The Class Pay Gap in Public Accounting:

Does Socioeconomic Background Matter?

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Abstract

We examine whether there is a class pay gap in the auditing profession. We explore this question using 20 years of unique administrative data in Sweden, an egalitarian society and top-ranked meritocracy. We document a significant income disparity across all professional levels within Big 6 firms between auditors from higher- and lower-socioeconomic backgrounds (SEB), with the gap peaking at the partner level. We explore two potential underlying mechanisms: differential performance and workplace segregation. While we find no evidence that high-SEB auditors deliver higher quality audits, we find robust evidence of substantial workplace segregation. Higher-SEB CPAs manage larger portfolios and more prestigious clients (indicating horizontal segregation), and are more likely to qualify as CPAs, reach partnership, and join Big 6 boards (indicating vertical segregation). Beyond these disparities in economic and professional achievements, class-based inequality also appears to take a toll on mental health: we find that auditors from lower-SEB backgrounds are significantly more likely to be diagnosed with depression, suggesting that the psychological burdens of the profession fall disproportionately on those from less privileged origins. Collectively, these findings challenge the meritocratic narrative of public accounting and serve as a call to action for audit firms to ensure equal opportunity and address systemic class-based inequalities.

Key words: Socioeconomic backgrounds, auditing, income, career development

GEL Classification: J3, M42, M5

"Sometimes we make assumptions on people's readiness to be promoted based on their 'polish', whether people fit and are the finished product."

-Sarah Churchman, PwC

"Rather soberingly, our research finds that social class is the biggest barrier to career progression, compared to any other diversity characteristic."

-KPMG (UK), Social Mobility Progression Report 2022

1. Introduction

Auditing is a human capital-intensive profession where the ability to retain and promote the most capable individuals—regardless of their background—is directly linked to a firm's operational effectiveness and audit quality (Melancon, 2019; Joe et al 2023). Over the past decade, large audit firms have elevated diversity goals to the top of their corporate agendas, reflecting the growing prominence of this topic globally (Edgley et al. 2016). However, although prior research focuses on gender and racial disparities in the profession (e.g., Ahn et al. 2023; Condie et al. 2022; Dong 2024), socioeconomic background (SEB)—or class background—remains a largely unexplored dimension in academic discourse of diversity, equity, and inclusion (DEI) issues. In this paper, we examine whether auditors' class background is an important determinant of their income and career progression.

Prior literature in auditing has shed some light on how class background influences college students' desire to enter the profession. Leiby and Madsen (2017) suggest that the auditing profession appeals to individuals from lower socioeconomic backgrounds because it is perceived as a meritocratic vehicle for social mobility, offering equal opportunities for everyone.[1] However, recent studies and anecdotal evidence highlight that social mobility within the accounting profession is declining, and the impact of class origin in high-status fields lasts well beyond occupational entry (Berwick 2023; Cabinet Office, 2009; Flanagan and Joyce

[1] An interview study by Carter and Spence (2014) also suggests that working for the Big 4 is appealing to people from modest backgrounds—aspirational working class or lower-middle class.

2024; Friedman & Laurison 2020; Lareau 2015; Laurison & Friedman 2024; Thomas 2021; Paisey et al., 2020). Notably, Flanagan and Joyce (2024) find that advancement in audit firms relies heavily on subjective markers of "cultural fit" and "polish," creating barriers for those who lack the cultural capital of their elite peers.[2] In their book "*The Class Ceiling: Why it Pays to be Privileged*", Friedman and Laurison (2019) use a large UK audit firm as a case study to demonstrate how these dynamics play out in practice. They provide interview-based evidence that individuals from privileged backgrounds are substantially overrepresented in the most lucrative division and the highest-paid positions in the audit firm.

Nevertheless, prior literature has not systematically documented the size of the class gap in audit firms, and little is known about what drives it in elite labor markets such as public accounting. In this paper, we use the terms "class background" and "socioeconomic background" (SEB) interchangeably (Stansbury & Rodriguez, 2025). We focus on income disparities related to a person's class background. Our study uses unique administrative data from Sweden spanning 20 years from 2001 to 2020, and our sample includes auditors from Big 6 firms. We proxy for auditors' SEB using their fathers' incomes.[3] Auditors whose fathers' income is above the 75% percentile of the income distribution of the Swedish male population are classified as from higher SEB, and the rest are classified as from lower SEB. We choose this threshold because, while Sweden maintains a low level of income inequality in general,[4]

[2] Flanagan and Joyce (2024) conduct interviews with accountants from professional service firms in the UK. They argue that the image of class-equality in public accounting often remains unfulfilled because, once in the profession, career advancement hinges not only on technical performance but also on subjective markers of "cultural fit" and "polish" that privilege those from higher social classes.

[3] Parental income is one of the most commonly used measures of class background in academic research (Stansbury et al., 2024). Our results remain largely the same if we use both father and mother's income. But due to data limitation described in section 3, we chose to primarily rely on father's income. In sociology and economics, researchers also use parental occupation or education to proxy for class origin. In our baseline analysis, we do not use parental education because prior study using Norwegian population–a setting similar to Sweden–suggests that parental education has a small (or even negative) effect on their offspring's earnings (Mastekaasa 2011).

[4] Sweden is one of the world's most ambitious welfare states with high income tax and extensive social security system (Waldenström 2008). Sweden's poverty rate and the Gini coefficient are among the lowest in the world, and the Swedish government's achievements in equalizing income are well known around the world (Björklund et al. 2012).

income disparity has risen significantly in the upper tail of the distribution in the past decades (Gustavsson 2001; Roine & Waldenström 2012; Therborn 2020). The top quartile threshold is therefore chosen to capture the economic and cultural advantages associated with the upper-middle class and above (Itani et al. 2024) relative to the broader population.[5] In our data, 43% of auditors in Big 6 come from the top 25% income families. The disproportionate concentration of individuals from the top-quartile income group aligns with survey evidence from the U.K. (Paisey et al., 2019), suggesting that public accounting is a profession in which individuals from privileged backgrounds are significantly overrepresented.

We pose two research questions: Is there a class pay gap in Big 6 firms, and if so, what drives it? Our empirical analysis focuses on income disparity. We document a significant income gap across all professional levels within Big 6 firms (juniors, managers, and audit partners). Junior auditors from higher SEB earn, on average, 8,010 SEK (868 USD)[6] more than those from lower SEB, a gap of approximately 2%. This disparity widens significantly at the partner level, where high-SEB partners earn, on average, 142,536 SEK (15,443 USD) more than low-SEB partners, a difference of roughly 9%. An additional analysis also suggests the existence of a class ceiling (Friedman and Laurison 2019) that blocks low-SEB auditors from progressing to the top: the income difference between high- and low- SEB auditors is relatively low and stable from the bottom of their income distribution until approximately the 75th percentile, after which there is a steep acceleration in the income gap.

What could explain this class gap? Two distinct inequality-generating mechanisms can be at play here. First, the class pay gap may indicate that auditors from lower-SEB are earning less for the same work, which may suggest discrimination. Second, class pay gaps may indicate

[5] Our choice of the 25% threshold also roughly corresponds to the top two social classes as defined in Savage et al. (2013) based on the BBC's 2011 Great British Class Survey; the top two social classes in Savage et al. (2013) include the Elite class and the Established middle class. We note that in the literature, there is no consensus definition on what the "middle class" or the "upper middle class" is (OECD 2019).
[6] Exchange rate as of January 19, 2026 (1 USD = 9.23 SEK).

workplace segregation: those from the lower class are less likely to enter more prestigious specialties or departments (i.e., horizontal segregation) or the most senior or lucrative positions (i.e., vertical segregation) (e.g., Agrizzi et al. 2021; Rivera 2011; Friedman and Laurison 2019; Stansbury et al. 2024).

To investigate the first mechanism, we explore the role of human capital and work performance, keeping in mind that we do not have access to data that allow us to directly compare auditors' work output. We find that high-SEB auditors achieved significantly higher high school grades than low-SEB auditors, but this difference is observed only among those who never attained CPA status. For those who obtained a CPA license, we do not find such differences. Further regression results suggest that the inclusion of school grades only marginally attenuates the positive and statistically significant effect of high SEB on auditors' income. This finding implies that educational attainment acts only as a limited equalizer in public accounting[7] and that the income advantage enjoyed by high-SEB auditors is likely driven less by merit in the traditional academic sense and more by intangible factors such as social capital or the ability to navigate elite cultural norms.

Next, we focus on senior-level individuals (managers and audit partners) and their work performance. We find negligible differences in CPA exam scores between high- and low-SEB auditors. This result aligns with our findings on high school grades, suggesting that among those who pass the CPA hurdle, class-based inequality is unlikely to be driven by differences in merit. We also examine whether there are differences in audit quality. Using accrual measures, the issuance of modified and going-concern opinions, Type I and Type II errors, total errors, and the likelihood of receiving disciplinary sanctions, we find no evidence of significant

[7] Chetty et al. (2017) suggest that, in the U.S., education serves as a great equalizer in the general population, as children from different income backgrounds earn similar pay conditioned on attending the same college. However, in high-status occupations, there continues to be a significant class pay gap even after accounting for education, race, and other predictors of earnings (Laurison and Friedman 2024).

difference in audit quality delivered by low- versus high-SEB auditors. This result does not provide evidence to suggest that, at senior levels in audit firms, inequality is driven by individual merit or work performance.

Given that we find no evidence to suggest performance or human capital differentials, we investigate an alternative explanation for the class pay gap: workplace segregation. Those from lower-class backgrounds may face an invisible barrier that prevents them from reaching more profitable businesses and top positions. Prior research based on case studies in audit firms finds evidence of both horizontal and vertical segregation by class background in public accounting (Friedman and Laurison 2019). This may be driven, to some extent, by differences in *habitus*—the internalized dispositions and cultural know-how required to navigate the firm's commercial landscape (Joe et al. 2025). Unlike their privileged peers who intuitively grasp the 'rules of the game,' auditors from lower-SEB backgrounds may lack the skills to successfully advocate for their own compensation ('ask for more') or establish immediate rapport with elite client management. This lack of 'cultural fit' can lead to lower-SEB auditors being sorted into less prestigious roles/divisions, effectively stalling their ascent despite equal technical competence.

We first examine horizontal segregation by examining whether higher-SEB auditors acquire larger client portfolios and more prestigious clients. Ample literature has shown that commercial success is a significant driver of auditors' income (Dong et al. 2025; Knechel et al. 2013). We find that high-SEB CPAs manage significantly larger client portfolios than their low-SEB counterparts; they are also more likely to serve listed companies. This result aligns with Anderson-Gough et al. (2024), who suggest that work allocation in audit firms often reflects social preference rather than objective skills. This creates a self-reinforcing dynamic: high-SEB auditors are offered high-visibility opportunities, allowing them to accumulate the

commercial experience necessary for promotion, while their low-SEB peers remain technically competent but commercially invisible.

Prior studies find evidence that horizontal segregation in audit firms may not be driven solely by audit firms. Cameran et al. (2024), who examine whether ethnic minority auditors face discrimination in the Australian market, find that discrimination in the profession is more likely to be performed by audit clients rather than by audit firms. We therefore consider the demand side of the audit market. We find that client firm size is a strong predictor of engaging a high-SEB auditor, and that the socioeconomic background of the client firm's CEO is significantly associated with that of the engaged auditor. This suggests that the "commercial logic" of the firm (Anderson-Gough et al. 2005) may be driven, at least in part, by homophily in the demand side of the auditing market. As Carter and Spence (2014) note, the modern partner is expected to be a trusted business advisor capable of holding relevant conversations with the C-suite—a skill heavily dependent on linguistic capital and the ability to build rapport. Consequently, if elite clients prefer auditors who share their class signals, the audit firm is incentivized to appoint high-SEB individuals to satisfy this market demand. Taken together, these results suggest that class inequalities in Big 6 firms are not merely internal artifacts; they are, to some extent, reinforced by the need to deploy auditors whose social status mirrors that of the firm's elite clientele.

Next, we examine whether there is class-based vertical segregation by focusing on auditors' career progression. We find that, while the difference in obtaining a CPA license between low- and high-SEB auditors is modest (21% vs. 22%), there are substantially larger gaps in advancement to senior roles. Auditors from high-SEB backgrounds are significantly more likely to attain partnership (3.7% vs. 2.7%) and to serve on the boards of Big 6 firms (0.8% vs. 0.4%). These results hold in logistic regression analysis controlling for other individual-level characteristics. We then examine whether class-based differences in career progression

are also reflected in auditors' retention within Big 6 firms. Although the estimated differences in tenure are economically modest, high-SEB auditors remain in Big 6 firms somewhat longer than their low-SEB peers. Taken together, our findings are consistent with broader patterns of class-based segmentation in career trajectories and workplace outcomes within Big 6 audit firms.

