

## **Accounting students' perceptions on employment opportunities**

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### **ABSTRACT**

Understanding student perceptions of future employment opportunities is important to educators and recruiters. Knowledge of the student perceptions can be used to guide instruction, advice, and recruiting tactics. Prior research has identified that governmental accounting has a lower perceived value than public or private accounting. The current research addresses these three broad areas with a field experiment given at a small southern university. The current findings indicate that students prefer public accounting as their first choice of career while private industry accounting and working for the federal government offer desirable jobs as well. In choosing long-term career paths, private accounting and public accounting lead the way. One interesting finding reveals that the students perceive no difference in the work-life balance issues offered between public, private, and governmental accounting.

Key Words: students, careers, public accounting, governmental accounting, private accounting

## INTRODUCTION

Employment opportunities abound for graduating accounting majors. According to government figures, 1.2 million jobs were held by accountants in 2004. Heading into 2014, the demand for accountants will continue to grow. Estimates show the number of accounting positions growing by 386,000 (U.S. Department of Labor). Evidence on whether the number of accounting graduates is increasing is mixed. Albrecht and Sack (2000) and a survey by the Institute of Certified Public Accountants (AICPA 2000) reported graduates are declining while a new AICPA (2005) survey is showing the number of accounting graduates to be increasing.

An increasing number of accounting graduates would be a welcome relief to many accounting recruiters. As noted in the AICPA's Private Companies Practice Section (PCPS) Human Capital Center, staffing has been the number one concern over the past ten years in the PCPS/MAP Top 5 Issues Survey (AICPA 2007). The 2007 Employment Dynamics and Growth Expectations (EDGE) Report identifies that 57% of hiring managers reported difficulty in hiring qualified staff (Robert Half International 2007). As the need for these accounting graduates increases, the perceptions of the accounting graduates themselves about future opportunities is of importance. Shivaswamy and Hanks (1985), McKenzie (1992), and Nelson et al. (2002) examined student perceptions in a variety of accounting fields while Felton et al. (1994) examined the choice of career as a chartered accountant or non-chartered accountant. The intent of this paper is to supplement this limited research on student perceptions about career opportunities. The current study is unique in its analysis through adding ANOVA in the methodological design, by surveying perceptions on initial and long-term careers, and addressing initial and long-term earnings perceptions.

The current findings indicate that students prefer public accounting as their first choice of career while private industry accounting and working for the federal government offer desirable jobs as well. In choosing long-term career paths private accounting and public accounting lead the way. One interesting finding reveals that the students perceive no difference in the work-life balance issues offered among public, private, and governmental accounting.

The remainder of this paper is organized as follows. The next section reviews literature and methodology used. Then, research results are presented. The last section presents conclusions, limitations and future research.

## LITERATURE REVIEW

While recruitment of accounting graduates is competitive, there is not a direct estimate of hiring needs. As a proxy for this information the AICPA (2005) survey identified the placement of 57.15% of undergraduate and graduate accounting majors into the categories of public accounting (34.96%), private accounting (19.39%), and governmental accounting (2.8%). A large group of graduates (26%) were unidentified as to the area of accounting placement and some continued on to graduate school (17%). These findings show a strong tendency for graduates to pursue public accounting with little attention directed toward governmental accounting. This study also supports findings from previous studies on student perceptions about future career paths by Shivaswamy and Hanks (1985), McKenzie (1992), and Nelson et al. (2002). Students preferred the opportunities offered by public and private accounting. Looking to the attributes of accounting positions and students' inherent interests will help in providing

insight to understanding student acceptance of jobs. The articles described in this section provide a basis for identifying student perceptions on future career options.

Research on student perceptions of job opportunities generally consists of rating job attributes. Carpenter and Strawser (1970) studied student perceptions on job attributes to help local firms to understand how they might compete with the much larger national firms in recruiting employees. They found that students ranked (1) nature of the work, (2) opportunities for advancement, (3) starting salary, (4) working conditions, and (5) job security, respectively as the top five attributes. They characterized their findings as favoring smaller local firms because the students didn't highly rank attributes believed to be favoring national firms such as, "company reputation" and "opportunity for graduate study." In fact, the highest GPA students were almost evenly split (only 5 of 9 selected a national firm) on selecting a local firm verse a national firm as a first preference. They suggest that communication of the opportunities in small firms is a key component to helping level the recruiting playing field. Schmutte (2001) had students and recruiters from national, regional, and local firms evaluate 36 employer attributes that characterized eight factors such as, personal issues, compensation, technical development, and professional development. He found that students held different views from the recruiters (many statistically significant differences from the regional and local firms) on the importance of many of the attributes. Students considered individual attributes as "support for entry level staff," "flex time scheduling" (actually fourth highest rating in that factor), "future earnings potential," "salary offered," "promotion and advancement opportunity," "opportunity to use skills and abilities," and "independence in completing work" as the top one or two attributes for each factor. He also suggests that developing and delivering the "recruiting message" helps in competing for employees.

