



A FAMILY OF TAX BRANDS PUBLICATION SERIES:

2018

DIVERSITY IN TAX REPORT

Building Racial and Gender Diversity in the Tax Profession

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EXECUTIVE SUMMARY

Commitment to Inclusion and Diversity

Our *Family of Tax Brands'* commitment to inclusion and diversity shapes our approach to serving our clients. Through our annual publication series, we identify innovative approaches to attract, hire, and retain top tax talent. Our unique perspective enables us to see the critical intersections between retention, development, and hiring – the formula that creates an optimal tax department.

With the data from this report, you get the opportunity to drive the motion for a more diverse workplace. As you'll see in the findings, racial and gender diversity are increasing at a sustainable rate. As the market becomes more diverse, companies will need to keep up if they want to survive. Eventually, it will reach its tipping point and diversity will become the norm.

Our entire publication series, including the Diversity in Tax Report, is the only of its kind for corporate tax departments. Many of the greatest ideas come from a diverse group of minds, background, and experiences – something we aim to bring to light through our publications.



About This Survey

For over a decade, we've been providing diversity data for the tax profession, the only report of its kind. Through our efforts to address diversity in the tax profession, TaxTalent seeks to increase awareness of the issue and motivate companies to attract and promote diverse talent in their organizations.

We'd like to sincerely thank all of the Big 4 accounting firms, Ernst & Young, Deloitte, PwC, and KPMG, for providing us their workforce data over the last decade and supporting diversity and inclusion in the tax and accounting profession. We also appreciate the IRS for making their workforce data public, allowing us to increase diversity awareness in the government sector.

Like our previously published diversity studies, we analyzed data from the U.S. Bureau of Labor Statistics, the Big 4 public accounting firms, and the AICPA's 2017 Trends Report to further support our analysis.

Each year, we compare this data to our proprietary database of corporate in-house tax professionals, the largest database of its kind in the U.S. The comparison shows that the Big 4 data mirrors that of corporate in-house tax departments. This comes as no surprise as the majority of the in-house staff comes from the Big 4.

We look forward to other organizations providing diversity data for the tax profession, but until then we are committed to providing this information with our partners. If you have additional ideas or suggestions for future studies, please contact us at 843-216-7444.

KEY TAKEAWAYS

01

THE GOOD NEWS:

The data indicates that racial and gender diversity is gradually increasing overall, both in the government sector and in the Big 4 public accounting firms.

02

While diversity is slowly increasing in the public accounting sector, as employees advance to more senior-level roles, the level of racial diversity drastically shrinks.

THE BOTTOM LINE? In public accounting, racial diversity significantly decreases at the Partner and Principal levels.

03

Although women represent over half the employees at entry to senior staff levels, their numbers diminish by 54% relative decrease as they advance to the Partner and Principal levels. This finding is consistent with our own proprietary database analysis of corporate in-house tax departments.

04

The IRS has steadily attracted the greatest number of women over the last several years, specifically in the roles of Tax Examiner, Tax Collector and Revenue Agent.

05

While the minority representation for public accounting firms and government are mostly in-sync, the major outlier is the Black and African-American group. The group represents only 4% in public accounting, but 16% in the government sector.

RECOMMENDATIONS



CELEBRATE COMPANY DIVERSITY INITIATIVES

Throughout the last decade, the data indicates that diversity in the tax profession has been gradually increasing in the Big 4 public accounting firms and the government sector. Diversity initiatives that many companies, including the Big 4, promote in the workplace may be contributing to the overall increase in racial and gender diversity.

Companies should continue to create a culture of inclusion and position themselves as an organization that embraces diversity. The companies who practice this will be employers of choice for minority and female candidates and diversity will only continue to grow.

- ❖ Companies should also celebrate and endorse the diversity that may currently exist in their tax departments. External and internal marketing initiatives that promote this existing diversity will market the company in a positive manner and solidify the company's brand as a diverse and inclusive organization.

▪ WHAT YOU CAN DO

Creating a company culture of inclusion must start at the top with leadership. Management should lead by example when it comes to diversity in the workplace. One way to do this is to create a committee within the company that is solely dedicated to promoting and celebrating diversity.

This group could champion the idea of diversity and market the company as an organization that is at the forefront of racial and gender diversity. Ensure this group has a pulse on the latest diversity trends and is consistently seeking new ways to increase inclusion within the company.