While we categorize these phenomena as horizontal and vertical segregation for expositional clarity, we acknowledge that in practice, these two mechanisms likely overlap and reinforce one another. Our measures of horizontal segregation—such as managing prestigious clients—may partially capture the consequence of vertical advancement, just as vertical progression to partnership is often contingent upon the commercial success of serving high-status clients. Overall, our results suggest that individuals from high-SEB backgrounds enjoy a multifaceted professional privilege. This privilege ensures they are not only more likely to reach the upper echelons of the firm but are also better positioned to capture the economic rewards associated with elite client service along the way.

We also explore the psychological toll of navigating these class-based barriers in public accounting by examining auditors' mental health. Sociology studies suggest that the cumulative weight of navigating a class-based hierarchy imposes a significant psychological burden.[8] Prior research characterizes the working environment of large audit firms as stressful, competitive, and governed by masculine and patriarchal norms.[9] Within these spaces, professional advancement often requires adapting to elite social norms to "fit in," which can add extra

[8] Bourdieu's concept of the habitus clivé, or 'divided habitus', provides a framework for understanding this experience. As Friedman (2016) notes, individuals experiencing upward mobility often struggle to reconcile their primary social origins with the elite cultural norms of their new professional field. This "hysteresis effect"—where an individual's primary dispositions are out of sync with their current environment—can induce a state of social limbo, characterized by hidden injuries (Sennett & Cobb 1972) such as persistent status anxiety and "survival guilt " (Walkerdine et al. 2001: 161).

[9] See, for example, Kornberger et al. (2011), Madsen and Piao (2021), Westermann et al. (2019), Persellin et al. (2019), Daoust and Malsch (2019).

mental load and emotional costs for those from a less privileged background (Anderson-Gough et al. 2005; Flanagan and Joyce 2024; Friedman and Laurison 2019). Auditors from high-SEB backgrounds, on the other hand, may navigate this path more easily, benefiting from a sense of "class belonging" and an economic safety net that mitigates the consequences of professional setbacks (Friedman and Laurison 2019).

To test whether there is a difference in auditors' mental health, we use depression diagnoses for the full sample of auditors across all ranks. Our results show that low-SEB auditors exhibit a significantly higher likelihood of being diagnosed with depression compared to their high-SEB peers (3.4% vs. 2.7%), and this result holds in logistic regressions controlling for individual characteristics. Notably, this effect is primarily driven by junior auditors, suggesting that the psychological toll of the profession falls disproportionately on those from less privileged origins during the early stages of their careers. These findings contribute to the growing literature on auditor burnout, workload, and turnover (Heo et al. 2012; Herda and Lavelle 2012; Persellin et al. 2019), indicating that class-based barriers to professional advancement manifest as tangible disparities in clinical mental health.

We also examine the generalizability of our findings outside the Big 6. We trace CPAs who leave Big 6 firms and find that, after leaving, the disparity in income remains statistically significant even after their departure. This pattern persists for those who move on to other professions, even though the class gap in income seems to be lower outside the auditing profession. Taken together, our evidence suggests that a class gap in income also exists for CPAs working outside auditing.

We also assess whether our main findings are robust to alternative measures of auditors' SEB through two additional robustness tests. First, instead of relying on a binary indicator based on fathers' income, we use the underlying continuous SEB measure constructed from

fathers' income quintiles. Second, rather than relying on fathers' income at all, we exploit fathers' occupational information from the Swedish Standard Classification of Occupations (SSYK), an official classification that captures long-run occupational status and skill requirements. Re-estimating our baseline models using these alternative SEB proxies confirms that auditors whose fathers have higher socioeconomic status earn higher personal income.

This study makes three distinct contributions to the literature. First, we document the existence and quantify the magnitude and persistence of a socioeconomic class gap in the public accounting profession. We provide the first archival evidence showing that lower-SEB auditors face significant disadvantages in income and career progression. Crucially, we explore the reasons behind such inequality, and we highlight the psychological toll of class-based disadvantages. Our findings imply that regulators and audit firms should look beyond traditional diversity metrics and address how social class, which is often invisible, undermines the profession's commitment to meritocracy and equity.

Second, we provide evidence for a mechanism explaining why the class gap persists at senior levels, despite equal measures of merit and work quality. We identify client-side homophily as a potential driver of this gap: large, prestigious clients favor high-SEB auditors. This suggests that inequality in the upper echelons of elite firms is likely a reflection of audit firms' strategy to match culturally fit auditors with elite clients. Thus, we add to the literature on how homophily between client management and the auditor affects the engagement relationship and audit quality (Aobdia et al. 2025; Pham et al. 2023). Our study also relates to prior qualitative work showing that career progression in elite firms hinges on social adaptability and commercialism rather than technical skill alone (Carter and Spence, 2014; Flanagan and Joyce, 2024). We complement these narratives with quantitative evidence showing that the social barriers identified in this literature are, at least partly, driven by client-side forces.

Third, our study offers new insights into the severity of workplace segregation in elite professions (Abramitzky et al. 2024; Barling et al. 2023; Laurison and Friedman 2016; Shukla 2025). Prior research in finance suggests that individuals from lower socioeconomic backgrounds often outperform their elite counterparts, as they face higher entry barriers to the role of CEO or fund manager (Chuprinin and Sosyura, 2018; Du, 2022). We do not find evidence of this performance premium in the auditing industry; rather, low-SEB auditors deliver audit quality comparable to that of their high-SEB peers but suffer a significant commercial penalty. This result adds to prior sociology studies showing that in elite professions that are characterized by "the ambiguity of knowledge," class signal remains pivotal to one's career success (Alvesson 2001; Ashley and Empson 2013). Our findings suggest that policymakers and firms must recognize social class as a decisive axis of advantage in professional service firms and other elite careers.

2. Related Literature and Institutional Background

2.1. Public Accounting: A Vehicle for Upward Social Mobility or the Reproduction of Privilege?

The public accounting profession has been characterized as a vehicle for social mobility in early professional narratives and academic research, suggesting that public accounting offers a meritocratic path for aspirational individuals from modest backgrounds to enter the upper-middle class (Leiby and Madsen 2017; Carter and Spence 2014). Leiby and Madsen (2017) argue that individuals from lower socioeconomic status (SES) backgrounds are specifically drawn to accounting because it provides a "margin of safety." For those who experienced childhood economic instability, the high job security and clear certification hurdles associated with auditing serve as a rational self-selection strategy to ensure long-term stability. This is reinforced by Madsen and Piao (2021), who find that while accounting may be perceived as

demanding, it offers distinct rewards in terms of salary and job security that is specifically appealing to people who select into accounting.

However, while accounting may appear as an appealing choice for those who aspire for upward social mobility, the profession's ability to facilitate long-term advancement has declined significantly in recent decades (Cabinet Office 2009). Emerging qualitative research and anecdotal evidence suggest that the impact of socioeconomic background (SEB) is not erased upon entry; rather, a class gap persists and often widens as auditors move through the professional hierarchy, particularly in elite firms (Berwick 2023; Paisey et al. 2020).

Recent reports by KPMG and other Big 4 firms suggest that the class pay gap is substantially larger than gender and ethnic pay gaps (Deloitte 2025; KPMG 2022; PwC 2025). KPMG's Social Mobility Progression Report (KPMG 2022) identifies social class as the biggest barrier to career progression in the profession. As the auditing industry struggles to recruit and retain talent, addressing class inequality is a strategic necessity. The PCAOB (2023), AICPA (2024), and other accounting professional bodies (e.g. ACCA 2024) have repeatedly warned that the war for talent and the resulting loss of experienced personnel pose a direct threat to audit quality and investor protection. Therefore, it is highly important to examine the class pay gap and the mechanisms driving such a gap in the auditing profession.

The significant class pay gap in Big 4 firms suggests that audit firms may function less as engines of social mobility and more as sites where existing class advantages are reproduced and institutionalized (Jacobs 2003), reflecting what sociologists call the long shadow of class origin that persists after occupational entry (Lareau 2015). Prior studies in sociology document a pervasive class ceiling in high-status professions in the U.K. and the U.S., where individuals from lower-socioeconomic backgrounds earn significantly less than their privileged peers even when holding identical roles and possessing similar qualifications (Friedman et al.; Laurison

and Friedman 2026; 2024). This class-based pay penalty suggests that the meritocratic promise of elite professions is often unfulfilled. An important driver of this disparity is the "propulsive power" of the economic, social, and cultural capital held by members of the privileged class. As Toft and Friedman (2020) argue, high-SEB individuals often benefit from an invisible safety net—or the "Bank of Mum and Dad"—that allows them to navigate the high-pressure, up-or-out environment of professional service firms with greater risk-tolerance and persistence. Consequently, while the auditing profession may successfully recruit from diverse backgrounds, the long shadow of a privileged upbringing may continue to provide high-SEB auditors with a significant advantage in income and career progression that their lower-status peers cannot easily overcome.

2.2. What Explains the Class-origin Income Gap?

Some research on the class-based income gap in the general population focuses on educational attainment (Hällsten 2013; Torche 2018), but the class pay gap remains significant even after accounting for education and other demographic characteristics (e.g., Falcon and Bataille 2018; Laurison and Friedman 2024; Mastekaasa 2011; Stansbury et al 2024). More studies emphasize the sorting of less-privileged individuals into lower-earning roles and firms—a process that institutionalizes workplace segregation. Prior literature identifies two distinct but intersecting forms of segregation at work: vertical and horizontal (Hakim 1992). Vertical segregation—or the glass ceiling—refers to the clustering of marginalized groups at the lower rank of the hierarchy while dominant groups occupy the top rungs of power and ownership (Hull and Umansky 1997; Anker 1997). In the auditing context, the vertical segregation by gender is well-established (Dong 2024; Hardies et al. 2021), and scholars have attributed vertical job segregation to gender-related stereotypes, suggesting that promotion to partnership often hinges on possessing specific leadership traits traditionally associated with dominant social groups (Hull and Umansky 1997).

Horizontal segregation, conversely, involves the sorting of individuals into different types of work or specialties at the same hierarchical level. Agrizzi et al. (2021), for example, find in their interview study that female auditors are spatially segregated and this segregation impedes women's progress. Melamed et al. (2020) further suggest that workplace segregation can be reinforced by homophily, or the tendency of dominant groups to recruit and promote those who mirror their own social characteristics. In the audit market, several prior studies have shown evidence that auditor-client homophily in ideology (conservatism), personality, and cultural proximity shapes engagement relationship and audit quality (Aobdia et al. 2025; Goenner et al. 2024; Pham et al. 2023). Thus, it is likely that auditors'—and clients'—class origin can influence client assignments and the engagement relationship, which has substantial implications on auditors' income and career progress in the long term.

Taken together, prior studies and industry reports underscore the existence of class-based barriers in public accounting, but what remains unknown are the magnitude of the social class gap and the specific organizational mechanisms driving it. We address these questions by examining the Big 6 audit firms in Sweden. While Sweden is globally recognized for its egalitarian achievements in gender equality and tuition-free higher education, economic inequality has increased significantly in recent decades (Therborn 2020).[10] Sweden, like its neighboring country Norway, also has a high wealth concentration, which is strongly reproduced across generations (Hansen, 2014; Ohlsson et al., 2014; Roine & Waldenström, 2009; Skopek et al., 2014). The Swedish setting, therefore, offers an opportunity to test the effect of class inequality while the broader societal inequalities in education and welfare are minimized.

