that their employees are leaving for private equity and consulting positions (nearly 18%) than those who believe their talent is going to public accounting firms (about 17%).

Similarly, there's a big misconception about the frequency of job hopping. Most employee respondents (just over 67%) have had only one (39%) or two (approximately 28%) employers since entering the accounting and finance profession. On average, 36% stay with their employers between 4 and 6 years, a little more than 18% stay 7 years or longer, and just over 2% leave within their first year. Of course, this means about 44% stay with their employers for just 1 to 3 years, which reinforces the importance of trying to retain employees beyond this period; doing so would likely lead to dramatically reduced turnover rates and a strong internal pipeline of "experienced" or "qualified" talent, among other benefits.

So, what can employers take from these findings? The profession's higher-than-average turnover isn't really about talent not wanting to work in accounting and finance anymore; it's about employees wanting to find employers that work for them.

What's Driving Turnover?

So, what leads accounting and finance professionals to voluntarily quit on their employers? Our survey asked employees who said they've left their employers within the last two years to identify the top three reasons behind their decisions to leave. Out of more than a dozen factors to choose from, along with the opportunity to write in personal remarks, six factors notably stood above the others:

1. Salary.
2. Too many hours/burnout.
3. Lack of work-life balance.
4. Workplace culture.
5. Lack of advancement opportunities.
6. Work is uninteresting/mundane.

Salary

Compensation alone isn't going to solve the profession's turnover or retention troubles, but it can't be overlooked or discounted as an issue requiring a pointed response. Salary has been found among multiple studies to be the leading factor driving accounting and finance professionals to leave their employers in search of more rewarding roles. In our survey, employees who left their jobs during the last two years most frequently identified salary (approximately 49%) as one of their top reasons for leaving. This finding is consistent with spring 2023 research by Robert Half, which found that a higher salary is the top reason for 55% of accounting and finance professionals to pursue a new role.

If this happens to be surprising, it shouldn't be. BLS employment and wage reports have consistently found that the average annual salaries of accountants and auditors lag well behind the salaries of other professionals. The authors of the 2023 National Management of an Accounting Practice (MAP) Survey, which is conducted by the AICPA's Private Companies Practice Section and CPA.com every two years and is the largest benchmarking survey of public accounting firms, made a point of highlighting this: "Computer science, data science, engineering, and financial analyst occupations average anywhere from $108,000 to $117,000 a year; in contrast, the average annual salary for accountants is in the mid-$80,000s.

"Firms may want to consider closing that pay gap, and that starts with recent college graduates. The 2023 MAP Survey found that the median average compensation for new accounting professionals was $50,000 per year in fiscal [year] 2022, up from $45,000 in fiscal [year] 2020. In contrast, the Winter 2023 Salary Survey from the National Association of Colleges and Employers pegged the average starting salaries for engineers at nearly $75,000 and all business graduates at $62,000."

Looking specifically at the Midwest region, the MAP Survey found the average annual starting salary for graduates hired who meet the 150-credit-hour requirement to sit for the CPA exam was $58,000, versus $52,000 for those hired who don't meet the 150-credit-hour requirement.

Interestingly, employers responding to our survey ranked salary as just the No. 3 reason for employee resignations, revealing a disconnect between camps. In fact, employers should heed this warning: Not only is salary a top factor driving employees to leave their employers, it's also by far the No. 1 most attractive benefit employees seek—at least that's according to 92% of respondents in our survey.

Since COVID, about 64% of the employers we surveyed said they've "increased employee compensation" to improve employee retention. When looking at the profession overall, however, projected salary increases look unfortunately lackluster in the year ahead. Of the more optimistic reports, base pay for 11 public accounting roles will rise about 5% in 2024, according to LHH Recruitment Solutions' 2024 Salary Guide. On the other hand, Robert Half's salary projections offer less for accounting and finance professionals to look forward to: Starting salaries for roles in tax services are projected to increase 3.6% on average, while audit and assurance services positions will see starting salaries rise an average of 3.8%, barely keeping pace with the 3.7% annual inflation rate reported by the BLS in October 2023.

In other words, the profession's low salaries look set to stay that way. Meaning compensation will continue being cited as the leading reason accountants quit—and why fewer students aspire to become them.

Too Many Hours/Burnout and Lack of Work-Life Balance

"Although higher pay would make public accounting more attractive to talent, it's not a one-size-fits-all solution," caution the authors of the 2023 MAP Survey Executive Summary. "Today's younger professionals have aspirations that differ from following the traditional career path to become partner in a firm and are less interested in working the extensive overtime often associated with such a journey, especially during busy season. College students and young professionals are more motivated by a career that meets their financial needs and provides flexibility in when, where, and how much they work."

It can be argued that these sentiments don't only apply to college students and young professionals though. Across experience levels, our survey found the second most cited reason accounting and finance professionals leave their jobs is due to "too many hours/burnout" (nearly 49%), which was closely followed by the third most cited reason for quitting: "lack of work-life balance" (about 48%).

Here, we found employers to be almost spot-on with their assessments of why they're losing talent. When asked for their top three reasons behind employee resignations, employers ranked "seeking more work-life balance" as the leading reason (approximately 58%), followed next by "wanting to work fewer hours/avoid burnout" (56%), with "salary" (about 52%) rounding out the top three reasons.

To combat the profession's excessive hours, burnout, and lack of work-life balance, employees are increasingly seeking more autonomy in when, where, and how they get their work done. After salary, employees responding to our survey ranked "flexible hours" (nearly 76%) and "remote work" (just over 74%) as the No. 2 and No. 3 most attractive employer benefits.

Similarly, Robert Half found just over one-third (34%) of accounting and finance professionals surveyed say they're seeking remote work options, leading the search and staffing firm to emphasize that offering flexible work could help boost hiring and retention of these workers. In fact, Robert Half found flexibility holds significant weight among professionals: Sixty-two percent of workers surveyed said they'd rather stay in a job with flexible work options than accept a higher paying position with rigid in-office requirements. This response was most common among Gen Z employees (74%) and working parents (68%).