RECOMMENDATIONS



ENCOURAGE GROWTH FOR DIVERSE EMPLOYEES

While the data indicates gender and racial diversity in the accounting and tax profession are rising overall, at the Partner and Principal levels diversity sharply declines. To combat this statistic, companies should work to identify leadership potential in minority and women employees and encourage growth opportunities and promotions. Promotions should initiate a surge of much-needed diversity in high-level leadership roles.

- ❖ When women and minorities fill more Partner and Principal roles, it will create a domino affect and diversity will significantly increase at all levels.

▪ WHAT YOU CAN DO

Company leaders should work to create a clear pathway for women and minorities to be promoted into high-level roles. *For example:*

Companies should provide the option of flexible working hours for mothers as a way to support a woman that may be interested in a leadership role. Leaders who are respectful towards religious holidays and cultural traditions will show minorities they are valued and that they have opportunities for growth. Companies should also provide mentoring services to diverse employees with leadership potential.

- ❖ If Mentoring is not available through internal resources, TaxTalent offers a free, on-demand [Mentor Program](#) through the TaxTalent Community.
- ❖ Mentoring is an effective way to groom future leaders in the tax profession.

RECOMMENDATIONS



PROMOTE DIVERSE ENROLLMENT IN ACCOUNTING PROGRAMS

The tax and accounting students of today are the leaders of tomorrow. A robust percentage of minority students and women enrolled in tax and accounting bachelor's and master's programs will lay a strong foundation for a future diverse tax profession. Encourage prospective students to take advantage of the many scholarship opportunities available specifically for minority and women students in tax and accounting programs.

Companies should also focus their recruitment efforts on diverse students. To go further, your company could sponsor a scholarship or internship program specifically for minority and women students.

- ❖ These efforts will contribute to a future workplace that is **overwhelmingly diverse in culture.**

▪ WHAT YOU CAN DO

One solution for increasing program enrollment rates of diverse students is to advertise and promote the positive benefits of a career in tax and accounting.

As students begin to make enrollment decisions, they should be aware of the variety of scholarships available to minority students and women who may be interested in a career path in tax and accounting.

- ❖ AICPA's Scholarship for Minority Accounting Students and the American Women's Society of Certified Public Accountants (AWSCPA) provide financial awards to select minority students and women to encourage their pursuit of accounting as a major and their ultimate entry into the profession.
- ❖ [TaxTalent](#) also has a database of Tax and Accounting Scholarships which can be [accessed here](#).

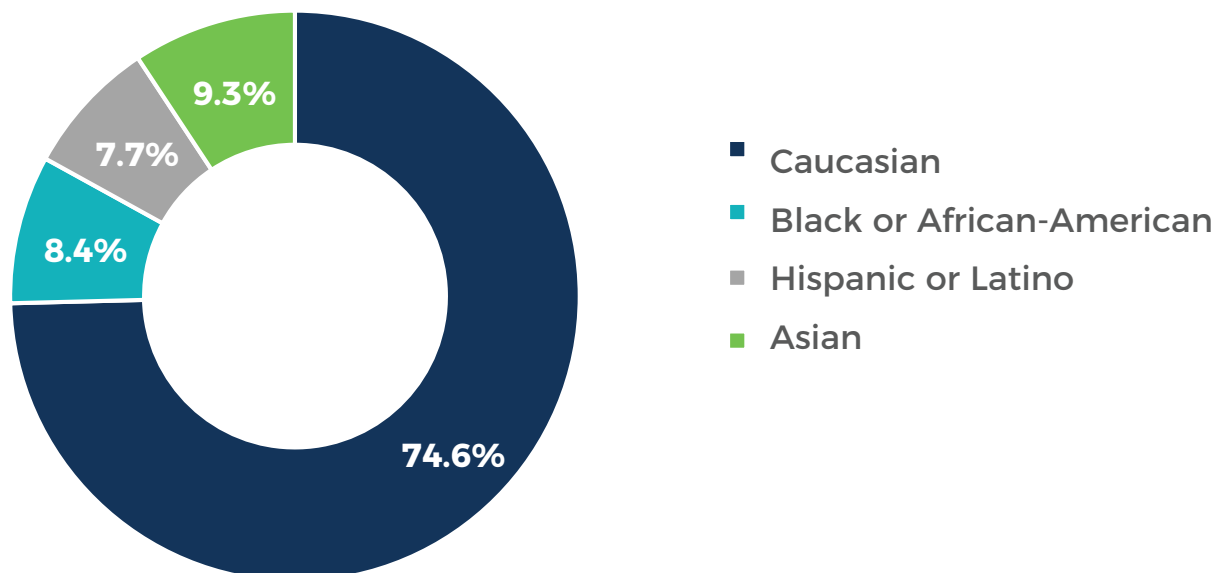
CIVILIAN LABOR FORCE ANALYSIS

2017 RACE DATA

As seen in the chart below, Caucasians continue to hold the largest representation in the labor force amongst individuals with a bachelor's degree or higher level of education. Despite their overwhelming presence in the civilian labor force, we believe that the decrease in Caucasians from **75.5% in 2012** to **74.6% in 2016** is due in part to the number of Baby Boomers, a group predominantly made up of white males, exiting the workforce.