[10] The Gini Index of Sweden was around 26 in the early 2000 but has increased steadily to 30 in 2023, according to World Bank: https://data.worldbank.org/indicator/SI.POV.GINI?locations=SE

3. Institutional Setting, Data, and Methods

3.1. The Swedish Auditing Profession

As a member of the European Union (EU), Sweden follows the EU Directives on statutory auditing, which are implemented through the Accounting Act, the Auditing Act, and the Company Act. These legislative frameworks are supplemented by the standards issued by the Professional Institute for Certified Auditors and other Accounting Professionals (*Föreningen Auktoriserade Revisorer*, FAR). FAR is a member of the International Federation of Accountants (IFAC) and has adopted the International Standards on Auditing (ISAs) as well as IFAC's Code of Ethics, which together govern professional conduct and audit quality in Sweden. Prior to 2010, all limited liability companies in Sweden were required to have an audit. In accordance with the EU Fourth Council Directive, small private firms have been allowed to voluntarily opt out of mandatory audits since 2010 (Dong et al. 2023).[11]

Prior to 2013, Sweden operated a two-tier system for public accountants, consisting of authorized (*auktoriserad*) auditors and approved (*godkänd*) auditors. Both types of auditors were permitted to audit companies of any size, but they were subject to different levels of requirements. The requirements to become an authorized auditor include holding a master's degree in accounting, having at least five years of practical experience, and passing a rigorous professional competence examination. Approved auditors must have a bachelor's degree, at least three years of experience, and successfully complete a somewhat less demanding professional examination. In 2013, Sweden changed its auditor qualification system by discontinuing the approved auditor (*godkänd*) track for new entrants. From 2013 onward, all

[11] The mandatory audit size thresholds introduced in Sweden were substantially lower than the EU thresholds established in the Fourth Council Directive. The Swedish thresholds are as follows (with EU thresholds that prevailed in 2010 reported in parentheses). If a firm has exceeded two of these three thresholds for the past two years, it is subject to a mandatory audit:
(1) Annual total sales of SEK 3 million or EUR 300,000 (EUR 8 million).
(2) Annual total assets of SEK 1.5 million or EUR 150,000 (EUR 4 million).
(3) Annual average of three full-time employees (50 employees).

newly qualified auditors were "authorized" (*auktoriserad*) auditors and approved (*godkänd*) auditors before 2013 were automatically transferred to be authorized auditors. Audit reports in Sweden are signed by the individual auditor(s) responsible for the engagement. Client firms must report detailed auditor information to the Swedish Companies Registration Office (*Bolagsverket*, SCRO), including personal identification numbers and the start and end dates of audit engagements. The Swedish auditing market is dominated by the Big 6 international firms (ranked by firms' total revenue in 2024/25): EY, PwC, Deloitte, KPMG, BDO and Grant Thornton.[12] Around 56% of CPAs in Sweden are hired by these six audit firms (Dong 2024). The Swedish auditing profession has downsized in recent years (Dong et al. 2025). According to the Swedish Inspectorate of Auditors (*Revisorsinspektionen,* SIA), the authority overseeing the Swedish auditing profession, the number of CPAs has decreased from about 4,000 in 2010 to around 3,000 in 2024.[13] Despite Sweden's status as a global leader in gender equality, the auditing industry continues to exhibit signs of inequality. While approximately 39% of CPAs are female as of 2025, only 20% of listed companies' audit reports are signed by women.[14] Furthermore, Dong (2024) provides evidence of a glass ceiling in the industry, suggesting that gender-based barriers remain in the Swedish auditing industry.

3.2. Data

We use multiple data sources to construct the dataset for our empirical analysis. Our data extraction and analysis are conducted on Statistics Sweden's MONA platform, where personal information is anonymized. First, we identify all auditors affiliated with Big 6 audit firms

[12] Ranked by firms' total revenue in 2024, as reported by Retriever, a data provider (www.retriever.se). The total revenue of these firms in the 2024 financial year were the following: EY 6.8 BSEK (billion SEK), PwC 6.1 BSEK, Deloitte 4.4 BSEK, KPMG 4 BSEK, BDO 2.2 BSEK, Grant Thornton 2.1 BSEK. We note that BDO does not operate (and report) under one legal entity. The number for BDO is the total of the following audit firms under the brand "BDO": BDO AB, BDO Mälardalen, BDO Göteborg, BDO Syd, and BDO Norr.

[13] More detailed information about the Swedish auditing profession can be found on the SIA's website here: https://www.revisorsinspektionen.se/publikationer/manadsstatistik/

[14] In 2024, there were 673 CPAs who were the head signing auditors (*Huvudansvarig revisor*) for listed companies in Sweden, of whom 135 were female. This data is collected from Retriever.

during the period 2001–2020. We then group all auditors into three broad levels in the audit firm hierarchy: juniors, managers, and partners. We acknowledge that there are more granular ranks within audit firms, but we cannot observe each auditor's actual job title due to data limitations. Nevertheless, we believe that becoming a manager and a partner are two of the most important career milestones in the auditing profession. We define partners as CPAs who receive dividend payments from audit firms.[15] We define managers as those who have a CPA license but are not classified as partners. To identify junior auditors, we use the LISA database (*Longitudinell integrationsdatabas*) and retain individuals between 22 and 35 years old whose occupation is classified as "auditor" and who are employed by one of the Big 6 firms. Identification of CPAs is obtained from the Serrano database provided by Bisnode, which contains information on the identity of signing auditors for both public and private Swedish firms. Since we also require that an auditor's parental information is observable in the LISA database, we limit auditors to those who were born between 1970 to 1990.

We then use data from the Multigenerational Register (*Flergenerationsregistret*) to link each auditor to their fathers (for robustness test, we also use mother information). We require the father's information to be available in the LISA database. To identify socioeconomic background (SEB) based on a father's income, we begin with the male population available in LISA from 1990 to 2021. For each year of observation, we calculate income quintiles based on salary information (variable *LoneInk*) for each birth-year cohort. These quintiles are computed within each birth year to ensure that we are comparing individuals of the same age, avoiding comparisons between, for example, 20-year-old and 40-year-old men. To define the SEB variable, we use fathers' income between the age of 30 to 50. If a father has income

[15] An auditor is regarded as receiving a dividend payment from a Big 6 firm if (1) she receives dividends from a Big 6 firm (observed through tax filing K10 – Kvalificerade andelar – Fåmansföretag) or (2) the auditor works for a Big 6 and the closely held company that she owns receives financial income (for more information about the closely held company and the 3:12 rule in Sweden, please visit the Swedish Tax Agency: https://skatteverket.se/.

observations for multiple years within this age range, we assign the father to the average of his available income quintiles.

In sum, after restricting the sample to auditors who can be linked to their fathers and for whom information on fathers' SEB is available, our main sample consists of 36,487 auditor-year observations from 2001 to 2020 comprising 7,530 individuals. Of these, 26,503 observations correspond to junior auditors, 8,746 to managers, and 1,238 to audit partners.

3.3. Model for the Baseline test: Auditors' SEB and Personal Income

We use the following OLS model to study the association between auditors' SEB and personal income in the pooled sample:

$$INCOME_{it} = \alpha + \beta HIGH\_SEB_i + \theta \boldsymbol{X}_{it} + \varepsilon_{it}, \qquad (1)$$

where $INCOME_{\mathrm{it}}$, is the natural logarithm of total income for auditor $i$in year t. For junior auditors and managers, total income corresponds to salary, whereas for partners it includes both salary and dividend payments. The main variable of interest, $HIGH\_SEB_i$, is a dummy variable equal to one if the auditor's father's average income falls within the top 25% of the income distribution for the male Swedish population, and zero otherwise.

The vector $\boldsymbol{X}$ includes a broad set of control variables. We first control for characteristics that are determined at birth and thus largely exogenous to individual choice. They include gender (D_FEMALE), as prior studies document a persistent gender wage gap (Dong, 2024), whether the auditor was born in Stockholm ($D\_BORNSTHLM$), the auditor's age (AGE), and birth order within the sibling group ($BIRTHORDER$). We then add additional demographic characteristics that may influence income and reflect individual choices, which are themselves potentially shaped by socioeconomic background. These include whether the auditor resides in Stockholm in a given year ($D\_LIVESTHLM$), capturing differences in wage levels between the capital region and the rest of Sweden, as well as the number of children

($CHILDREN$) and marital status ($MARRIED$). Finally, we control for high-school grades ($SCHOOL\_GRADES$) to account for differences in academic ability and educational quality. All variable definitions are provided in Appendix A.

We include year fixed effects to absorb economy-wide changes in compensation over time, and Big 6 firm fixed effects to account for systematic differences in pay structures across audit firms. Robust standard errors are clustered at the individual auditor level.

4. Empirical Results

4.1. Descriptive Statistics

Table 1 Panel A reports descriptive statistics of the auditor-level variables. The mean value of *HIGH_SEB* is 0.436, indicating that approximately 44% of auditors in the sample come from families in the top 25% of the national male income distribution. Male and female auditors are almost evenly represented in our sample (*D_FEMALE* = 0.553). Around 20% of individuals were born in Stockholm county (*D_BORNSTHLM* = 0.208). Regarding family characteristics, the average auditor has a birth-order (*BIRTHORDER*) mean value of 0.423, indicating that most auditors are first- or second-born.

Table 1 Panel B presents descriptive statistics for time-varying auditor characteristics used to study the association between auditors' SEB and personal income. The sample consists of 73% junior auditors (*Junior*), 24% managers (*Manager*), and 3% partners (*Partner*). The mean value of *INCOME* is 12.751, which corresponds to approximately 419,107 SEK per year. When broken down by career stage (untabulated), junior auditors earn an average of 321,693 SEK per year, Managers earn 552,881 SEK, and partners earn 1,559,477 SEK per year.[16]

[16] These numbers are largely in line with Dong (2024), who only uses salary data.

The mean age in the sample is 31,[17] and 38% of auditors currently live in Stockholm County (*D_LIVESTHLM*= 0.380). Around 30% of auditors are married (*MARRIED* = 0.301), and 3% have a documented diagnosis of depression (*DEPRESSION* = 0.031).

4.2. Baseline Results: The Class Pay Gap

We begin by examining whether a high socioeconomic background is associated with income. Figures 1 and 2 provide descriptive evidence on income differences among auditors from different socioeconomic backgrounds. Figure 1 plots the mean income across four socioeconomic background (SEB) groups, ordered from the lowest (1) to the highest (4) SEB. The figure indicates that the mean income is highest among auditors in the top SEB group, who earn significantly more than auditors in all lower SEB groups. Differences in mean income across the lower SEB categories are comparatively modest. In contrast, auditors in the highest SEB group earn, on average, approximately 0.08–0.11 log points (about 8–12%) more than auditors in the lower SEB groups, and all differences are statistically significant.

We continue with descriptive evidence related to the class ceiling phenomenon (e.g., Friedman & Laurison 2019). Figure 2 illustrates income gaps between high- and low-SEB auditors across the income distribution for selected years (2009, 2013, and 2015). While income differences appear relatively large at the very bottom of the income distribution,[18] these

[17] When broken down by career stage, the average junior auditor in our sample is 29 years old, while managers and partners are 36 and 42 years old, respectively (untabulated).

[18] A relatively large income gap at the very bottom of the income distribution is consistent with prior evidence on glass-ceiling-type income patterns in labor economics (Albrecht et al., 2003, Figure 3) and audit research (Dong, 2024, Figure 1). For instance, Albrecht et al. (2003) document a glass-ceiling pattern in the gender wage gap in Sweden, while their Figure 3 also displays sizable income differences at the lower end of the wage distribution. We observe a similar pattern in our data. As shown in Figure 2, for example, in 2015 the gap between high- and low-SEB auditors at the 5th percentile of the log income distribution is approximately 0.35, compared with about 0.22 at the 95th percentile. To assess the economic magnitude of these differences, we examine income levels at the corresponding percentiles of the income distribution. At the 5th percentile, low-SEB auditors earn 113,700 SEK, while high-SEB auditors earn 170,500 SEK, implying an income difference of approximately 56,800 SEK (about 6,154 USD). At the 95th percentile, the corresponding income difference amounts to roughly 239,600 SEK (about 25,959 USD).

gaps are modest and stable across the middle of the distribution, remaining at around 5% between approximately the 15th and 75th percentiles. The income gap then increases substantially in the upper tail of the distribution, beginning around the 75th percentile and exceeding 10% at the top. This pattern of increasing income disparities toward the upper end of the distribution is commonly interpreted as evidence of a glass ceiling in the labor economics literature (Albrecht et al., 2003; Blau & Kahn, 2017; Dong 2024). Taken together, Figures 1 and 2 provide evidence of systematic income differences between high- and low-SEB auditors, with disparities that are particularly pronounced among top earners.

Table 2 reports results on the association between auditors' SEB and personal income. Panel A presents univariate analyses comparing mean income between auditors from low- and high-SEB backgrounds. These comparisons indicate that high-SEB auditors earn higher incomes on average (12.71 vs. 12.81) and across career stages, including juniors (12.52 vs. 12.59), managers (13.13 vs. 13.16), and partners (14.26 vs. 14.38). Panel B presents regression results from estimating Model (1), which controls for individual-level characteristics. Columns (1) – (3) report estimates for the full sample, with controls added sequentially. In column (1), which includes only characteristics assigned at birth, the coefficient on *HIGH_SEB* (*coeff.* =0.0694, *t* =6.37) indicates that auditors from high socioeconomic backgrounds earn approximately 7% more than their low-SEB counterparts - corresponding to about 29,086 SEK annually,[19] holding all else constant. Adding further demographic controls that may reflect auditors' personal choices in column (2) slightly attenuates the estimate (*coeff.* =0.0562, *t* =5.35). Further controlling for school grades in column (3) leaves the coefficient largely unchanged (*coeff.* =0.0453, *t* = 4.40).

The results thus far indicate that social background is a predictor of auditors' personal income. We next analyze this income effect separately by career stage. At the junior level

[19] 0.0694*419,107=29,086 SEK

(column (4)), the coefficient of 0.0249 (t =2.79) implies an income premium of approximately 2%, or about 8,010 SEK[20] per year. Among managers (column (5)), the premium remains similar (*coeff.* = 0.0235, t = 1.69). By the time individuals reach the partner level (column (6)), the coefficient of 0.0914 (t = 2.00) indicates an income premium of roughly 9%, corresponding to approximately 142,536 SEK[21] more per year for high-SEB auditors. Overall, the results in Table 2, together with the patterns shown in Figures 1 and 2, indicate that income disparities by socioeconomic background intensify as auditors progress in their careers.