Bundy and Norris (1992) identified 35 characteristics used in job selection and evaluated students on those preferences with attention given to gender, age, career aspiration, and work experiences. The combined or overall results found "job security," "challenging and interesting work," "advancement potential," "employer paid health insurance," and "personalities of supervisors and co-workers" respectively as the most important attributes of job selection. Gender differences were only significantly different for specific issues as, employer paid pregnancy leave and on-site day care. Age differences were significantly different for those over 25 favoring starting salary and employer paid pregnancy leave. In career aspirations, public accounting was ranked number one by 43 percent of the students followed by private industry at 33 percent and the remaining 24 percent split their number one choice between internal auditing, governmental, graduate/law school, or other. This research generally concludes that job preference would not vary based on the major job attributes. Peterson and Devlin (1998) conducted an international study on 14 job attributes and found no significant difference between the ratings of U.S. students and New Zealand students. Top picks for the groups included "opportunity for advancement," "opportunity for self-development," and "job security."

A smaller group of researchers has used different techniques to evaluate student preferences for jobs. Felton et al. (1994) used a discriminant analysis to identify what separates students choosing careers in chartered accountancy from those who do not. The analysis revealed that over 50% of the discriminating variance related to variates of initial earnings, job market conditions, intrinsic values, and long-term earnings. In the analysis initial earnings and long-term earnings were stand alone variables. The job market factor was a variate of four variables: plentiful supply of jobs, job security, flexibility of career options, and advancement opportunities. The intrinsic value variate consisted of four variables on a statement of "I would

like a job that”: challenges me intellectually, have a dynamic atmosphere, allows creativity, and allows independence. The remaining discriminatory power was associated with taking accounting in high school and the cost/benefit of pursuing an accounting career. Shivaswamy et al. (1985) studied attitudes of students toward governmental accounting. Students were generally neutral in their perceptions of governmental accounting. However, lower GPA students and women rated many of the governmental accounting attributes favorably while job security was the most highly ranked attribute for governmental accounting. McKenzie (1992) revisited student perceptions of governmental accounting through a field experiment. Perceptions toward public accounting, private accounting, and governmental accounting were evaluated. The results supported the findings of the Shivaswamy and Hanks (1985). Both Shivaswamy and Hanks (1985) and McKenzie (1992) provided little information on the findings related to public and private accounting other than governmental accounting fell behind them.

To update the authors’ understanding of student perceptions toward potential employers the following research question is addressed: How do students view accounting employment opportunities? The following methodology describes the basis for gaining information on all three major accounting fields.

## **METHODOLOGY**

A field experiment was designed to identify student perceptions on the three broad areas of accounting careers: governmental, private industry, and public accounting. The experiment was designed to manipulate which area of accounting a student would receive as an entry level position. The experiment also included survey items designed to gather information on demographics, the students’ first choice of an accounting career, a ranking of fields of accounting for the students’ desirability of a long-term career, educational plans, and pursuit of certifications. The experimental statements were developed from statements addressed in prior research and particularly those by Shivaswamy and Hanks (1985) and Felton et al. (1994). Several faculty members reviewed the instrument as a pretest and found the instrument to be satisfactory. To broaden the information gathered on the field of first choice and rankings of long-term careers, governmental accounting was divided into the two sections of federal and state government. A not-for-profit firm category was also added.

The experiment was administered to juniors and seniors accounting majors at a small southern public university that offers an undergraduate business degree program but no graduate business program. Students were instructed that the experiment/survey was voluntary but that their participation was important and appreciated. To the authors knowledge no one in the surveyed courses did not complete the experiment/survey. There were a total of 58 surveys received. Surveys were considered usable for the experiment if the respondents correctly answered a manipulation check question regarding the field of accounting identified as their assigned career on the instrument. The manipulation check question was listed on the second page of the survey and stated, “Please indicate which type of entry level position you were offered at the beginning of the survey. (Please do not refer back to page 1.)” There were a total of nine unusable surveys, resulting in a usable response rate was 84 percent.<sup>1</sup>

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<sup>1</sup> The small sample size causes a slight normality concern but SPSS analysis of mean values after accounting for the highest upper and lower values reveals minimal impact for normality and outliers (Pallant 2001). Group sizes are 13 respondents for the governmental subgroup, 18 respondents for the private industry subgroup, and 18 respondents for the public accounting subgroup. Fifty nine percent of the survey population was female.