The complexity of the U.S. tax code makes it difficult to export work or import workers. As a result, we should focus on increasing the pool of minority students enrolling and graduating from tax and accounting programs.

Racial Comparison: Civilian Labor Force



PUBLIC ACCOUNTING ANALYSIS

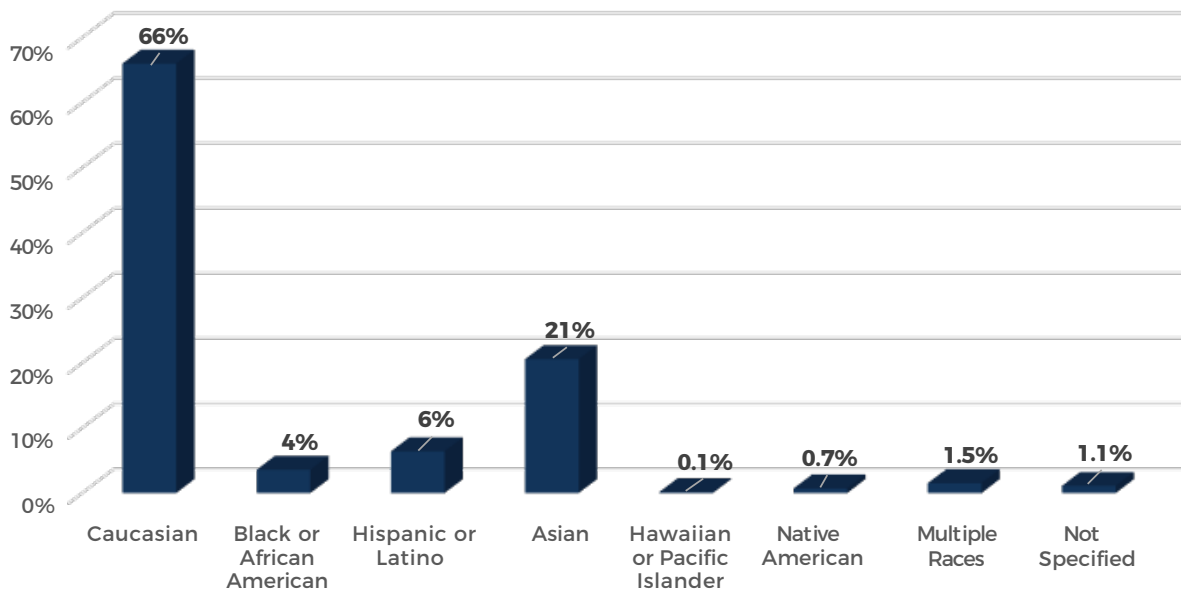
2017 RACE DATA

While Caucasians continue to be the most represented race in the Big 4, the overall percentage of this group has decreased to 66% from 68% in 2014.

Since 2014, Black/African-American presence has increased to 4% (a relative increase of 14%), and Asians have increased to 21% (a relative increase of 16.6%). Hispanics/Latinos have remained steady at 6%.

- ❖ The increase in diversity shows that the public accounting sector is taking corrective measures increase the overall representation of all races.

