



# MISUM ACADEMIC INSIGHTS

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## GENDER SALARY GAP IN THE AUDITING PROFESSION: TREND AND EXPLANATIONS

### BACKGROUND AND RESEARCH AIM



The auditing profession has a longstanding history of gender inequality. When looking to explain the gender pay gap, early work in labor economics has focused on traditional factors such as education, labor force participation and experience, and differences in occupations and industries. However, despite women's advancements in these aspects, the pay gap has persisted. Numerous studies have indicated the presence of a 'glass ceiling', or in other words an invisible barrier, and tactical discrimination in male-dominated professions has been put forward as important factor contributing to the barriers faced by women.

In recognition that the traditional culture of audit firms is incompatible with society's move towards diversity and equality, leading audit firms have brought gender equality to the top of their agendas. However, the continued marginalization of women, shown through disparities in salaries, has cast doubt as to the effectiveness of these gender equality initiatives. While empirical evidence from prior studies supports the presence of a gender pay gap in the auditing profession, little is known about the size of the gap, how the gap has been developing over time, and why.

This study looks to address this void in the literature, using the case study of the auditing profession in Sweden. Within Swedish society, major reforms regarding gender equality began as early as the 1970s meaning that the Swedish setting provides insight into the magnitude of the 'lower bound' of the gender salary gap in the auditing profession.

## DATA SAMPLE

To investigate the gender salary gap in the Swedish auditing profession, and its drivers, data was obtained from several sources: the Swedish Inspectorate of Auditors (SIA; Revisorsinspektionen), the Swedish Tax Agency (STA), and the Serrano database. The list of Swedish Certified Accounting Professionals (CPAs) from 2000 to 2015 were acquired from the SIA, and the sample construction is noted in table 1. below.

Table 1. Sample construction

	Number of observations	Number of individual CPAs
Total number of CPAs in Sweden, 2000–2015		6877 (Female: 2349)
For analyses on salary gap (2007–2015):		
Total number of CPAs in Sweden, 2007–2015		5533 (Female: 1920)
Out of which, individual-year observations with available income data from tax filing (main sample)	33,931	5044 (Female: 1617)
Less: individual-year observations where auditor’s client-related information cannot be identified	2284	
	31,647	4846 (Female: 1524)
For analyses on the association between female leadership and client portfolio size in Big Six:		
Sample period: 2000–2015	30,683	3907 (Female: 1292)

Data for the Big Six firms; PricewaterhouseCoopers, EY, KPMG, Deloitte, BDO, and Grant Thornton, and their auditors were collected. Salary data was obtained from data provider - Checkbiz. The dataset covered auditors’ income data retrieved from the STA for the years 2007 to 2015, and after merging the SIA and income data, the main sample data included 33,931 auditor-year observations from 2007 to 2015.

The Serrano database was used to obtain information on individual auditors’ specific career-related characteristics. For the main sample, client-specific information for 31,647 observations from 2007 to 2015 were identified. The association between female leadership and auditors’ client portfolio size in the Big Six audit firms for the period from 2000 to 2015 was also examined. Merging the data from the SIA and Serrano gave a sample of 30,683 individual-year observations.

## RESEARCH METHODS

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This study uses OLS regressions to estimate (1) the difference in salary between female and male auditors over the sample period, and (2) the effect of female leadership on auditors' client portfolio size, which is a key determinant of auditors' compensation.

## FINDINGS



The main finding of the study were that the salary gap between men and women in the auditing profession narrowed substantially over the sample years (2007 to 2015). Female CPAs' client portfolio size increased considerably, explaining approximately half of the decrease in the overall salary gap.

Further empirical evidence suggests that female leadership in audit firms have significant and positive impact on increasing female auditors' client portfolio size, and such effect is more pronounced for those at the lower end of firms' hierarchies. Combined with anecdotal evidence regarding Big Six firms' gender equality initiatives in recent years, the empirical results suggest that promoting female leadership may be an effective way to reduce gender pay gap.

## IMPLICATIONS FOR PRACTICE AND FUTHER RESEARCH



Prior research shows that audit firms' initiatives to achieve gender equality often do not succeed, despite serious commitment from top-management and the utilization of significant organizational resources. However, the findings from this study provides a new perspective on how female leaders can reduce gender disparity in the auditing profession. The implications of this study are, therefore important for audit firms in further closing the gender pay gap and better coping with the acute talent challenges that most firms presently face. Future studies on this topic based on data from other countries – where the gender pay gap is likely to be larger – will provide important insights into this topic.

## ACADEMIC REFERENCE

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Dong, T. "Gender Salary Gap in the Auditing Profession: Trend and Explanations." *European Accounting Review*.  
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