The survey consisted of 11 statements on the attributes of the entry level position. Each statement was evaluated on a Likert scale of one (strongly disagree), to five (strongly agree). Experiment statement number three was worded in a negative fashion, “This job has low potential for career advancement.”<sup>2</sup>

The experimental design questions are evaluated with ANOVAs. The research design allows for eight ANOVA analyzes. There are four questions that are scaled together to evaluate a latent construct identified as “intrinsic values.” This approach was used in Felton et al. (1994) as a construct for their discriminant analysis.<sup>3</sup> The remaining survey and demographic data are evaluated with descriptive statistics.

## RESULTS

### Descriptive Statistics

Students in the survey valued public accounting as the first choice of a career to pursue after graduation. Private accounting positions offered the next most desired positions while no students desired pursuing a position with a not-for-profit organization. Table 1 provides the detailed percentages on first career selections of students. The table also gives a comparison of the current study to a national survey. The main differences are noted as a shift from public accounting to more interest in private accounting and careers in the federal government. However, Table 2 reveals that students desire a shift away from public accounting for a long-term career. Over 40 percent of the students feel that private industry will provide the most desirable long-term career.

Tables 3 and 4 provide information on the students’ pursuits of additional education and certifications. Over 40 percent of the students intend to pursue an MBA while less than 20 percent want to pursue more specific advanced accounting degrees. This provides mixed results when compared to Nelson et al. (2002). Nelson et al. (2002) found that the Masters in Accounting would be the most pursued additional education while only 16 percent would pursue the MBA. In both the Nelson et al. (2002) and the current study the CPA designation is identified as the most pursued certification. Nelson et al. (2002) did not survey the CFE designation but interestingly the CFE and CMA were tied in the current study with 12 percent of the respondents indicating a preference to pursue these certifications.

#### Experiment Results

The experimental results provide an interesting analysis of how students view potential employment opportunities. For the eight experimental variables, the students perceived significant differences in only five variables. This is similar to the findings from both Shivaswamy and Hanks (S&H) (1985) and McKenzie (1992). Tables 5 and 6 provide an overview of the experimental findings.

Students consider the starting salary for public accounting and private industry positions to be comparable. Both are considered to offer higher earnings than governmental positions. In moving to long-term earning potential things change. The ANOVA analysis does identify a significant difference in the groups, but it is slightly different from the initial earnings findings.

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<sup>2</sup> The question was recoded for the SPSS ANOVA analysis. The negative question was intended to keep the respondents actively reading the questions.

<sup>3</sup> The appropriateness of this construct was tested through a reliability analysis. The analysis revealed a Cronbach alpha of .69.



By using Tukey's HSD, public accounting careers were identified as offering higher long-term earnings than governmental positions. However, in the long-term students feel that private industry positions and governmental positions offer comparable earnings. While the S&H and McKenzie studies did not separate their research by high initial earnings and high long-term earnings a trend toward lower perceptions of the earnings available in governmental careers appears to be developing. The current study and McKenzie both identify that governmental careers are rated as offering lowering potential earnings.

Of the significant differences identified through the ANOVA analyzes, governmental careers did the best when considering non-monetary benefits. The benefits (also considered "fringe benefits") offered by governmental entities are ranked higher than private industry on mean score but not significantly different. The governmental benefits are considered significantly higher than those offered by public accounting. Governmental accounting also fares well in job security. Although governmental careers are not mean ranked as highly as public accounting on job security the students did not perceive a significant difference between governmental and public accounting. The students did consider there to be a significant difference between public accounting and private industry accounting. This difference is expected to relate to the media presentation of large job cuts that occur in private industry.

The variable "intrinsic values" identifies that students consider public and private accounting comparably. Governmental accounting was considered to offer less opportunity for using creativity, challenging students intellectually, allowing independent work, and being an enjoyable position in which to work than either public or private accounting. This is similar to the findings of S&H and McKenzie where approximately 20 percent of their respondents favorably rated some of these issues for governmental accounting but rated the issues much higher for both public and private accounting.

Finally, of the three non-significant findings, two interesting issues are identified. One finding is dissimilar to the S&H and McKenzie studies. The descriptive statistics from both the S&H and McKenzie studies rate the work-life balance issue high or higher for governmental accounting than those of public or private accounting careers. In the current study, no significant difference was identified between the three groups. This would have to be attributed as a great success (improvement) for public accounting. An additional interesting finding relates to the variable associated with financial security (this was not addressed in the S&H and McKenzie studies). The students perceived a difference in initial earnings between the governmental jobs and the others, considering governmental jobs to offer lower earnings. However, in a more long-term consideration of financial security no significant difference was associated to the public and private careers. This is a very good finding for the entities offering governmental positions and could be capitalized on in the recruiting process.