Racial Comparison: Big 4 Public Accounting Firms



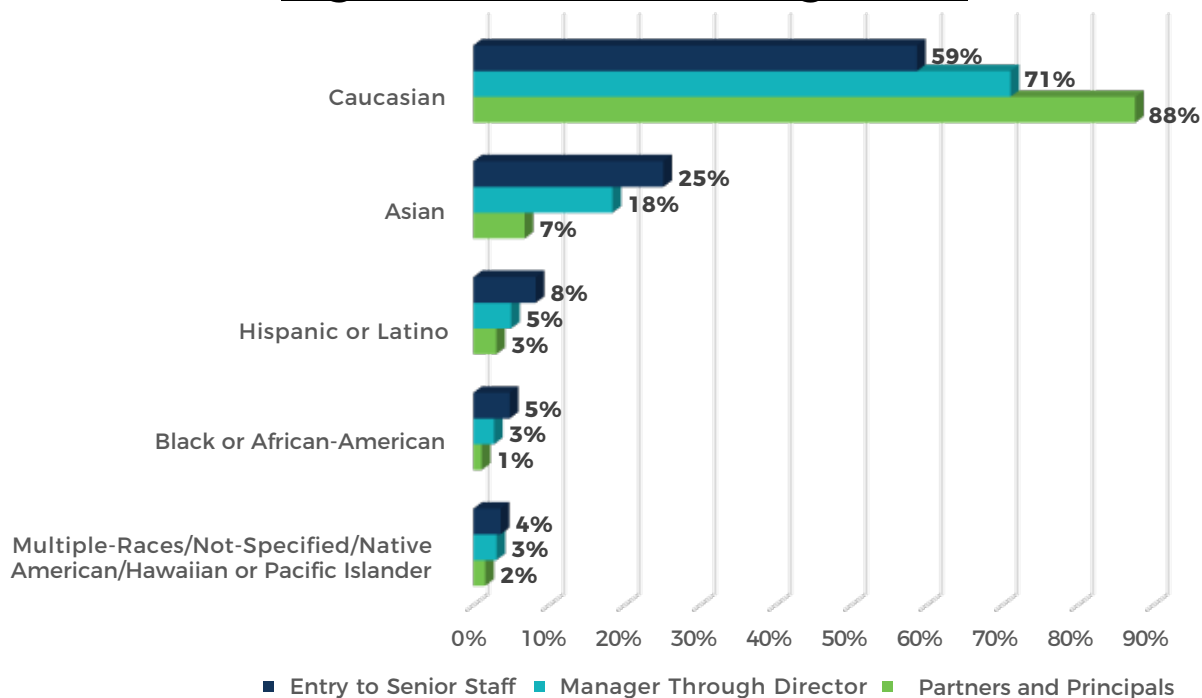
PUBLIC ACCOUNTING ANALYSIS

2017 RACE BY TITLE DATA

We also compared minority representation by job titles within the Big 4 accounting firms. Asian representation has increased to 25% at the entry to senior staff levels. At the Partner and Principal levels, Caucasians take the lead at 88% as minority representation drastically decreases.

We discovered there is a clear inverse relationship between job titles and racial diversity. As seen in the chart below, as employees advance to more senior-level roles, the level of diversity decreases *88% of partners are Caucasian, a relative decrease of 2.3% since 2014*).