4.3. Mechanisms Driving the Pay Gap

4.3.1. Human Capital and Work Quality

To understand the mechanisms underlying the observed income differences, we first examine whether auditors from different socioeconomic backgrounds differ in human capital and work performance. In particular, we assess whether the income premium observed among high-SEB auditors can be explained by meritocratic factors, such as superior educational attainment, professional exam performance, or higher audit quality.

Panel A of Table 3 reports univariate differences in high school grades between low- and high-SEB auditors. For the full sample, high-SEB auditors exhibit significantly higher grades than their low-SEB counterparts (*SCHOOL GRADES* = 0.779 *versus* 0.680, p < 0.000). However, when we partition the sample by CPA attainment, it is evident that this difference is entirely driven by auditors who never obtained a CPA license.[22] Overall, these results indicate that socioeconomic differences in academic achievement are present early in auditors' careers but do not persist among those who clear the CPA licensure hurdle.

[20] [20] 0.0249*321,693 = 8,010 SEK
[21] 0.0914*1,559,477 = 142,536 SEK
[22] Among auditors who never obtained a CPA, high-SEB auditors have substantially higher grades than low-SEB auditors (mean difference = −0.1102, p < 0.000). In contrast, among auditors who obtained a CPA license, the difference in high school grades is small and statistically insignificant (mean difference = −0.0504, p = 0.170).

We next focus on auditors who obtained a CPA license and examine whether individuals from different socioeconomic backgrounds differ in CPA exam performance or in the quality of their audits. Panel B of Table 3 shows no significant differences in CPA exam scores between low- and high-SEB auditors across exam periods and levels.[23] Table 4 examines whether audit quality varies by auditors' socioeconomic background using several proxies, including accrual measures, the issuance of modified and going-concern opinions, Type I and Type II errors, total errors, and the likelihood of receiving disciplinary sanctions. Across all specifications, the coefficient on *HIGH_SEB* is small and statistically insignificant, indicating no systematic differences in audit quality between high- and low-SEB auditors. Taken together, these findings suggest that the documented income differences by socioeconomic background cannot be explained by differences in observable audit quality or work performance and are therefore unlikely to be driven solely by meritocratic factors.

4.3.2. Workplace Segregation

In the absence of evidence suggesting that differences in performance or human capital drive the income gap, we turn to workplace segregation as a primary explanation. Drawing on Anker (1997), we distinguish between horizontal segregation and vertical segregation (Laurison and Friedman 2024). Horizontal segregation refers to the unequal distribution of workers across different sectors, firms, or functional roles that, while potentially equivalent in rank, differ significantly in economic reward. In the context of professional services, this may manifest as a form of sorting mechanism (Laurison and Friedman 2016), where high-SEB individuals are disproportionately sorted into high-status or more lucrative operational areas (such as high-value client engagements), while their low-SEB counterparts are clustered in less

[23] As discussed in Section 3.1, the CPA examination process in Sweden changed in 2013, shifting from a two-level examination to a single-level examination. Accordingly, we conduct univariate analyses separately for CPA exam scores after 2013, and for the pre-2013 period we compare exam scores at the lower and higher levels separately.

remunerative roles. Vertical segregation, on the other hand, describes the hierarchical stratification of a workforce, often manifested as a class ceiling that prevents individuals from less privileged backgrounds from reaching top-tier senior positions, despite possessing comparable qualifications to their peers. An early study by Hull and Umansky (1997) discusses this form of vertical job segregation by gender in public accounting, highlighting the role of stereotyping as a potential mechanism driving the stratification.

Horizontal segregation

We begin by testing for horizontal segregation using client portfolio assignments. Prior literature establishes that the size of auditors' client portfolio is an important determinant of their compensation (Knechel et al. 2013). However, the allocation of these portfolios within an audit firm is not entirely meritocratic. As Anderson-Gough et al. (2024) argue, work allocation is often heavily influenced by homo-sociality and cultural fit, where senior partners preferentially assign high-profile work to subordinates who mirror their own social dispositions. This creates a merit loop where privileged individuals are granted early access to prestigious clients—an opportunity that bolsters the business case for future promotion.

Based on the above discussion, we first explore whether there is a difference in client portfolio size between higher- and lower-SEB auditors. We use the same model as in Model (1) but replace the dependent variable with the size of an auditor's client portfolio (*PORTFOLIO_SIZE*), measured as the natural logarithm of the total client sales in auditor i's portfolio in year t. Table 5 Panel A presents the results across the full sample (Columns (1)-(2)). *HIGH_SEB* is positively associated with client portfolio size: the coefficient of 0.234 (t =2.63) indicates that auditors from high SEB manage portfolios that are approximately 23% larger than those of their low-SEB peers, holding all else constant. When focusing on managers only (column (3)), the coefficient declines to 0.166 (t =1.99) but remains statistically significant,

suggesting that SEB-related advantages in portfolio allocation already emerge prior to partnership promotion.

In column (4), we introduce an interaction term to examine whether this SEB premium differs between CPAs who eventually become partners (*BECOMES_PARTNER* =1) and those who do not (*BECOMES_PARTNER* =0). The coefficient on *HIGH_SEB* alone is small and statistically insignificant (*coeff.* =0.044, *t* =0.49), but the coefficient on *BECOMES_PARTNER* (*coeff=1.143, t=8.725*) and the interaction term *HIGH_SEB*×*BECOMES_PARTNER* (*coeff.* =0.353, *t* =2.03) are both positive and statistically significant. This finding suggests that socioeconomic background becomes particularly salient in audit firms' client assignment decisions: more valuable client resources are assigned to individuals identified (formally or informally) as future firm leaders, and those who fit into the elite culture are treated even more favorably. Column (5) reports results for partners. Here, the coefficient on *HIGH_SEB* (*coeff.* =0.113, *t* = 0.66) is positive but not statistically significant, providing no evidence to suggest that once an auditor reaches the partner level, there is a difference in portfolio size between auditors from different SEB backgrounds.

While client portfolio size captures the volume of clients (as well as commercial resources) managed by an auditor, it does not fully capture the prestige of the assignments. In the audit profession, access to listed clients is often a prerequisite for ascending to the upper echelons of the firm (Downar et al. 2021). Therefore, we next examine whether horizontal segregation also manifests in the type of clients assigned. We examine the relation between auditors' SEB and the likelihood of engaging with a publicly listed client using the following logistic model, where G denotes the cumulative logistic function:

$$P(Y_i = 1) = G[\alpha + \beta HIGH\_SEB_i + \theta \boldsymbol{X}_i], \qquad (2)$$

where the outcome variable Y_i, $AUDITS\_PUBLIC\_CLIENT_i$, is a dummy variable equal to one if the auditor ever had a publicly listed client, and otherwise zero. The sample includes

all individuals who at some point attained the CPA status. This analysis is conducted at the individual auditor level.

The vector ***X*** includes time-invariant characteristics as in Model (1). We control for gender (*D_FEMALE*), whether the auditor was born in Stockholm (*D_BORNSTHLM*), birth order within the sibling group (*BIRTHORDER*), and high-school grades (*SCHOOL_GRADES*). We include birth-cohort fixed effects to account for demographic trends that may influence promotion dynamics within the Big 6.[24]

Panel B of Table 5 reports the results from estimating Model (2). The results indicate that *HIGH_SEB* is positively and significantly associated with the likelihood of ever auditing a listed firm. The coefficient on *HIGH_SEB* in column (2) is 0.425 (z = 2.35), implying that auditors from higher socioeconomic backgrounds have 53% higher odds than their low-SEB counterparts to secure at least one public-client assignment over the course of their careers.[25] Taken together with the results on portfolio size, these findings provide strong evidence of horizontal segregation: high-SEB auditors are more likely to be sorted into the more prestigious and resource-rich engagements than their low-SEB peers.

We note that we do not attribute these patterns of horizontal segregation solely to audit firms' internal processes. Rivera (2012) demonstrates that, in the context of elite professional service firms, merit is frequently conflated with shared leisure interests, lifestyle markers, and self-presentation styles. This dynamic extends to the client interface, as Rivera and Tilcsik (2016) argue that firms favor high-SEB individuals because they are perceived to possess the polish and cultural capital necessary to bond with an elite clientele. In the auditing setting, Cameran et al. (2024) highlight that racial discrimination can indeed be driven by such demand-side pressures, where clients actively select auditors who align with their own status. Other

[24] We classify auditors into four birth cohorts: 1970–1974 (988 individuals), 1975–1979 (1,669 individuals), 1980–1984 (2,118 individuals), and 1985–1990 (2,755 individuals).
[25] e^0.425 =1.53

archival studies also provide evidence that clients prioritize cultural proximity (Pham et al. 2022) and personality fit (Aobdia et al. 2025) when selecting auditors, favoring individuals who mirror their own behavioral traits.

Based on the above discussion, we expect that, if high-status clients exhibit a preference for auditors who share their own socioeconomic background, then the horizontal segregation we observe may, at least partly, reflect audit firms' responses to these external market forces. In the following section, we test this demand-side explanation by examining whether there is evidence of direct matching between the SEB of the client's CEO and the SEB of the auditor.

We begin by examining whether individuals - both auditors and CEOs - from high SEB are more likely to be associated with larger client firms.[26] Table 6, Panel A, reports the mean differences in *HIGH_SEB* between client firms in the bottom and the top quintiles of the asset size distribution, with asset size quintiles formed separately for each year. For auditors, the share of *HIGH_SEB (CPA)* individuals increases from 45% in client firms in the bottom asset quintile to 48% in the top quintile, a statistically significant difference of 3 percentage points ($p < 0.000$). For CEOs (*HIGH_SEB (CEO)*), the corresponding shares are 33% in the bottom asset quintile and 39% in the top asset quintile, yielding a 6 percentage point difference ($p<0.000$), which is substantially larger than the difference for auditors. These results indicate systematic sorting of high-SEB individuals into larger client firms on both sides of the audit

[26] To construct the sample for this analysis, we begin with the client–auditor matching data and identify all client firms served by auditors from our baseline sample. For these client firms, we identify their top executives from the Serrano database provided by Bisnode. When information on a firm's CEO is available, we retain the CEO as the top executive. When CEO information is unavailable, we use information on the chairman of the board. If information on the chairman is also unavailable, we examine the board of directors and retain the observation only if the firm has a single director, using that individual as the top executive. Next, we merge the resulting sample with data on executives' fathers' income. Because our analysis focuses on the SEB of top executives, we exclude observations for which information on the executive's father's income is unavailable. Following this procedure, the final sample consists of a client firm-year–level dataset with 12,482 unique client firms (41,770 firm-year observations), 1,190 unique auditors, and 11,218 unique top executives. Because this analysis requires information on both executive identity and socioeconomic background, the resulting sample is substantially smaller than the sample used in Table 4 to study audit quality outcomes. For brevity, we refer to all identified top executives as CEOs.

market, with the effect being more pronounced for CEOs. This pattern is consistent with the presence of socioeconomic barriers that become more salient at higher levels in Swedish companies.

We next examine whether an auditor's SEB is associated with the SEB of the client firm's CEO. Panel B of Table 6 presents logistic regressions estimated at the client-firm-year level, where the dependent variable is an indicator for whether the signing auditor is from a high SEB (*HIGH_SEB (CPA))*. The main variable of interest is *HIGH_SEB (CEO)*, which indicates whether the CEO is from a high SEB. Column (1) reports a baseline specification without year or industry fixed effects, while column (2) incorporates both. The results indicate that client firms led by high-SEB CEOs are approximately 9 percentage points more likely to employ high-SEB auditors. Columns (3) and (4) further control for firm size (*SIZE*) and listing status (*LISTED*), respectively, and the coefficient on CEO SEB remains positive and statistically significant. Overall, these findings suggest that the career advantages observed for high-SEB auditors partly operate through matching mechanisms: high-SEB auditors are more likely to be matched with high-SEB CEOs and to have larger and more prestigious client engagements.

Vertical segregation

We next examine vertical segregation by analyzing whether auditors' socioeconomic background is associated with differential progression into senior positions within audit firms, consistent with the potential existence of a glass ceiling.

Panel A of Table 7 presents univariate evidence based on t-tests comparing career outcomes between auditors from low- and high-SEB backgrounds. These comparisons indicate only a small and statistically insignificant difference in the likelihood of obtaining a CPA license but reveal larger and statistically significant gaps at more senior career stages: high-

SEB auditors are more likely to become partners (2.7% vs. 3.7%) and to serve on the boards of Big 6 audit firms (0.4% vs. 0.8%).

Panel B then presents multivariate evidence from logistic regressions based on Model (2), where the outcome variable Y_i is a dummy indicating different stages of career progression. Even-numbered columns include school grades as a control, while odd-numbered columns exclude them. We first assess whether socioeconomic background is associated with the likelihood of attaining CPA status (*BECOMES_CPA*). Column (1) shows that auditors from high-SEB backgrounds are more likely to become CPAs (*coef.* = 0.114, z = 1.90). However, this association becomes statistically insignificant once school grades are included in Column (2), suggesting that the SEB advantage in CPA attainment is largely mediated by pre-entry academic performance.