## **CONCLUSIONS, LIMITATIONS AND FUTURE RESEARCH**

The current findings indicate that students prefer public accounting as their first choice of career while private industry accounting and working for the federal government offer desirable jobs as well. In choosing long-term career paths private accounting and public accounting lead the way. One interesting analysis reveals that the students perceive no difference in the work-life balance issues offered between public, private, and governmental accounting. One other interesting analysis reveals that the three groups are considered comparable in offering financial security from holding those jobs. In general, the ANOVA analyzes used in this study agree with

the trend identified by Shivaswamy and Hanks (1985) and McKenzie (1992). The research shows governmental accounting lacking behind in student perceptions when compared with public and private accounting. However, governmental accounting does rank higher than not-for-profit accounting careers. This does leave the overall perception that public and private accounting holds the job attributes desired by accounting graduates.

Future research can address faculty perceptions on student employment opportunities. This will provide insight on how faculty may be influencing student perceptions through classroom comments or individual advice. Other future research could expand the sample population to a larger group. Additionally, research could evaluate the perceptions of graduates within the first couple years of holding an accounting position to identify changes in perceptions on job attributes.

Limitations of the study include the use of a single university, a small sample size, and a small sample for within group classifications in the experiment. Each of these items can limit the generalizability of the study. However, the similarity of the results to previous studies and the availability of the data make this an adequate case study representation.

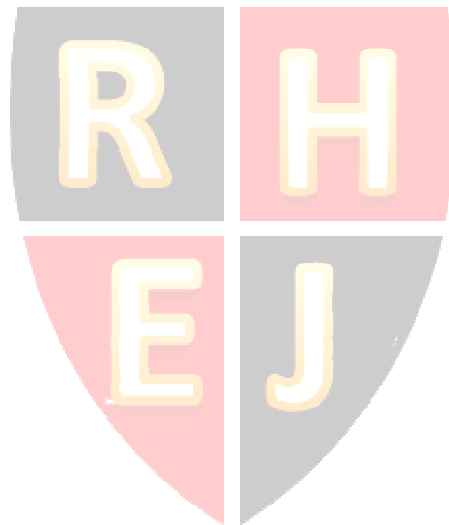


Table 1  
“First Choice of Accounting Career to Pursue”

First Choice to Pursue as a Career	Nelson et al. (2002) Study (%)	Current Study (%)
Government - State/Local	4.7	4.1
Government - Federal	Combined	12.2
Private Industry	19.0	34.7
Public Accounting	65.8	44.9
Not-for-profit	NA	0
Education/Other/ No Accounting Career	9.78	4.1

Table 2  
“Long-term Accounting Career Choice”

Long-term Career Choice	Most Desirable %	Least Desirable %	Average Rank
Government - State/Local	8.2	12.2	3.22
Government - Federal	24.5	12.2	2.74
Private Industry	40.8	4.1	2.04
Public Accounting	30.6	16.3	2.53
Not-for-profit	0	46.9	3.98

Ranks are based on 1=most desirable, 5=least desirable.

Table 3  
“Pursuit of Additional Education”

Additional Education	Frequency	Percentage
Masters in Accounting	9	18.4
Master of Business Administration	21	42.9
Other	7	14.3
None	12	24.5

Table 4  
“Pursuit of Certification”

Certification	Frequency	Percentage
Certified Public Accountant (CPA)	37	75.5
Certified Internal Auditor (CIA)	4	8.2
Certified Management Accountant (CMA)	6	12.2
Certified Fraud Examiner (CFE)	6	12.2
Certified Government Financial Manager (CGFM)	1	2.0
None	12	24.5

Students were allowed to choose as many certifications as they felt they would pursue.



Table 5  
“ANOVA Results”

Variable	Mean	F-value	p-value	
High Initial Earnings	Public	3.778	7.088	.002
	Private	3.278		
	Governmental	2.385		
High Long-term Earnings	Public	4.000	3.983	.025
	Private	3.722		
	Governmental	2.923		
High Non-monetary Benefits	Public	3.500	2.658	.081
	Private	3.556		
	Governmental	4.154		
High Job Security	Public	4.111	2.498	.094
	Private	3.500		
	Governmental	3.750		
Provides Desired “Intrinsic Values”	Public	14.057	4.887	.012
	Private	13.500		
	Governmental	11.091		
High Financial Security	Public	4.222	1.380	.262
	Private	3.889		
	Governmental	3.692		
High Career Advancement (this was a reversed coded question)	Public	3.944	1.400	.257
	Private	3.667		
	Governmental	3.231		
Desirable Work-Life Balance	Public	3.222	.097	.908
	Private	3.333		
	Governmental	3.231		

Table 6  
“Multiple Comparisons with Tukey’s HSD”

Variable	Significant Difference in Pairs		p-values
High Initial Earnings	Governmental	Public	.001
	Governmental	Private	.052
High Long-term Earnings	Governmental	Public	.022
High Non-monetary Benefits	Governmental	Public	.094
High Job Security	Public	Private	.078
Provides Desired “Intrinsic Values”	Governmental	Public	.011
	Governmental	Private	.045

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