**Racial Comparison by Title:
Big 4 Public Accounting Firms**



PUBLIC ACCOUNTING ANALYSIS

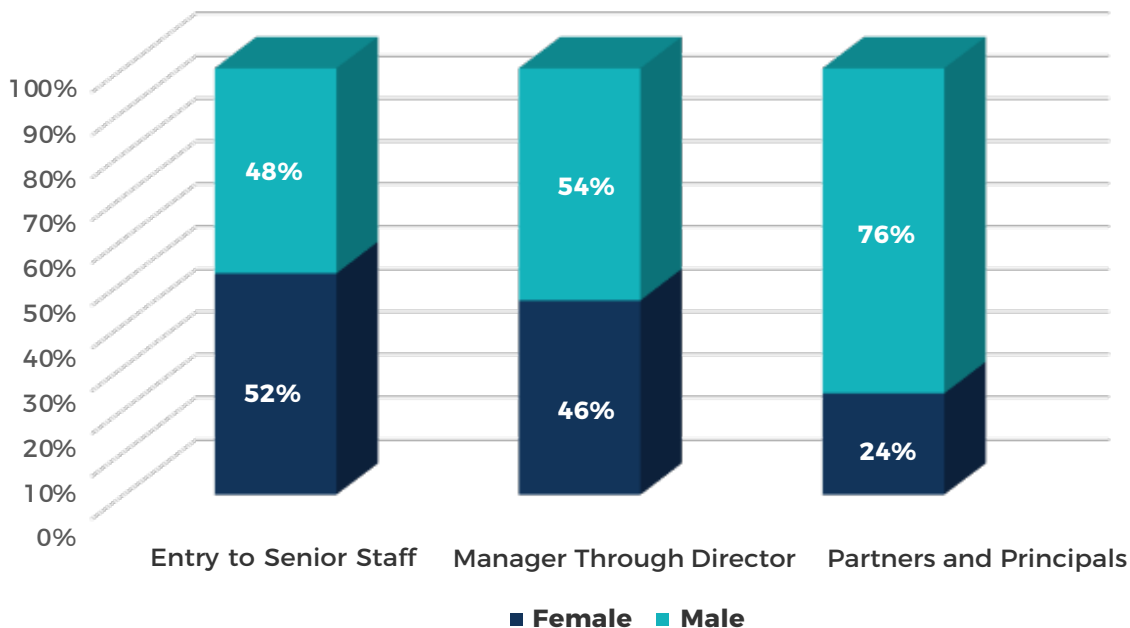
2017 GENDER BY TITLE DATA

We also compared genders by job title within the Big 4. The data indicates women continue to outnumber men in entry to senior-staff positions, with women holding 52% of these roles. However, at the Manager through Director level, the percentage of men begins to steadily increase. This data is consistent with an analysis of our proprietary database of corporate in-house tax professionals. We found that of 585 companies with global sales of \$1-9 billion, 23% have a woman head of tax. Of 378 companies with global sales of \$10+ billion, 18% have a woman head of tax.

As you'll see on page 12, the gender of those entering the tax and accounting profession is nearly equal (52% men vs. 48% women). This generation is building the pipeline for a more gender-diverse leadership pool. As the Baby Boomers retire, which is a workforce predominantly made-up of white males, more women will get the opportunity to step into high-level roles.

❖ At the Partner and Principal levels, the percentage of men in these high-level roles is at 76%.

**Gender Comparison by Title:
Big 4 Public Accounting Firms**



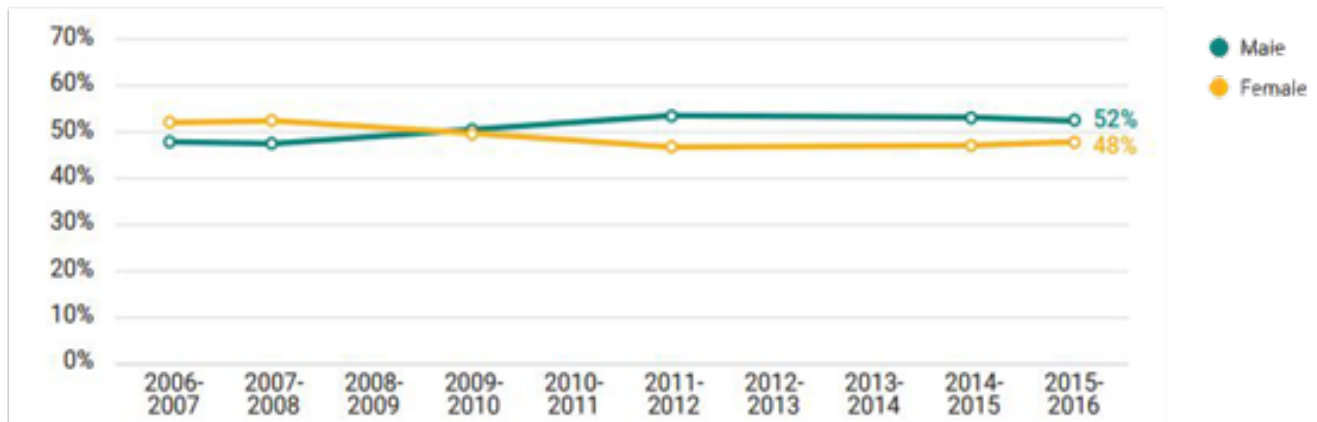
AICPA DATA

2017 GENDER DATA

In order to support our analysis, we pulled the data from AICPA's 2017 Trends Report, which identifies key trends in accounting program enrollment as well as graduation and hiring through the 2015-2016 academic year.

- ❖ The statistics have remained fairly steady over the years, with 52% of males and 48% of females enrolled in bachelor's and master's accounting programs.