We then study whether SEB predicts the likelihood of reaching partner positions (*BECOMES_PARTNER*). Results in columns (3) and (4) suggest a strong SEB effect: auditors from high-class backgrounds have 34-46% higher odds of becoming partners.[27] Unlike the CPA results, the inclusion of school grades does not eliminate the SEB effect, suggesting that socioeconomic background influences advancement to partnership through channels other than academic performance.

Columns (5) and (6) present estimates for the likelihood of becoming a board member of Big 6 firms (*JOINS_BOARD*). SEB again shows a strong and significant association: high-SEB auditors exhibit substantially higher odds of serving on boards, with coefficients of 0.699 (z = 2.35) and 0.716 (z = 2.35), corresponding to odds ratios of approximately 2.01 and 2.05. This implies that SEB advantages extend beyond promotion into partnership and also shape access to internal governance roles within audit firms.

[27] Coefficients of 0.379 (t = 2.73) and 0.300 (t = 2.11) translate into odds ratios of 1.46 and 1.34, respectively.

The above findings point to a class ceiling within the auditing profession. In the up-or-out organizational structure of Big 6 firms, the barrier to advancement is also likely linked to talent attrition. If low-SEB individuals perceive limited opportunities for advancement or lack the requisite sponsorship from senior partners (Anderson-Gough et al. 2024), they may exit the profession. Thus, we examine how SEB relates to auditors' career duration. We estimate a Poisson model of the number of years an individual remains in the profession:

$$E(Y_i|X_i) = exp[\alpha + \beta HIGH\_SEB_i + \theta \boldsymbol{X}_i], \quad (3)$$

where Y_i is the number of years worked as an auditor (*TOTAL_YR_BIG6*). The results are reported in Table 8. Columns (1) and (2) tabulate estimates for the full sample of auditors, while columns (3) and (4) restrict the analysis to individuals who have ever qualified as CPAs. Across the specifications without school grades (columns (1) and (3)), *HIGH_SEB* is positively associated with longer career duration within Big 6 firms, with coefficients of 0.0343 (z = 1.86) and 0.0415 (z = 2.00), respectively. These coefficients imply that high-SEB auditors spend approximately 3.4–4.2% more time in Big 6 audit firms relative to low-SEB auditors. When school grades are added as a control (columns (2) and (4)), the estimates remain positive and similar in magnitude, though the coefficient in column (2) becomes statistically insignificant, indicating that part of the association between SEB and career longevity operates through academic performance, but not fully.

4.4. The Psychological Toll of Navigating the Class-based Barriers

While the analysis so far has quantified the economic and professional penalties associated with lower-class origins, these measures do not capture the subjective human cost of navigating an elite profession from a less-privileged background. Sociological literature suggests that upward mobility is frequently accompanied by hidden injuries (Sennett and Cobb 1972; Friedman 2016), where the pressure to assimilate into a culturally unfamiliar environment generates chronic status anxiety. For low-SEB auditors, the imperative to fit in

(Anderson-Gough et al. 2024) likely necessitates a form of continuous emotional labor and self-monitoring not required of their high-SEB peers. Moreover, the vertical segregation documented in the previous section implies that low-SEB auditors struggle with promotion in the hierarchy. We therefore posit that the class-based barrier in Big 6 audit firms exerts a tangible physiological strain.

In this section, we examine whether these class-based pressures manifest in health outcomes, specifically testing whether low-SEB auditors are more likely to be diagnosed with mental health issues. We estimate the following logistic model to assess whether SEB is associated with clinically diagnosed depression in the pooled sample of all auditors in the sample:

$$P(DEPRESSION_{it} = 1) = G[\alpha + \beta HIGH\_SEB_i + \theta \boldsymbol{X}_{it}], \qquad (4)$$

where G denotes the logistic cumulative distribution function. The dependent variable $DEPRESSION_{it}$ is a dummy equal to 1 if auditor i is prescribed or purchases medication for treating depression-related illnesses in year t, and 0 otherwise. The sample period for this test spans from 2005 to 2020, as the health data are available only starting in 2005.

We include the same set of control variables (vector $\boldsymbol{X}$) as in Model (1). We also include year fixed effects to absorb common time-varying factors that may affect auditors' mental health, such as shifts in mental-health awareness and prescription practices over time. Finally, we include Big 6 fixed effects to control for time-invariant differences across large audit firms in work conditions, organizational culture, and support systems. Robust standard errors are clustered at the individual auditor level.

Table 9 presents the results of estimating Model (4). Column (1) reports baseline results. We find that the coefficient on *HIGH_SEB* is negative and statistically significant (*coeff* =-0.225, *z* =-1.7). This result suggests that auditors from a privileged background are less likely to be diagnosed with depression. In the general population, the link between social class and

overall health is well-established, and the WHO attributes class-based health inequalities to the cumulative impact of long-term exposure to health risks among socioeconomically disadvantaged groups (CSDH 2008). We do not find differences in physical health outcomes for our sample of auditors (untabulated).[28] Nevertheless, we also acknowledge that physical and mental health are related, and their interaction is complex (Doherty and Gaughran 2014). To alleviate the concern that our result on mental health is primarily driven by the class effect on physical health, which in turn takes a toll on auditor mental health, we further add, in column (2), an indicator for physical illness. The variable *PHYS_ILL* is an indicator equal to 1 if the auditor is diagnosed with any major physical illness, following Keloharju et al. (2023). The estimated coefficient on *HIGH_SEB* remains statistically significant. Further, when we split the sample in columns (4)-(6), we find that the class effect on mental health is mainly driven by junior auditors.

Overall, these findings indicate that the psychological burden of the auditing profession is unevenly distributed, with auditors from less privileged socioeconomic backgrounds facing a higher risk of depression, consistent with prior evidence on mental health, workload, and turnover in the profession (Heo et al. 2012; Herda and Lavelle 2012; Persellin et al. 2019).

4.5. Post Big 6: Does the Class Pay Gap Persist?

In this section, we examine whether the class-based income disparities documented earlier within Big 6 audit firms persist after CPAs exit these organizations. Using post-exit income observations, we analyze whether auditors' SEB continues to predict earnings once individuals transition either to non-audit occupations or to audit firms outside the Big 6.

[28] We follow Keloharju et al. (2023) in identifying major physical illnesses. These include: Hypertension, Gastric acid disorder, Heart disease, Hyperlipidemia, Rheumatoid arthritis, Coronary, peripheral vascular disease, Thyroid disorder, Liver disease, Diabetes, Asthma, Cardiac disease, Epilepsy, Malignancies, Gout, Irritable bowel syndrome, Parkinson's disease, Renal disease, Tuberculosis.

Table 10 presents OLS regression results based on Model (1), examining the association between CPAs' SEB and income following exit from Big 6 audit firms. In addition to the baseline controls included in Model (1), all specifications further control for the number of years an individual spent in a Big 6 audit firms (*TOTAL_YR_BIG6*). Column (1) includes all post-exit observations. *HIGH_SEB* is positively and statistically significantly associated with income (*coef.* =0.115, *t* =2.68), suggesting that CPAs from more privileged backgrounds earn higher incomes even after leaving Big 6 auditing positions. When we split the sample between individuals who leave the auditing industry (column (2)) and those who remain in the auditing industry by joining non–Big 6 audit firms (column (3)), the coefficient on *HIGH_SEB* remains positive and statistically significant, indicating that class-based income disparities persist beyond employment in Big 6 firms.

4.6. Robustness test

In this section, we validate our main findings using two alternative measures of auditors' socioeconomic background: (1) a continuous measure based on fathers' income, and (2) a measure based on fathers' occupations.

First, we use a continuous variable of fathers' income quintiles (*SEB_CONT*), which takes values from 1 to 5, where 1 corresponds to the lowest income quintile and 5 to the highest income quintile, as described in Section 3.1. Table 11, Panel A, presents summary statistics for *SEB_CONT* and shows that the mean value is 3.611, indicating that the average auditor in our sample comes from a socioeconomic background above the population median.

In Panel B, we convert *SEB_CONT* into four groups. Group 1 includes values of *SEB_CONT* from 1 to 2; Group 2 from 2 to 3; Group 3 from 3 to 4; and Group 4 from 4 to 5. Consistent with our main SEB indicator (*HIGH_SEB*), 43.59% of auditors belong to Group 4,

corresponding to the top quartile of the income distribution in the population. The proportion of auditors then gradually decreases from Group 3 to Group 1.

Panel D of Table 11 presents regression results based on Model (1), using the continuous SEB measure. Columns (1)–(3) include *SEB_CONT* directly, while Columns (4)–(6) replace it with indicator variables for SEB Groups, with Group 4 serving as the baseline category. The results in Panel D show a positive and statistically significant association between *SEB_CONT* and auditors' income across all specifications, indicating that auditors from higher socioeconomic backgrounds earn systematically more. When SEB is modeled using groups, auditors from Groups 1–3 earn significantly less than those from Group 4, even after controlling for demographics, family characteristics, school performance, and fixed effects. Importantly, the differences across Groups 1–3 are relatively similar in magnitude, suggesting that income disparities are primarily driven by the gap between auditors from the highest SEB background and all others, rather than by a smooth linear gradient across the entire SEB distribution.

Second, we rely on the Standard for Swedish Occupational Classification (SSYK), which is the official system used in Swedish labor market statistics to classify individuals' occupations based on job tasks and required skill levels.[29] The SSYK classification ranks occupational groups from 1, corresponding to managerial professions, to 9, which includes occupations requiring shorter training or introductory skills.[30] Lower SSYK codes therefore represent more prestigious occupations, typically managerial roles or positions requiring

[29] The Standard for Swedish Occupational Classification (SSYK) is described in detail on the Statistics Sweden website https://www.scb.se/dokumentation/klassifikationer-och-standarder/standard-for-svensk-yrkesklassificering-ssyk/

[30] Statistics Sweden provides the following SSYK classification: 1- Managerial professions; 2- Occupations requiring advanced university qualifications; 3- Occupations requiring a university degree or equivalent; 4- Occupations in administration and customer service; 5- Service, care and sales work; 6- Occupations in agriculture, gardening, forestry and fishing; 7- Occupations in construction and manufacturing; 8- Occupations in mechanical manufacturing and transportation, etc.; 9- Occupations requiring shorter training or introduction;0- Military work. We exclude military occupations (SSYK = 0), as they are not directly comparable to civilian occupational categories and do not map clearly onto the hierarchical ranking underlying the SSYK classification.

advanced levels of education. Accordingly, using SSYK codes allows us to capture socioeconomic background along a dimension that reflects long-run occupational status and, to some extent, parental educational attainment, which may differ from parental income per se.[31]

To construct our SSYK-based measure of socioeconomic background, we rely on fathers' occupational information provided in LISA database. For each father in the sample, we retain the lowest SSYK code observed over time, which corresponds to the highest occupational position he ever attained. Table 11, Panel C, reports the distribution of SSYK categories among fathers in the sample.[32] 32% of fathers held the top SSYK category (SSYK = 1). Moreover, the first three occupational categories (SSYK = 1–3) account for more than 70% of fathers' occupations. Given this distribution, we group SSYK codes into broader categories for the empirical analysis by combining adjacent classes: SSYK = 2–3 (advanced and higher education occupations; *SSYK2&3*), 4–5 (administrative, service, and sales occupations; *SSYK4&5*), 6–7 (manual and manufacturing occupations; *SSYK6&7*), and 8–9 (elementary occupations; *SSYK8&9*).

Table 11, Panel E, presents regression results based on Model (1), examining whether the income of auditors whose fathers belong to the top SSYK category (SSYK = 1) differs from that of auditors whose fathers are in lower occupational classes. As in the main analysis (Table 2), we sequentially add control variables, starting with characteristics assigned at birth (column (1)), then including demographic characteristics that may reflect auditors' choices (column (2)), and finally controlling for school grades (column (3)). Across all specifications, auditors whose fathers belong to lower SSYK occupational classes earn significantly lower incomes relative

[31] The pairwise Pearson correlation between the income-based and SSYK-based measures of SEB is moderate and negative ($\rho = -0.4482$, $p < 0.01$), indicating that the two measures capture related but not identical dimensions of SEB.

[32] Out of 7,530 individuals in our sample, we lack information on fathers' SSYK codes for 579 individuals. Thus, the number of unique auditors included in the SSYK-based estimations is 6,951.

to auditors whose fathers were managers (SSYK = 1). In column (1), which includes only characteristics assigned at birth, the coefficients on all SSYK categories below managers are negative and statistically significant, indicating sizeable income penalties associated with less prestigious paternal occupations. The inclusion of additional demographic controls in columns (2) and (3) attenuates the estimated coefficients somewhat but does not eliminate the class-based income gap. Auditors whose fathers worked in administrative, service, or sales occupations (*SSYK4&5*), manual and manufacturing occupations (*SSYK6&7*), or elementary occupations (*SSYK8&9*) earn significantly less than those whose fathers were managers.