Additionally, when PwC conducted its Global Workforce Hopes and Fears Survey in spring 2022, it drew responses from more than 52,000 workers across 44 countries and territories, making it one of the largest workforce surveys conducted. Guess what PwC found? Flexibility and autonomy are paramount, particularly among younger workers (i.e., those proving difficult to retain). PwC reported that younger workers have greater expectations than their older counterparts in just about every dimension, which emphasizes the need for organizations to change with the times and their employees:

- Regarding when they work (days or hours), Gen Z workers are 10 percentage points more likely than baby boomers to say that choice is extremely or very important.
- Regarding where they work (in-office, remote, or hybrid), the split widens, with Gen Z workers 11 percentage points more likely than baby boomers to say that choice is extremely or very important.
- Regarding how they work, the gap grows further, with Gen Z workers 17 percentage points more likely than baby boomers to say that it's extremely or very important to be able to work in a way that suits them.

This isn't to say that flexibility is only desired by young professionals. Since COVID, most of us have likely at least questioned the importance of our work, and many have reprioritized achieving a better work-life balance (there was a Great Resignation for a reason). But another key segment of professionals the accounting and finance profession has long struggled with retaining and advancing is showing signs of flourishing thanks to newfound flexibility in COVID's wake: women.

Women in their prime working years (ages 25-54) are either working or looking for work at record levels, according to BLS data—the rise of remote work is to thank for this.

"Women are more ambitious than before the pandemic—and flexibility is fueling that ambition," says the 2023 Women in the Workplace report from McKinsey & Company, in partnership with LeanIn.org. "Overall, one in five women say flexibility has helped them stay in their job or avoid reducing their hours. A large number of women who work hybrid or remotely point to feeling less fatigued and burned out as a primary benefit. And a majority of women report having more focused time to get their work done when they work remotely. The pandemic showed women that a new model of balancing work and life was possible."

Since COVID, even C-suite sentiment has shifted some. A 2022 study by Deloitte found that while 57% of employees are considering quitting their jobs for ones that better support their well-being, an even higher share of executives (70%) say they plan to quit for the same reason.

According to another survey by Thomson Reuters, 28% of accountants say their work is harming their mental health and well-being.

Thankfully, many employers responding to our survey have begun taking steps in the right direction when it comes to addressing flexibility and well-being. In an attempt to improve employee retention over the last two years, about 60% of employers have begun offering a remote work option, and just over 49% are offering flexible hours.

However, there's no denying that there's increasing chatter about return-to-office mandates as of late, particularly among traditionalist leaders still holding on to pre-pandemic "business-as-usual" perspectives. But just how damaging could a retreat from flexibility be?

Among the companies that've mandated that employees return to the office, 42% are experiencing higher levels of employee attrition than anticipated, while 29% are struggling to recruit altogether. That's according to global workplace strategy, design, and construction firm Unispace, who surveyed 9,500 employees and 6,650 employers from 17 countries for its 2023 global workplace insights report, "Returning for Good."

Unispace notes that employers further "underestimate key workplace dislikes." The report highlights that employees now put a premium on their productivity and personal space. Missing the privacy they can access at home (31%), the ability to be more effective in a quiet environment away from the office (27%), and feeling more productive at home (23%) were cited as employees' top dislikes with returning to the office. In contrast, employers think commuting is their employees' biggest dislike.

Going deeper on this topic, results from the 2023 Greenhouse Candidate Experience Report also show that flexible work is now viewed by employees as more than a pandemic-era perk. Greenhouse found that 76% of U.S. employees say they would actively search for, or be open to, a new job if their company rolled back flexible work policies. Further, candidates from historically underrepresented groups are nearly one-quarter (22%) more likely to look for jobs if their employers no longer offer flexible work policies.

Finally, "If you fail to be flexible on this front, you're likely to struggle to hire top talent," Greenhouse says in response to finding that 42% of candidates won't apply for a role if it doesn't offer their preferred working model.

What this all boils down to is the accounting and finance profession can't really afford to claw back the flexibility talent was afforded in the pandemic's wake. Doing so would clearly threaten the retention of all talent to some degree, but it could be especially detrimental to women and underrepresented individuals—two groups the profession has historically struggled to retain and advance. Instead, employers should be doubling down on making the workplace work for their employees.

Workplace Culture, Lack of Advancement Opportunities, Uninteresting/Mundane Work

The next three factors that notably drive employee resignations—"workplace culture" (No. 4; about 36%), "lack of advancement opportunities" (No. 5; just over 25%), and "work is uninteresting/mundane" (No. 6; nearly 21%)—are, like those above, all closely intertwined with each other.

Unfortunately, one of these top issues is just a mere blip on the radar of most employers: "workplace culture." It was seen as a top-three reason for resignations by fewer than 10% of employers responding to our survey. A slightly better (but still not encouraging) number of employers acknowledged "seeking more advancement opportunities" (a little more than 27%) and "looking for more interesting responsibilities" (19%) as leading factors pushing their employees out.

To put into perspective how important the issues of culture, advancement, and engagement are to employees (and why they can lead to higher rates of turnover), consider the findings of these other studies:

- For Gallup's State of the Global Workplace 2023 Report, employees were asked, "If you could make one change at your current employer to make it a great place to work, what would it be?" Overall, 41% of responses related to engagement or culture.
- In Joblist's 2023 Q1 Market Report, 39% of employees who quit their jobs said their main reason for quitting was bad management or a toxic workplace.
- When Korn Ferry surveyed workers planning to quit their jobs, 33% cited the main reason as boredom and 24% said it's because the company's values don't match their own.
- The 2023 Adobe Future Workforce Study surveyed 1,000 Gen Z workers, of which 78% stressed the importance of being able to connect with their company's values.
- In Deloitte's 2023 Gen Z and Millennial Survey, which gathered feedback from 14,483 Gen Z and 8,373 millennial respondents across 44 countries, overall, 40% of respondents said they've rejected assignments due to ethical concerns, while 39% of Gen Zers and 34% of millennials have turned down employers that don't align with their values.