2.6. TRENDS IN BACHELOR'S AND MASTER'S OF ACCOUNTING ENROLLEES BY GENDER / 2006-16



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AICPA DATA

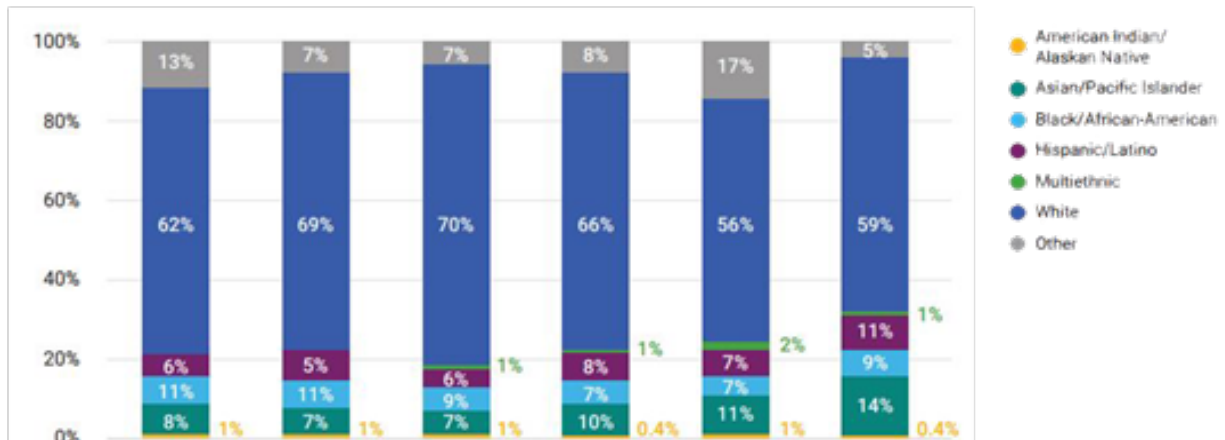
2017 RACE DATA

While the AICPA data indicates that minorities are not pursuing accounting programs at the same rate as Caucasian, diversity in these programs is steadily increasing.

Enrollment levels for Blacks/African-Americans, Hispanics/Latinos, and Asians have increased from 2014-2015. *Blacks/African-Americans had a 28.6% relative increase, Asian/Pacific Island had a 27.3% relative increase, and Hispanic/Latino had a 57.1% relative increase.*

❖ **This data indicates that the future of tax and accounting will be a more diverse workplace.**

2.7. TRENDS IN BACHELOR'S AND MASTER'S OF ACCOUNTING ENROLLEES BY RACE/ETHNICITY / 2006-16



GOVERNMENT ANALYSIS

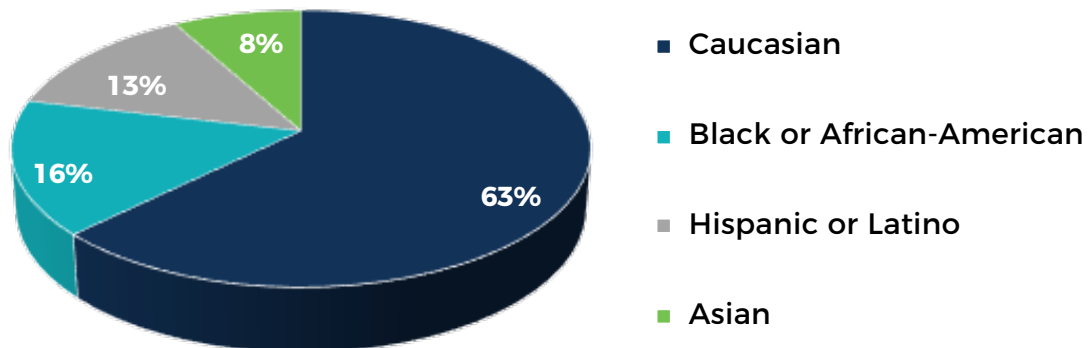
2017 RACE DATA

As seen in the chart below, there is a decrease in the percentage of Caucasians presented over the last four-year period (down from 65% in 2013). This is consistent with public accounting firms and the civilian labor force and is more than likely the result of Baby Boomers beginning to retire.

With that being said, this data is a glaring contrast to the public accounting sector. *Blacks/African-Americans are the second most represented race in the government sector.*

- ❖ Statistics show there is a substantial increase in diversity in the government sector compared to the workforce in public accounting.

Racial Comparison: Tax Examiners, Collectors & Revenue Agents



GOVERNMENT ANALYSIS

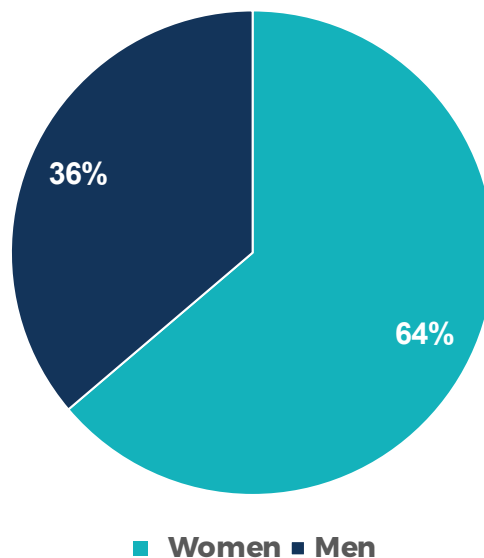
2017 GENDER DATA

The percentage of women represented in the government sector has remained stable over the last four years and continues to dominate gender representation. The IRS attracts the greatest number of female candidates, specifically in the roles of tax examiner, tax collector, and revenue agent.