5. Discussion and Conclusion

Our study documents a persistent class-based income gap within the Swedish audit profession, a finding that contradicts the meritocratic image of elite professional services. While we find no evidence that auditors from higher SEB deliver higher quality audits, they nonetheless enjoy significant advantages in compensation and promotion. To explain this disparity, we identify workplace segregation as a primary driver—specifically, the sorting of privileged auditors into lucrative assignments (horizontal segregation) and senior leadership roles (vertical segregation). This suggests that, within Big 6 firms, performance evaluation and career progression are filtered through a socioeconomic lens.

Crucially, our analysis reveals that this segregation is not solely a function of internal firm bias but is also reinforced by client demand. The significant association we observe between the SEB of auditors and the SEB of client CEOs supports the homophily theory (Rivera 2012; Aobdia et al. 2025). High-status clients appear to prefer auditors who mirror their own social credentials; this may create a commercial incentive for audit firms to promote individuals who possess the requisite polish and cultural ease to bond with elite executives. This creates a self-reinforcing cycle: high-SEB auditors are assigned better clients because they

fit, and because they have better clients, they appear to be better qualified when evaluated for partnership (Anderson-Gough et al. 2024).

Finally, our study highlights the invisible human cost of class-based inequality. Beyond tangible penalties in pay and rank, we document a significant psychological toll associated with upward mobility. Low-SEB auditors exhibit higher rates of depression, a pattern that is particularly acute among those who are in junior positions. This aligns with the hidden injuries of class framework (Sennett and Cobb 1972), suggesting that the continuous effort required to navigate an unfamiliar elite culture—and the pressure to assimilate—exerts a physiological toll. For the auditing profession, this implies that the current up-or-out model may put disproportionate psychological pressure on those who lack a privileged background to fall back on.

Overall, this paper provides comprehensive archival evidence that socioeconomic background remains an important determinant of career success in the auditing profession, even within a highly egalitarian welfare state like Sweden. If class barriers persist in Sweden, they are likely endemic to the structure of elite professional services globally. Our findings suggest that audit firms' current diversity and inclusion initiatives, which predominantly focus on gender and race, may be overlooking a critical dimension of inequality. Addressing class-based inequality in the auditing industry should be important for attracting and retaining talent.

We acknowledge that our study is limited to the Swedish context and the specific institutional features of the Big 6 audit firms. Future research may examine whether these patterns of inequality are present in other countries or professional fields. Nevertheless, our results demonstrate that equal access to the profession is not necessarily the same as integration within it. Without structural changes to how merit is evaluated and how work is assigned, the class ceiling in public accounting may remain a defining feature of the profession.

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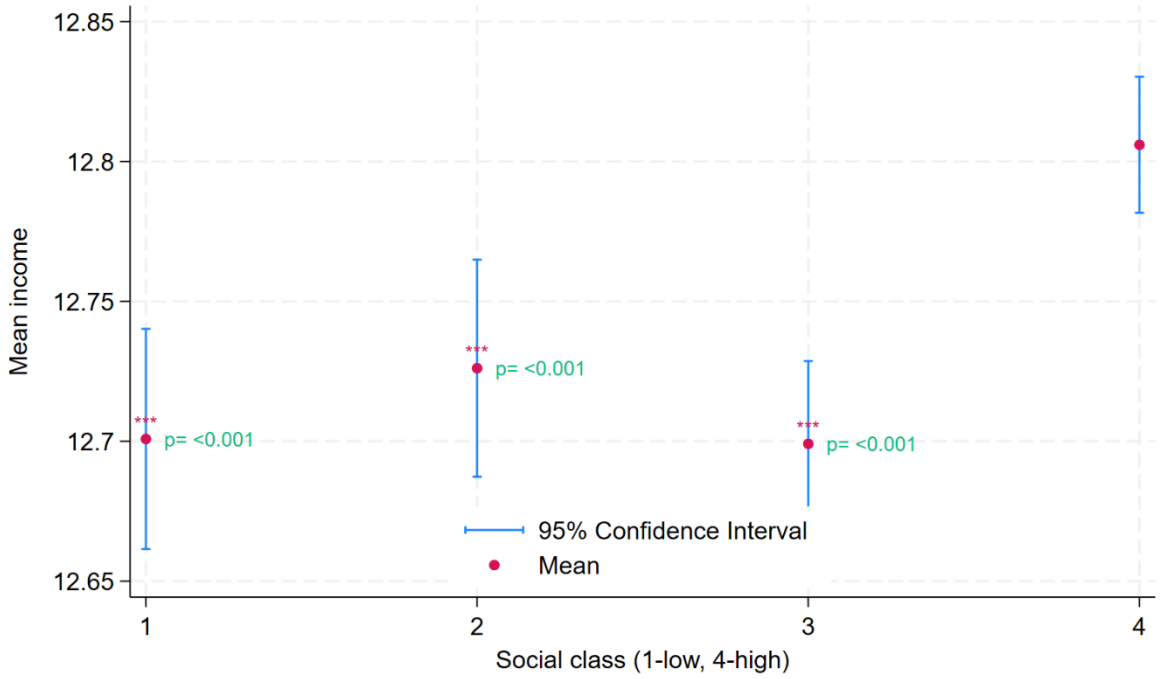
Appendix: Variable Definition Table

Variable	Description
Panel A: Auditor-level variables	
HIGH_SEB	Indicator variable that equals 1 if, for the auditor, the quintile of the father's average income is in the top 25% of the Swedish male population's income distribution, based on average income between 1990 and 2021, conditional on having at least one year of available income information (variable *LoneInk* in LISA) between ages 30 and 50, and 0 otherwise.
BECOMES_CPA	Indicator variable that equals 1 if the auditor ever obtained CPA status, and 0 otherwise.
BECOMES_PARTNER	Indicator variable that equals 1 if the auditor has ever been a partner, and 0 otherwise.
JOINS_BOARD	Indicator variable that equals 1 if the auditor has ever held a board position in a Big 6 firm, and 0 otherwise.
D_FEMALE	Indicator variable that equals 1 if the auditor is a woman, and 0 otherwise.
D_BORNSTHLM	Indicator variable that equals 1 if the auditor was born in Stockholm (variable *FodelseLan* in LISA equals "01"), and 0 otherwise.
BIRTHORDER	The natural logarithm of auditors *i*'s birth number in the sibling group.
SCHOOL_GRADE	High school grades, normalized by year in the overall Swedish population
TOTAL_YR_BIG6	Number of years between the auditor's first and last appearance working for a Big 6 firm in the sample.
PORTFOLIO_SIZE_AVG	Average client portfolio size. Portfolio size is defined for each auditor–year as the natural logarithm of the sum of total sales of all client firms audited by auditor *i* in year *t*. The variable equals the auditor-level average of this measure over time.
AUDITS_PUBLIC_CLIENT	Indicator variable equal to 1 if the auditor has ever audited a publicly listed client, and 0 otherwise.
SANC_ONCE	Indicator equal to one if auditor *i* received a disciplinary sanction in year t, and zero otherwise.
Panel B: Auditor - year level variables	
JUNIOR	Indicator variable equal to 1 for auditors aged 22–35 who do not hold a CPA license but their occupation is classified as "auditor" in (variable *ssyk4* in LISA takes value of "2411") and employed by one of the Big 6 firms.
MANAGER	Indicator variable equal to 1 if the auditor is identified as a signing auditor in the Serrano database but is not a partner, and 0 otherwise.
PARTNER	Indicator variable equal to 1 if the auditor is identified as a signing auditor in the Serrano database and receives dividend income from the audit firm, and 0 otherwise. We define partners as CPAs who receive dividend payments from audit firms. An auditor is regarded as receiving a dividend payment from a Big 6 firm if (1) she receives dividends from a Big 6 firm (observed through tax filing K10 – Kvalificerade andelar – Fåmansföretag) or (2) the auditor works for a Big 6 and the closely held company that she owns receives financial income (for more information about the closely held company and the 3:12 rule in Sweden, please visit the Swedish Tax Agency: https://skatteverket.se/.)
INCOME	The natural logarithm of total income for auditor i in year t. For junior auditors and managers total income corresponds to salary. For partners it includes both salary and dividend payments.
D_LIVESTHLM	Indicator variable equal to 1 if the auditor works in Stockholm (variable *Kommun* in LISA takes value of "01") in year *t,* and 0 otherwise.
CHILDREN	The natural logarithm of one plus number of children that the auditor *i* has in year *t*.
AGE	The natural logarithm of auditor *i*'s age in year *t.*
MARRIED	Indicator variable equal to 1 of auditor *i* is married (variable *Civil* in LISA takes value of "G" (Gift)) in year *t*.
PORTFOLIO_SIZE	The natural logarithm of the total sales of auditor *i*'s client portfolio firms in year *t*.

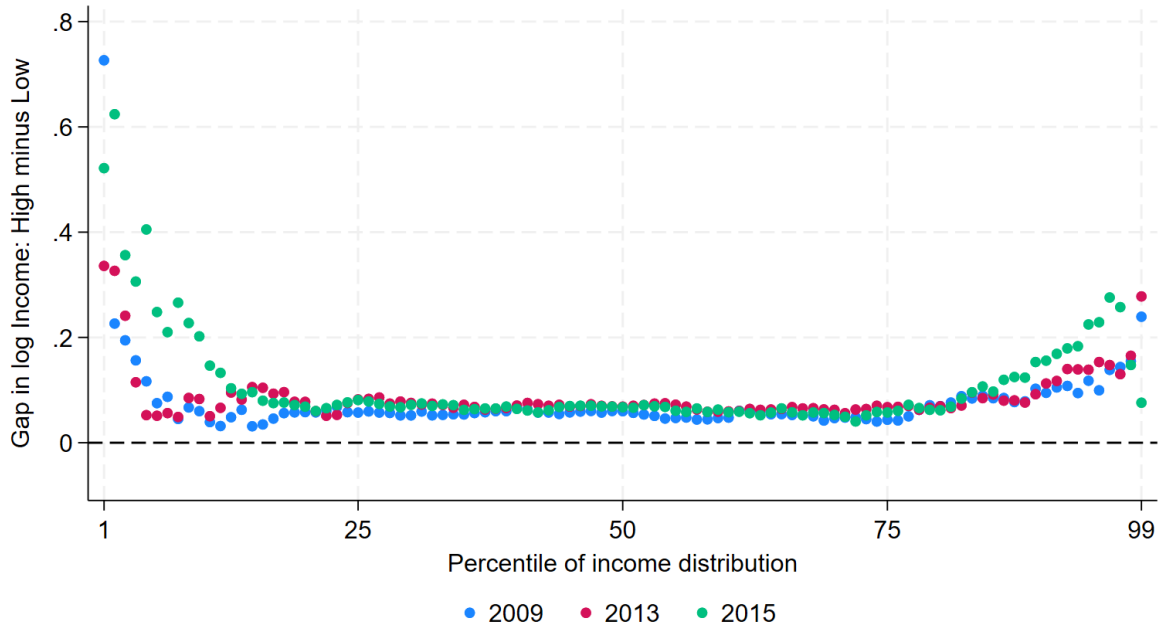
PHYS_ILL	Indicator variable equal to 1 if the auditor is prescribed medication for any of the following categories of physical illness in the year (we follow Keloharju et al. (2023) in identifying major physical illnesses), and 0 otherwise: Hypertension, Gastric acid disorder, Heart disease, Hyperlipidemia, Rheumatoid arthritis, Coronary, peripheral vascular disease, Thyroid disorder, Liver disease, Diabetes, Asthma, Cardiac disease, Epilepsy, Malignancies, Gout, Irritable bowel syndrome, Parkinson's disease, Renal disease, Tuberculosis.
DEPRESSION	Indicator variable equal to 1 if the auditor is prescribed medication for depression, and 0 otherwise. To identify medication codes for depression, we follow Keloharju et al. (2023).
Panel D: Client - year level variables	
ROA	Return on asset of client firm, calculated as profit before tax divided by end of year total asset.
LEVERAGE	Leverage, calculated as debt divided by total assets at the end of year t.
INVENT	The inventory of client company *j* divided by the total assets of company *j* in year *t*.
CURRENT	The ratio of current assets to current liabilities of firm in year *t.*
SIZE	Natural logarithm of client firm total asset at the end of year *t*.
CLIENTAGE	Client firm age in year *t*.
LOSS	Indicator variable equal to 1 if client firm net income is negative in year *t*.
LISTED	Indicator variable equal to 1 if the client firm is publicly listed, and 0 otherwise.
ACCRUALS	Performance matched discretionary accruals following Kothari et al. (2025). We exclude micro-sized firms that have assets below 2 million SEK. Abnormal accruals are estimated using regressions run separately for each industry–fiscal year, and we require a minimum of 20 observations per industry–year to estimate the model.
TYPE1ERR	Indicator variable equal to 1 if the auditor makes a Type I error in the going-concern opinion, and 0 otherwise. A Type I error is defined as issuing a going-concern warning when the client does not go bankrupt in the subsequent year.
TYPE2ERR	Indicator variable equal to 1 if the auditor makes a Type II error in the going-concern opinion, and 0 otherwise. A Type II error is defined as failing to issue a going-concern warning when the client goes bankrupt in the subsequent year.
TOTAL_ERR	Indicator variable that equal to one if the auditor commits a Type I or Type II error in the going-concern opinion, and zero otherwise.
MAO	Indicator variable equal to 1 if the auditor issued a modified audit opinion (qualified, adverse, or disclaimer) in year *t*, and 0 otherwise.