- PwC's Global Workforce Hopes and Fears Survey 2022 found more than two-thirds of Gen Z and millennial workers converse with colleagues about topics such as civil rights, racial injustice, and gender equality. These younger generations are also more concerned about climate change, with 54% saying company transparency on the topic is important. The same holds true for diversity, equity, and inclusion. In PwC's 2023 edition of this survey, only about half of all employees surveyed said they find their jobs fulfilling or said they can truly be themselves at work.
- Similarly, HP's 2023 Work Relationship Index report states that many workers don't feel seen as individuals by their employers. The report specifically highlights that "Gen Z and millennial employees want empathetic and emotionally intelligent leaders who can create a culture where everyone feels they belong," pleading, "People want a culture where they can be their authentic selves at work." HP surveyed more than 12,000 knowledge workers in 12 countries, as well as 3,600 IT decision-makers and 1,200 business leaders. Of them, only 28% said they feel their work gives them purpose and even fewer (25%) said they have a clear path to grow.

Adobe's Cortney Erin, vice president of global talent acquisition, says Gen Z employees in particular "demand a diverse and inclusive workplace with career growth opportunities and care deeply about personal and company values alignment."

In Deloitte's summary of its survey findings, the firm essentially warns that employers' abilities to meaningfully engage their Gen Z and millennial workers has the potential to make or break their recruitment and retention efforts.

Take all the above factors into consideration and the cost of disheartened, floundering, and poorly engaged employees adds up quickly. In fact, Gallup suggests that fewer than 25% of employees are truly engaged at work, and bored workers in the U.S. alone cost businesses upwards of $550 billion annually in turnover, lost business opportunities, and numerous other related expenses. On a global scale, Gallup estimates that low employee engagement cost the economy around $8.8 trillion in 2022.

PwC's people and organization practice leaders aptly sum things up nicely when reflecting on their survey findings: "These numbers should be alarming to business leaders already facing struggles to retain talent. Younger generations make up the largest segment of the workforce and, as baby boomers retire, will comprise an even larger cohort in the future. If they're not happy—if they're told to simply follow orders handed down from the corner office—they will either leave the company, or they'll stay and post their concerns on social media, leading to internal distractions, lost productivity, and a reputational black eye for their employer."

The thing is that so many of the issues giving rise to turnover are arguably avoidable. How? Ask your employees.

Turnover Can Be Turned Down

According to Gallup, 52% of voluntarily exiting employees say their manager or organization could've done something to prevent them from quitting. Yet, most exiting employees (51%) say that during the three months leading up to their resignations, neither their manager nor any other company leader spoke with them about their job satisfaction or future with the organization. Were the warning signs missed or maybe just ignored altogether?

Based on our survey findings, it seems likely that the warning signs are often never even looked for or explored. We found that 28% of employers never ask their employees what benefits they value most.

On the flip side, an even higher number of employees (just over 33%) reported they're never asked about what benefits they value most by their employers. That's a problem.

Further, nearly 48% of employers don't (or don't know if they do) communicate defined advancement paths for employees, and almost 43% don't (or don't know if they do) offer a mentorship program, either formal or informal, to foster employee retention. Here again, we see a significant disconnect between what talent wants and what it gets: Just over 67% of employees responding to our survey view "career advancement paths and opportunities" as one of the most attractive benefits in an employer, while nearly 30% ranked "mentors/mentorship program" as one of their top desires.

What's more, just 39% of employers think the feedback gained from exit interviews is truly valuable—by the way, nearly 8% don't even conduct exit interviews. Yet, nearly 81% of employees say the feedback they provide during their exit interviews is at the very least somewhat candid (fewer than 6% admittedly aren't candid).

These findings highlight significant communication breakdowns between employers and their employees. Arguably, important learning and development opportunities are almost certainly being missed by both sides. The fact of the matter is employees stand ready to offer valuable insights to their employers—if they're willing to listen.

What's interesting about all this is that we've heard accounting and finance leaders acknowledge time and again that turnover is almost always an issue for them. Real regret has often been expressed over losing up-and-coming, promising, and prized talent. Reactionary statements like, "I wish we could've had a conversation first," often follow. It doesn't have to be like this.

Consider this: Entrepreneur Leadership Network Contributor Elisette Carlson suggests organizations "can get ahead of the actual 'exit' by conducting 'stay interviews.'" She says stay interviews are more proactive and productive, providing that employers listen and let their employees lead the interviews. "The purpose of this interview is to discover and learn," she says.

Gallup also urges employers to train managers to have "frequent, meaningful conversations with employees about what really matters to them."

Carlson suggests focusing on simple questions like:

- What do you love about working here, and what should we keep doing?
- What do you not like about working here, and what should we stop doing?
- What needs to change, and what should we start to do?

As one top 10 CPA firm partner told us, "We need to understand the mentality of the people leaving." Stay interviews, like compensation, won't be the be-all-end-all. The truth is there won't ever be a one-size-fits-all solution to quell high turnover across the profession. But, when looking at all the takeaways about all the issues driving turnover, it becomes clear that there are steps large and small that can be taken by any and every organization that's willing—even if only incremental—to make positive change. For those that truly care about resolving their retention issues—especially that regrettable turnover—proactively opening the lines of communication could lead to breakthroughs. After all, a simple conversation could be all that's needed to stop a star employee from quitting, or it could form the foundation of a new strategy or policy that greatly improves organization-wide culture, engagement, and—hopefully—retention.

Survey Highlights

Both current and former Illinois CPA Society members were surveyed throughout summer 2023 to gain a better understanding of what's behind the profession's long-term trouble with turnover.