There are significant benefits to working for the government long-term, including stability, security, and the consistency of cash income. The IRS also tends to require less travel than the private sector, which can be very attractive to individuals who are not interested in being away from their homes or families for long stretches of time.

- ❖ The conclusion we can draw from this analysis is that the more an environment reflects the needs of the female population, the more likely this group is to work there.

Gender Comparison: Tax Examiners, Collectors & Revenue Agents

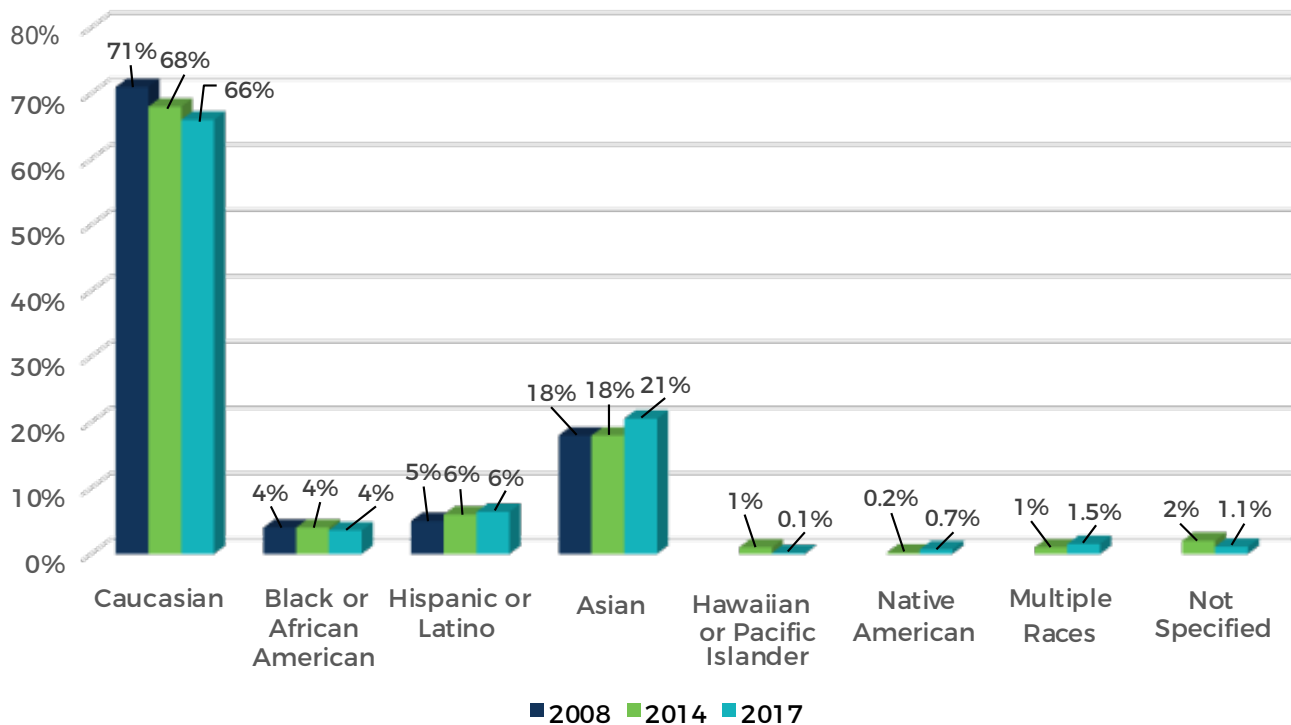


YEAR-OVER-YEAR TRENDS

While Caucasians continue to be the most represented race in the Big 4, the data indicates that the percentage of this group has been gradually decreasing since 2008.

The percentage of Blacks/African-Americans *remains steady* despite the fluctuation in the other races. Hispanics/Latinos have increased to 6%. Asians, on the other hand, have increased from 18% in 2008 to 21% in 2017.