Figure 1 Mean Income by Social Class



Note: This figure plots the mean log income by socioeconomic background (SEB), where auditors are grouped into four SEB categories ranging from the lowest (Group 1) to the highest (Group 4). Income is measured as the natural logarithm of total annual income. Error bars denote 95% confidence intervals. Stars indicate that the mean income for the respective group is statistically different from the highest SEB group at the 1% significance level.

Figure 2 Income Gap Across Percentiles and Years



Note: This figure shows differences in the mean log income between high- and low-SEB auditors across percentiles of the income distribution for selected years (2009, 2013, and 2015). The vertical axis reports the difference in log income (high minus low SEB) evaluated at each percentile. The dashed horizontal line denotes zero income difference. Positive values indicate higher income for high-SEB auditors. Income is measured as the natural logarithm of total annual income.

Table 1 Descriptive Statistics

Variable	Obs	Mean	Std. dev.	p25	p50	p75	Min	Max
Panel A: Descriptive statistics of the auditor-level variables								
HIGH_SEB	7,530	0.4359	0.4959	0	0	1	0	1
BECOMES_CPA	7,530	0.2121	0.4088	0	0	0	0	1
BECOMES_PARTNER	7,530	0.0312	0.1739	0	0	0	0	1
JOINS_BOARD	7,530	0.0060	0.0771	0	0	0	0	1
D_FEMALE	7,530	0.5525	0.4973	0	1	1	0	1
D_BORNSTHLM	7,530	0.2076	0.4056	0	0	0	0	1
BIRTHORDER	7,530	0.4229	0.4417	0	0.6931	0.6931	0	2.5649
SCHOOL_GRADES	7,339	0.7236	0.7343	0.3519	0.8062	1.1780	-4.6122	2.5322
TOTAL_YR_BIG6	7,530	5.0610	4.0681	2	4	7	1	20
Panel B: Descriptive statistics of the auditor-year level variables								
HIGH_SEB	36,487	0.4401	0.4964	0	0	1	0	1
JUNIOR	36,487	0.7264	0.4458	0	1	1	0	1
MANAGER	36,487	0.2397	0.4269	0	0	0	0	1
PARTNER	36,487	0.0339	0.1811	0	0	0	0	1
INCOME	36,487	12.7512	0.7000	12.5191	12.7877	13.0931	4.6052	16.4303
D_LIVESTHLM	36,487	0.3795	0.4853	0	0	1	0	1
CHILDREN	36,487	0.3955	0.4954	0	0	0.6931	0	1.7918
AGE	36,487	3.4216	0.1512	3.2958	3.4012	3.4965	3.0910	3.9120
MARRIED	36,487	0.3011	0.4588	0	0	1	0	1
PORTFOLIO_SIZE	9,851	19.6287	2.4629	18.1977	19.8531	21.2820	6.9078	26.6332
PHYS_ILL	33,880	0.1301	0.3365	0	0	0	0	1
DEPRESSION	33,880	0.031	0.1732	0	0	0	0	1

Note: This table reports summary statistics for auditor-level (Panel A) and auditor-year-level (Panel B) variables used in the analyses. Panel A presents descriptive statistics for time-invariant or aggregated auditor characteristics, while Panel B presents descriptive statistics for time-varying auditor-year variables. Variable definitions are provided in Appendix A.

Table 2 The Association between Auditors' SEB and Auditor Income

Panel A: t-tests

	LOW SEB	HIGH SEB	Diff	T-stat	P-value	N group 0	N group 1
				Full Sample			
INCOME	12.7081	12.8060	-0.0979	-13.2912	0.0000	20,430	16,057
				Junior Auditor Sample			
INCOME	12.5171	12.5906	-0.0735	-9.5842	0.0000	15,090	11,413
				Audit Manager Sample			
INCOME	13.1271	13.1598	-0.0327	-3.4052	0.0007	4,772	3,974
				Audit Partner Sample			
INCOME	14.2623	14.3760	-0.1137	-3.2314	0.0013	568	670

Panel B: Regression analysis - SEB and Income

VARIABLES	*INCOME*					
	(1)	(2)	(3)	(4)	(5)	(6)
HIGH_SEB	0.0694***	0.0562***	0.0453***	0.0249***	0.0235*	0.0914**
	(0.0109)	(0.0105)	(0.0103)	(0.00892)	(0.0139)	(0.0456)
D_FEMALE	-0.302***	-0.270***	-0.298***	-0.204***	-0.279***	-0.124**
	-0.0104	(0.01000)	(0.0101)	(0.00868)	(0.0147)	(0.0520)
D_BORNSTHLM	0.0827***	-0.0284*	-0.0204	-0.00146	-0.0142	-0.0705
	(0.0134)	(0.0156)	(0.0152)	(0.0123)	(0.0225)	(0.0643)
AGE	1.845***	2.770***	2.777***	2.011***	1.381***	2.125***
	(0.0465)	(0.0552)	(0.0540)	(0.0523)	(0.0721)	(0.281)
BIRTHORDER	-0.0442***	-0.0410***	-0.0369***	-0.0295***	-0.0244	0.0722
	(0.0123)	(0.0119)	(0.0118)	(0.00997)	(0.0167)	(0.0480)
D_LIVESTHLM		0.166***	0.151***	0.136***	0.154***	0.186***
		(0.0125)	(0.0120)	(0.00993)	(0.0168)	(0.0455)
CHILDREN		-0.448***	-0.451***	-0.606***	-0.198***	0.0124
		(0.0162)	(0.0161)	(0.0168)	(0.0177)	(0.0692)
MARRIED		0.0494***	0.0410***	0.0219	0.0117	-0.0265
		(0.0135)	(0.0136)	(0.0141)	(0.0145)	(0.0541)
SCHOOL_GRADES			0.116***	0.0747***	0.0660***	0.0699**
			(0.00928)	(0.00798)	(0.0107)	(0.0330)
Observations	36,487	36,487	35,709	25,883	8,591	1,235
Adjusted R-squared	0.326	0.397	0.414	0.251	0.349	0.327
Year FE	YES	YES	YES	YES	YES	YES
AuditFirm FE	YES	YES	YES	YES	YES	YES
Sample	All	All	All	Junior	Managers	Partner

Note: This table presents univariate and multivariate evidence on the association between auditors' socioeconomic background (SEB) and income. Panel A reports results from two-sided t-tests comparing mean log income between auditors from low- and high-SEB backgrounds for the full sample and separately for junior auditors, managers, and audit partners. Panel B presents OLS regression results estimating Model (1) and examining whether auditors' SEB predicts income. The sample in columns (1)–(3) includes all auditors of Big 6 firms during the sample period from 2001 to 2020. Columns (4)–(6) present subsample analyses: column (4) includes only junior auditors, column (5) includes managers, and column (6) includes only audit partners. Robust standard errors are reported in brackets and are clustered at the individual level. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. Variable definitions are provided in Appendix A.

Table 3 Auditor Human Capital

Panel A: School Grades

	LOW SEB	HIGH SEB	Diff	T-stat	P-value	N group 0	N group 1
				Full Sample			
SCHOOL_GRADES	0.6803	0.7792	-0.0988	-5.7310	0.0000	4,129	3,210
				Individuals who ultimately became CPA (*BECOMES_CPA*=1)			
SCHOOL_GRADES	0.8216	0.8720	-0.0504	-1.3718	0.1703	867	705
				Individuals who never became CPA (*BECOMES_CPA*=0)			
SCHOOL_GRADES	0.6428	0.7530	-0.1102	-5.6716	0.0000	3,262	2,505

Panel B: CPA Exam Score

	LOW SEB	HIGH SEB	Diff	T-stat	P-value	N group 0	N group 1
Exam Score after 2013	101.3263	101.5409	-0.2145	-0.3332	0.7391	429	318
Low-level Exam Score before 2013	79.5415	79.9730	-0.4315	-1.8212	0.0688	663	593
High-level Exam Score before 2013	79.2069	79.8156	-0.6087	-1.4038	0.1613	174	179

Note: This table presents results from univariate analyses examining differences in educational performance and socio-economic background (SEB) among auditors. Panel A reports differences in the mean value of school grades between auditors from low and high socio-economic backgrounds (LOW SEB vs. HIGH SEB), for the full sample, for auditors who obtained a CPA qualification (*BECOMES_CPA=1*), and those who never obtained a CPA qualification (*BECOMES_CPA=0*). Panel B presents differences in the mean value of CPA exam scores between LOW SEB and HIGH SEB auditors. CPA exam scores are reported separately for exams taken after 2013 and for exams taken before 2013; before 2013, there was a two-tier CPA exam system. Variable definitions are provided in Appendix A.

Table 4 Audit Quality

VARIABLES	*ACCRUALS*	*MAO*	*TYPE1ERR*	*TYPE2ERR*	*TOTAL_ERR*	*SANC_ONCE*
	(1)	(2)	(3)	(4)	(5)	(6)
HIGH_SEB	-0.000546	0.0287	-0.0765	1.152	-0.0764	-0.549
	(0.00136)	(0.0398)	(0.129)	(0.844)	(0.101)	(0.478)
D_FEMALE	0.000951	0.112**	0.0189	0.515	-0.0689	-0.508
	(0.00158)	(0.0476)	(0.145)	(1.239)	(0.118)	(0.489)
D_BORNSTHLM	0.00104	-0.0404	-0.274	0.983	-0.166	-1.262
	(0.00272)	(0.0719)	(0.230)	(1.989)	(0.187)	(1.048)
D_LIVESTHLM	-0.00547**	0.255***	0.153	-0.319	-0.0124	
	(0.00225)	(0.0615)	(0.180)	(1.111)	(0.151)	
CHILDREN	9.68e-05	0.0683	-0.491***	-1.973	-0.284**	
	(0.00173)	(0.0490)	(0.150)	(1.464)	(0.119)	
AGE	-0.00220	-0.479**	0.0476	-4.028	-0.474	
	(0.00723)	(0.193)	(0.704)	(4.296)	(0.551)	
BIRTHORDER	0.00290*	-0.0906**	-0.129	-2.147*	0.00356	0.264
	(0.00152)	(0.0442)	(0.149)	(1.227)	(0.114)	(0.445)
MARRIED	8.32e-05	0.0568	-0.209	1.987**	-0.0597	
	(0.00148)	(0.0422)	(0.140)	(0.835)	(0.109)	
PORTFOLIO_SIZE	0.000942	-0.0485***	-0.0381	0.375	-0.0211	
	(0.000608)	(0.0159)	(0.0525)	(0.254)	(0.0416)	
ROA	-0.0437***	-1.225***	-1.090***	0.211	-1.076***	
	(0.00660)	(0.0948)	(0.216)	(1.937)	(0.179)	
LEVERAGE	-0.0465***	2.026***	3.978***	-4.364***	3.550***	
	(0.00322)	(0.0882)	(0.214)	(1.505)	(0.176)	
INVENT	0.0653***	0.703***	0.287	3.033	0.667***	
	(0.00458)	(0.111)	(0.288)	(2.487)	(0.225)	
CURRENT	0.000206***	-0.000382	-0.0139	-0.0110	-0.00946	
	(4.81e-05)	(0.000946)	(0.0126)	(0.0129)	(0.00993)	
SIZE	0.00256***	-0.288***	-0.212***	-0.0313	-0.182***	
	(0.000587)	(0.0189)	(0.0645)	(0.420)	(0.0504)	
CLIENTAGE	-0.0155***	-0.108***	-0.294***	0.0921	-0.293***	
	(0.00103)	(0.0266)	(0.0720)	(0.570)	(0.0563)	
LOSS	-0.0342***	0.518***	1.225***	-1.455	1.215***	
	(0.00191)	(0.0296)	(0.128)	(1.017)	(0.1000)	
PORTFOLIO_SIZE_AVG						0.125
						(0.0901)
Observations	80,829	80,820	104,198	168	106,025	1,170
(Pseudo)R-squared	0.015	0.111	0.364	0.440	0.314	0.0820
YEAR FE	YES	YES	YES	YES	YES	NA
INDUSTRY FE	YES	YES	YES	YES	YES	NA
BirthCohort FE	NA	NA	NA	NA	NA	YES

Note: This table reports regression results examining the relation between auditors' socio-economic background (*HIGH_SEB*) and audit outcomes. Column (1) reports OLS regression results, while columns (2)–(6) report logistic regression results. Columns (1)–(5) are estimated using client-year–level data, whereas column (6) is estimated using individual-level data. Robust standard errors are reported in parentheses. Standard errors in columns (1)–(5) are clustered at the client level. All firm-year regressions include year and industry fixed effects, and column (6) includes birth-cohort fixed effects. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. Variable definitions are provided in Appendix A.