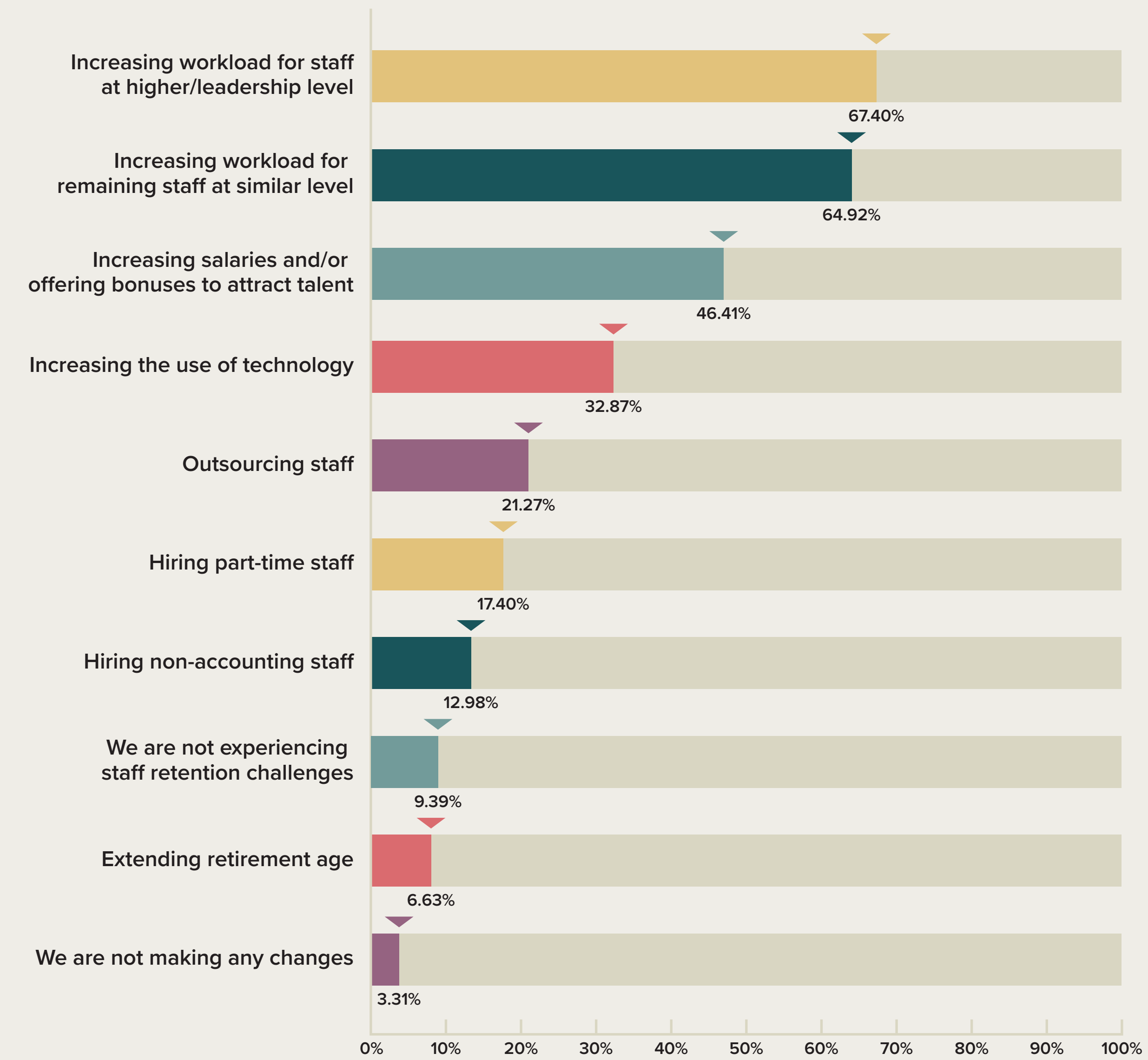
In soliciting employer feedback, 449 professionals in leadership and management roles responded, revealing the unique perspectives they have when it comes to retaining their accounting and finance talent.

In seeking to understand employees' motivations to resign from their roles, responses from 433 accounting and finance professionals were fielded and analyzed.

The results highlighted here reveal several areas where action can be taken to help improve talent retention.

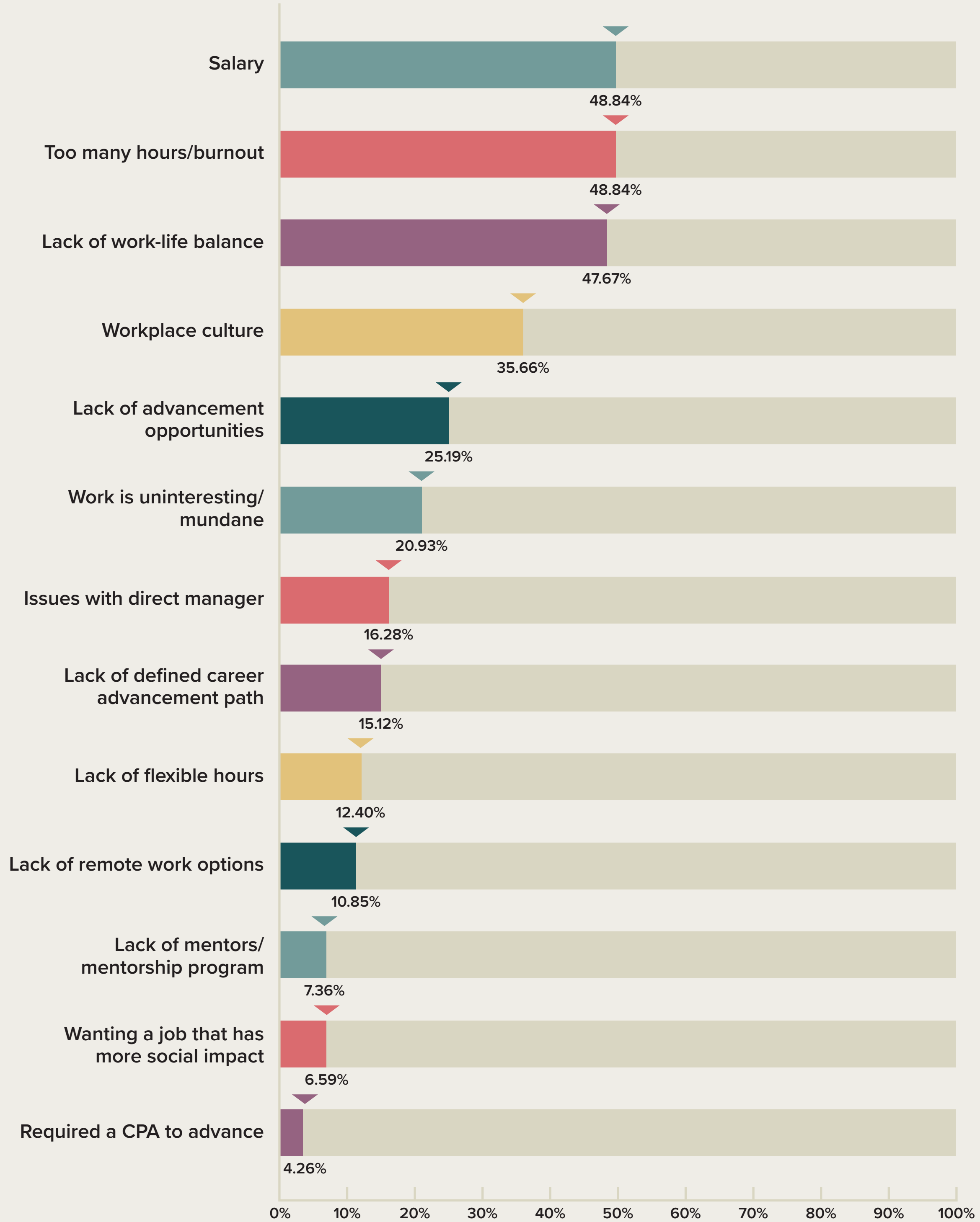
How are staff retention challenges impacting your organization?