**Year-Over-Year Racial Comparison Trends:
Big 4 Accounting Firms**

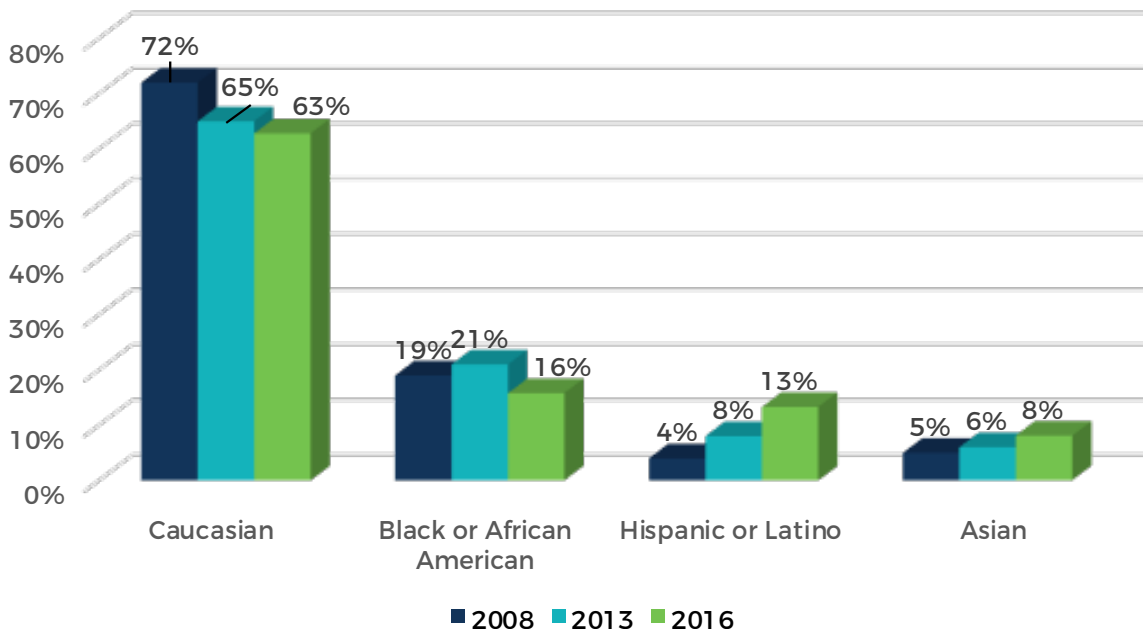


YEAR-OVER-YEAR TRENDS

We also analyzed the trends of racial comparison in the government sector. While Caucasians are the most represented race, Black/African-American representation rates are much higher in government roles. **Similar to the Big 4, Caucasian representation has slowly decreased over the last decade, a 12.5% relative decrease since 2008.**

However, Asians have experienced a 60% relative increase since 2008, and **Hispanics/Latinos have had a 225% relative increase.** Black/African-Americans were on track to increase but suffered a sharp decline in 2016.

Year-Over-Year Racial Comparison Trends: Government



FINAL THOUGHTS

01

Laws have recently been passed in New York City and California that make it illegal for an employer to ask an applicant what salary they are currently being paid. The goal of this law is to narrow the pay gap for women and minorities. **The law also seeks to protect women and minorities from unequal pay discrepancies.** With many other states slated to pass similar laws next year, it's clear that the government is aware of the issues of diversity and inequality in the workforce and is seeking to make substantial changes moving forward.

02

There are no quick fixes for the lack of racial and gender diversity in the accounting and tax profession. While TaxTalent seeks to provide specific recommendations for increasing diversity, be aware that seeing results will take significant time and won't happen overnight.

The focus should remain on building a strong foundation that will strengthen diversity for the next generation of tax and accounting professionals.

03

Younger generations tend to be more open-minded about diversity and place a higher value on inclusion and equality in the workplace.

As the group of traditional and more conservative Baby Boomers begins to retire, the generations in the workforce will shift, and diversity will continue to evolve naturally as younger generations are promoted into high-level leadership positions.

CALL ON OUR FAMILY OF TAX BRANDS

Your formula for optimal department performance starts here. We integrate the four most critical areas for tax department success: **staff recruiting, staff development, staff retention, and consulting budget optimization.**

[Click here](#) to learn more about our Family of Tax Brands or call us at 843-216-7444 to schedule your free tax department performance assessment.



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[Additional Publications](#)

- [2017 Global Market Assessment Report](#)
- [2017 Global Tax Market Assessment Webinar](#)
- [2017 Tax Hiring Outlook](#)
- [2017 Top in Tax Educational Survey](#)
- [2017 Career Satisfaction Survey](#)
- [2015 Diversity in Tax Report](#)

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