Employer Response:



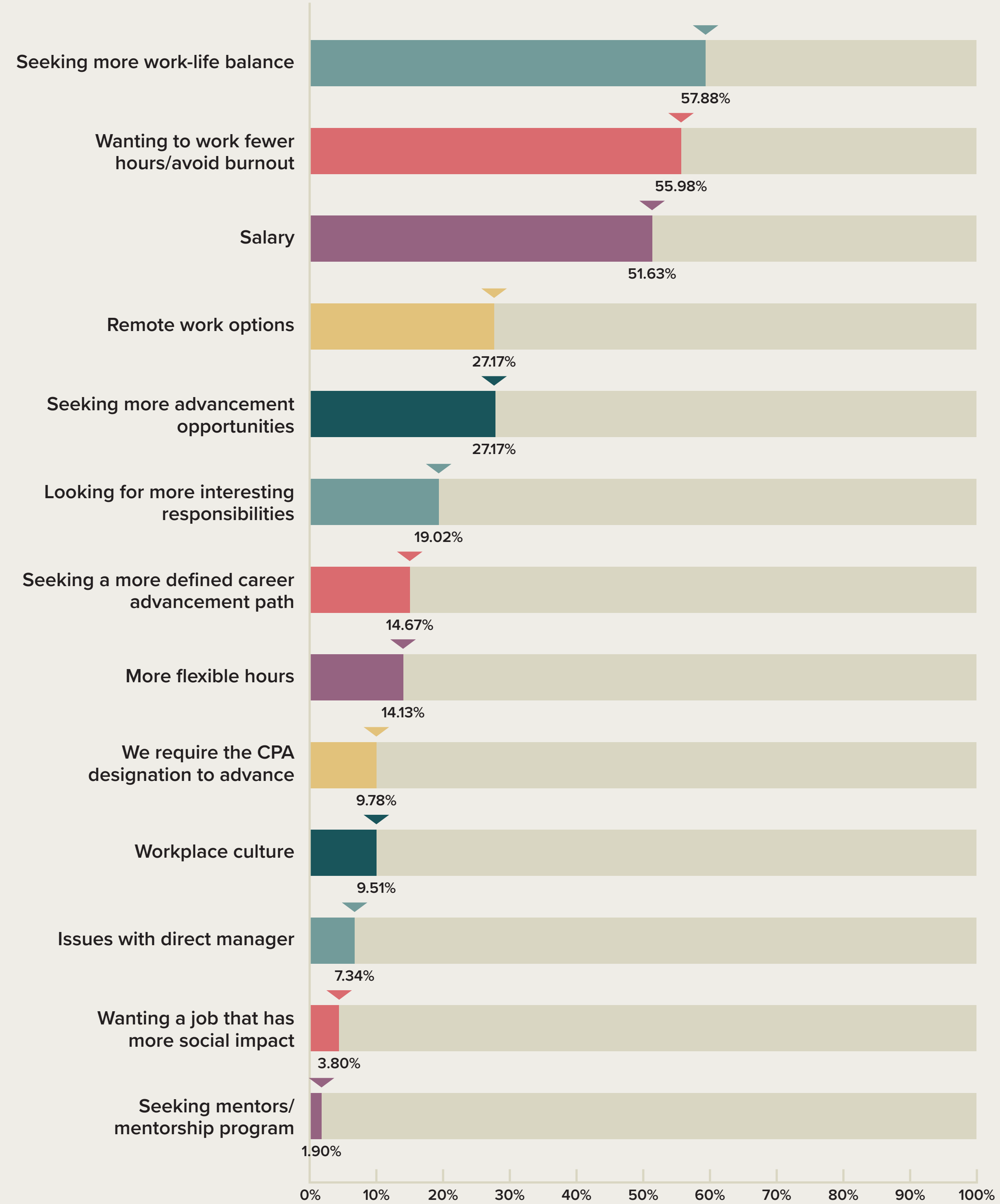
What are the top three reasons you decided to leave your employer(s)?

Employee Response:



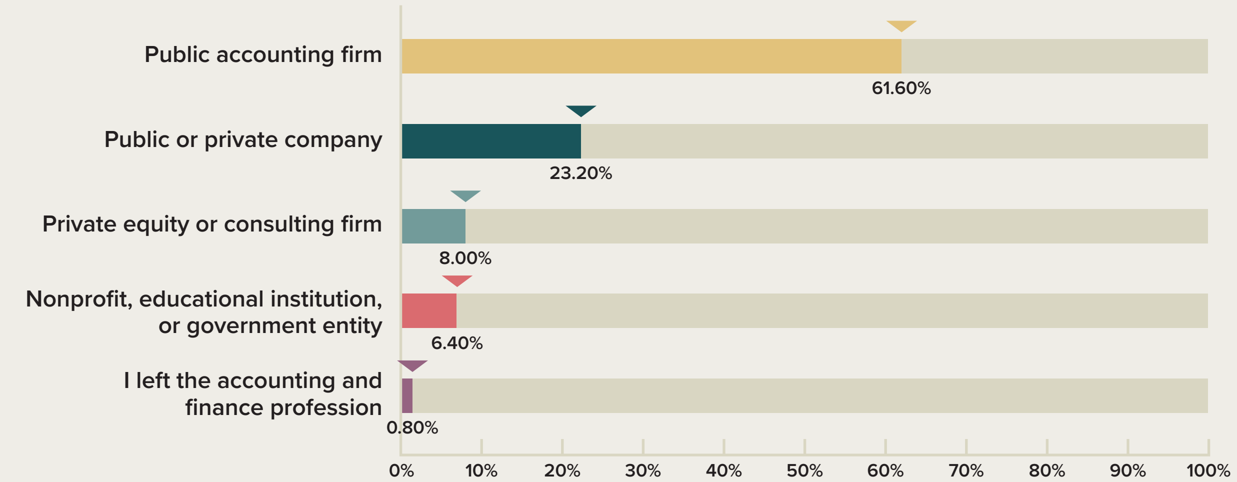
What do you consider to be the top three reasons for employee resignations?

Employer Response:



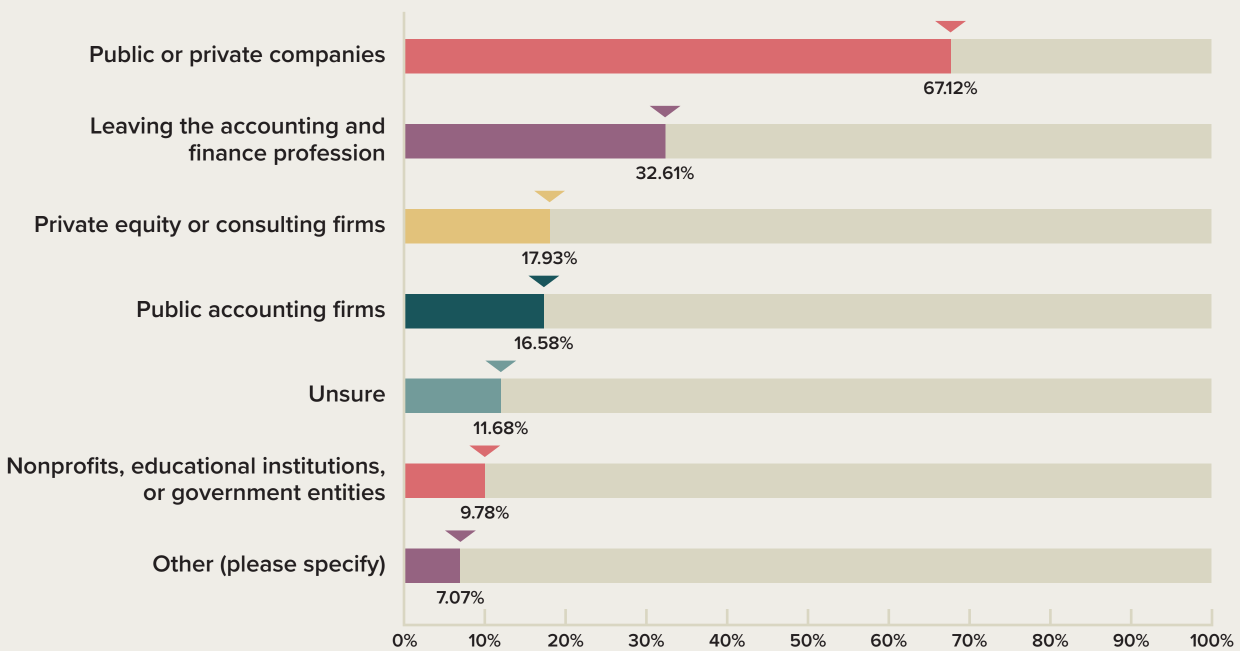
If you have left your organization within the last two years, what type of organization have you moved to?

Employee Response:



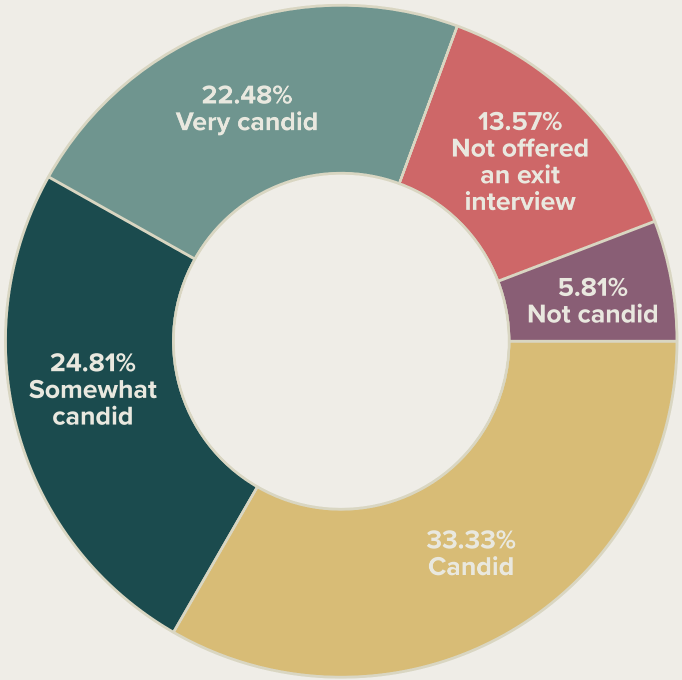
In your opinion, where is your organization losing talent to?

Employer Response:



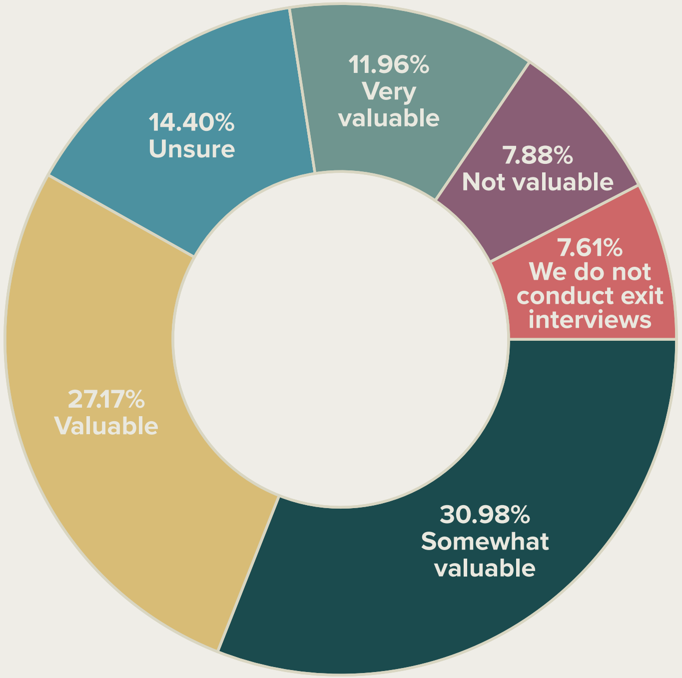
In exit interviews, how candid were you when sharing your reasons for leaving?

Employee Response:



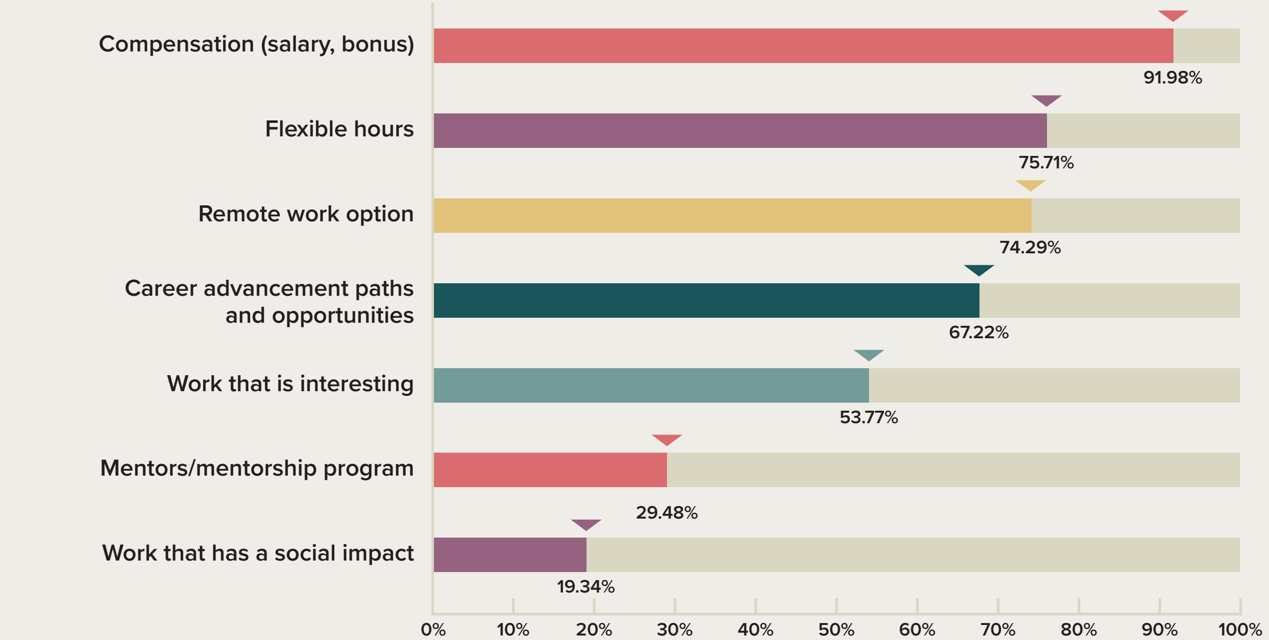
How valuable is feedback obtained from exit interviews?

Employer Response:



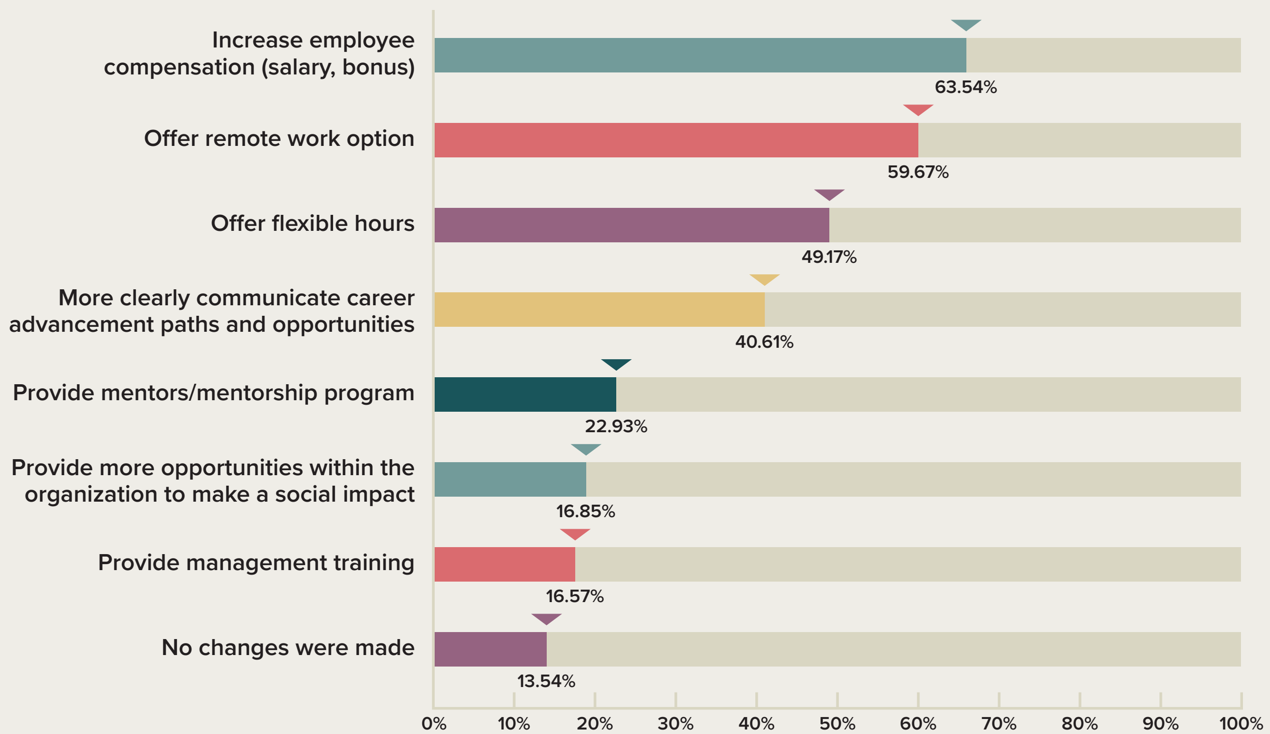
What benefits are most attractive in an employer?

Employee Response:



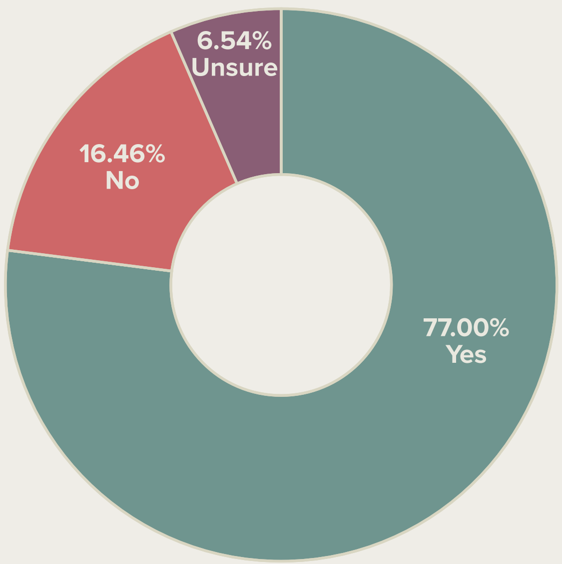
What changes has your organization made to improve employee retention within the last two years?

Employer Response:

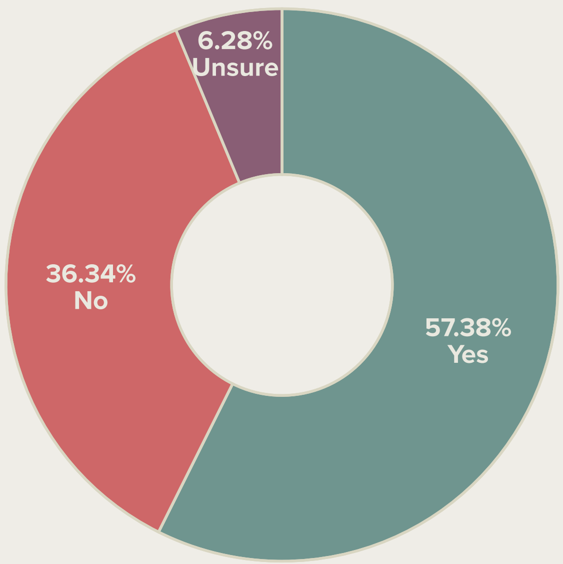


Does your organization have a mentorship program (either formal or informal) to foster employee retention?

Employee Response:

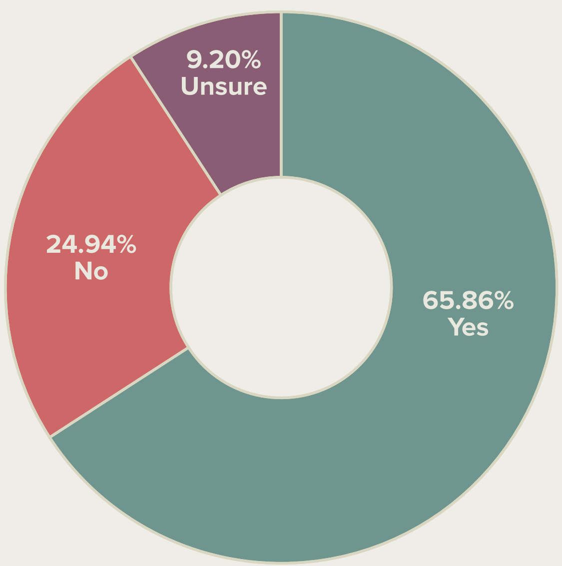


Employer Response:

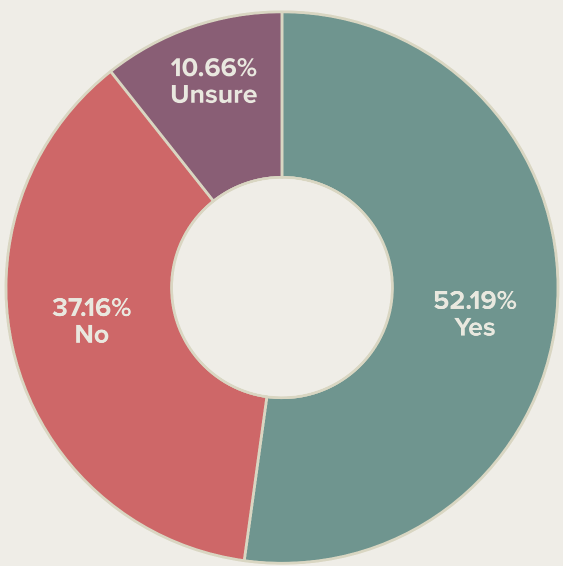


Does your organization communicate a defined career advancement path for employees?

Employee Response:



Employer Response:



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