Table 5 CPA SEB and Clientele

Panel A: CPA SEB and client portfolio size

	PORTFOLIO_SIZE				
	(1)	(2)	(3)	(4)	(5)
HIGH_SEB	0.234***	0.218**	0.166**	0.0443	0.113
	(0.0889)	(0.0880)	(0.0833)	(0.0908)	(0.170)
HIGH_SEB×BECOMES_PARTNER				0.353**	
				(0.174)	
BECOMES_PARTNER				1.143***	
				(0.131)	
D_FEMALE	-0.990***	-1.110***	-0.990***	-0.801***	-0.453***
	(0.0902)	(0.0927)	(0.0883)	(0.0855)	(0.165)
D_BORNSTHLM	-0.174	-0.130	-0.0855	-0.0657	-0.0846
	(0.154)	(0.154)	(0.143)	(0.130)	(0.232)
D_LIVESTHLM	0.297**	0.233**	0.0317	-0.0732	0.480**
	(0.120)	(0.117)	(0.110)	(0.105)	(0.204)
CHILDREN	-0.0607	-0.0490	-0.0278	-0.0772	-0.278
	(0.106)	(0.103)	(0.0961)	(0.0876)	(0.234)
AGE	8.839***	8.710***	7.271***	6.783***	2.823**
	(0.407)	(0.395)	(0.401)	(0.388)	(1.176)
BIRTHORDER	-0.0361	-0.0452	-0.0854	-0.0929	0.207
	(0.103)	(0.103)	(0.0959)	(0.0881)	(0.168)
MARRIED	0.0703	0.0364	0.0157	0.00383	-0.205
	(0.0889)	(0.0887)	(0.0860)	(0.0791)	(0.157)
SCHOOL_GRADES		0.368***	0.280***	0.222***	0.173
		(0.0629)	(0.0589)	(0.0571)	(0.112)
Observations	9,851	9,696	8,464	8,464	1,232
Adjusted R-squared	0.386	0.397	0.289	0.338	0.360
Year FE	YES	YES	YES	YES	YES
AuditFirm FE	YES	YES	YES	YES	YES
Sample	All CPA	All CPA	Managers	Managers	Partner

(Continued on the next page…)

Table 5 CPA SEB and Clientele (continued)

Panel B: CPA SEB and access to listed clients

	AUDITS_PUBLIC_CLIENT	
	(1)	(2)
HIGH_SEB	0.434**	0.425**
	(0.179)	(0.181)
D_FEMALE	-1.019***	-1.130***
	(0.196)	(0.203)
D_BORNSTHLM	0.468**	0.493**
	(0.224)	(0.230)
BIRTHORDER	-0.322	-0.294
	(0.218)	(0.222)
SCHOOL_GRADES		0.361***
		(0.120)
Observations	1,597	1,572
Pseudo R2	0.141	0.152
BirthCohort FE	YES	YES
Sample	CPA	CPA

Note: This table reports regression results examining whether CPAs' socioeconomic background (SEB) is associated with client portfolio characteristics. Panel A presents OLS estimates from Model (1), where the dependent variable is the size of a CPA's client portfolio (*PORTFOLIO_SIZE*). Columns (1)-(2) include all CPAs employed by Big 6 audit firms during the sample period. Column (3) restricts the sample to managers. Column (4) augments the model in columns (3) by interacting *HIGH_SEB* with an indicator for whether the individual eventually becomes a partner (*BECOMES_PARTNER*). Column (5) reports results for current partners. Panel B presents logistic estimates from Model (2), where the dependent variable (*AUDITS_PUBLIC_CLIENT*) is an indicator equal to one if a CPA has ever audited a publicly listed client; the sample includes all individuals who ever attained CPA status. All regressions include the control variables listed in the table, as well as year fixed effects and Big 6 firm fixed effects (Panel A) or birth-cohort fixed effects (Panel B). Robust standard errors are reported in parentheses; in Panel A, robust standard errors are clustered at the individual level. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. Variable definitions are given in Appendix A.

Table 6 The Relation between Client Firm CEO SEB and the Firm's Auditor SEB

Panel A: t-tests

	Client Firm Asset size				
	Bottom 20% N=8,366	Top 20% N=8,345	diff	std. error	obs
HIGH_SEB (CPA)	0.451	0.483	**-0.032*** **	0.008	16,711
HIGH_SEB (CEO)	0.328	0.388	**-0.060*** **	0.008	16,711

Panel B: Regression analysis - CEO SEB, client firm size, and auditor SEB

VARIABLES	*HIGH_SEB (CPA)*			
	(1)	(2)	(3)	(4)
HIGH_SEB (CEO)	0.148***	0.0889*	0.0830*	0.0839*
	(0.0460)	(0.0475)	(0.0475)	(0.0476)
SIZE			0.0330***	0.0260**
			(0.0117)	(0.0121)
LISTED				0.554***
				(0.206)
Observations	41,770	41,744	41,744	41,744
Pseudo R2	0.000869	0.0153	0.0158	0.0163
Year FE	NO	YES	YES	YES
Industry FE	NO	YES	YES	YES

Note: This table presents results on the relation between client firm CEO SEB (*HIGH_SEB(CEO)*) and the firm's auditor SEB (*HIGH_SEB(CPA)*). Panel A, reports univariate comparisons of the average SEB of firm CEOs and CPAs between client firms in the top 20% percentile and those in the bottom 20% percentile. We rank client firms by total assets within each fiscal year and classify them into size quintiles. Firms in the highest quintile are defined as the top 20%, and firms in the lowest quintile are defined as the bottom 20%. Panel B presents logistic regression results estimated at the client-firm-year level, examining whether a client firm's CEO SEB predicts its auditor's SEB. Column (1) reports baseline results without fixed effects, while columns (2)–(4) include fiscal year and industry fixed effects. Robust standard errors in parentheses are clustered at the client-firm level. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. Variable definitions are given in Appendix A.

Table 7 The Association between Auditors' SEB and Career Outcomes

Panel A: t-tests

	LOW SEB	HIGH SEB	Diff	T-stat	P-value	N group 0	N group 1
BECOMESS_CPA	0.2076	0.2179	-0.0102	-1.0765	0.2817	4,248	3,282
BECOMES_PARTNER	0.0268	0.0369	-0.0100	-2.4832	0.0130	4,248	3,282
JOINS_BOARD	0.0042	0.0082	-0.0040	-2.2277	0.0259	4,248	3,282

Panel B: Regression analysis - SEB and Career Outcomes

VARIABLES	*BECOMES_CPA*		*BECOMES_PARTNER*		*JOINS_BOARD*	
	(1)	(2)	(3)	(4)	(5)	(6)
HIGH_CLASS	0.114*	0.0706	0.379***	0.300**	0.699**	0.716**
	(0.0599)	(0.0613)	(0.139)	(0.142)	(0.297)	(0.305)
D_FEMALE	-0.634***	-0.737***	-1.264***	-1.403***	-0.337	-0.346
	(0.0590)	(0.0610)	(0.154)	(0.155)	(0.300)	(0.301)
D_BORNSTHLM	-0.395***	-0.435***	-0.141	-0.167	0.250	0.266
	(0.0782)	(0.0808)	(0.178)	(0.183)	(0.325)	(0.325)
BIRTHORDER	-0.289***	-0.279***	-0.188	-0.187	-0.000357	0.0581
	(0.0691)	(0.0706)	(0.174)	(0.180)	(0.345)	(0.350)
SCHOOL_GRADES		0.403***		0.555***		0.238
		(0.0465)		(0.0895)		(0.163)
Observations	7,530	7,339	7,530	7,339	7,530	7,339
Pseudo R2	0.0705	0.0841	0.208	0.228	0.113	0.115
BirthCohort FE	YES	YES	YES	YES	YES	YES

Note: This table presents univariate and multivariate evidence on the association between auditors' socioeconomic background (SEB) and career outcomes. Panel A reports results from two-sided t-tests comparing mean outcomes between auditors from low- and high-SEB backgrounds for three career milestones: obtaining a CPA license (*BECOMES_CPA*), becoming a Big 6 audit partner (*BECOMES_PARTNER*), and serving as a Big 6 board member (*JOINS_BOARD*). Panel B presents logistic regression results examining whether auditors' SEB predicts career outcomes. The sample includes all auditors as in the baseline results in Table 3, column (1), and the analysis is conducted at the individual level. In columns (1) and (2), the dependent variable is *BECOMES_CPA*, an indicator equal to 1 if the auditor obtained a CPA license during the sample period from 2001 to 2020, and 0 otherwise. In columns (3) and (4), the dependent variable is *BECOMES_PARTNER*, an indicator equal to 1 if the auditor is identified as a Big 6 audit partner at least once during the sample period, and 0 otherwise. In columns (5) and (6), the dependent variable is *JOINS_BOARD*, an indicator equal to 1 if the auditor is identified as a Big 6 board member at least once during the sample period, and 0 otherwise. Robust standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. Variable definitions are provided in Appendix A.

Table 8 Auditors' SEB and the Length of Time Working in a Big 6 Firm

VARIABLES	*TOTAL_YR_BIG6*			
	(1)	(2)	(3)	(4)
HIGH_SEB	0.0343*	0.0234	0.0415**	0.0392*
	(0.0184)	(0.0185)	(0.0207)	(0.0209)
D_FEMALE	-0.0825***	-0.108***	-0.0562***	-0.0661***
	(0.0181)	(0.0185)	(0.0208)	(0.0216)
D_BORNSTHLM	-0.155***	-0.166***	-0.0254	-0.0259
	(0.0233)	(0.0237)	(0.0282)	(0.0288)
BIRTHORDER	-0.0829***	-0.0785***	-0.0287	-0.0301
	(0.0204)	(0.0206)	(0.0239)	(0.0243)
SCHOOL_GRADES		0.111***		0.0275*
		(0.0138)		(0.0151)
Observations	7,530	7,339	1,597	1,572
Birth Cohort FE	YES	YES	YES	YES
Pseudo R2	0.0296	0.036	0.034	0.0345
Sample	All	All	CPA only	CPA only

Note: In this table, we present Poisson regression results from Model (3) examining the association between individual auditors' SEB (*HIGH_SEB*) and the length of time working in a Big 6 firm during our sample period from 2001 to 2020 (*TOTAL_YR_BIG6*). Robust standard errors are reported in parentheses.***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. Variable definitions are given in Appendix A.

Table 9 Auditors' SEB and the Likelihood of Being Diagnosed with Depression

VARIABLES	*DEPRESSION*					
	(1)	(2)	(3)	(4)	(5)	(6)
HIGH_SEB	-0.224*	-0.227*	-0.230*	-0.218*	-0.0899	-0.250
	(0.133)	(0.133)	(0.134)	(0.128)	(0.349)	(0.677)
D_FEMALE	0.543***	0.601***	0.563***	0.616***	0.113	0.342
	(0.144)	(0.145)	(0.143)	(0.141)	(0.312)	(0.810)
D_BORNSTHLM	0.00641	-0.0294	-0.0441	-0.176	0.322	1.718***
	(0.169)	(0.183)	(0.182)	(0.177)	(0.474)	(0.610)
AGE	-0.140	1.513***	1.404**	3.867***	1.356	-5.632
	(0.400)	(0.548)	(0.552)	(0.646)	(1.317)	(3.910)
BIRTHORDER	0.0135	0.0240	0.0351	-0.184	0.595	1.382
	(0.159)	(0.159)	(0.159)	(0.145)	(0.449)	(0.858)
D_LIVESTHLM		0.00714	0.00312	0.0332	-0.216	-0.592
		(0.139)	(0.139)	(0.136)	(0.449)	(0.873)
CHILDREN		-0.635***	-0.623***	-0.714***	-0.404	-0.937
		(0.169)	(0.170)	(0.164)	(0.338)	(1.158)
MARRIED		-0.297*	-0.310*	-0.276*	-0.411	-0.180
		(0.163)	(0.163)	(0.150)	(0.335)	(0.819)
PHYS_ILL			0.640***	0.713***	0.244	1.516*
			(0.116)	(0.113)	(0.318)	(0.880)
Observations	33,810	33,810	33,810	24,439	8,142	725
PseudoR2	0.0221	0.0321	0.0411	0.0492	0.0700	0.274
Year FE	YES	YES	YES	YES	YES	YES
AuditFirm FE	YES	YES	YES	YES	YES	YES
Sample	All	All	All	Junior	Manager	Partner

Note: In this table, we present logistic regression results from Model (4) examining the association between auditors' SEB and the likelihood of being diagnosed with depression; the analysis is at the individual-year level. The sample includes all auditors of Big 6 firms during the sample period from 2005 to 2020 (our medical record data starts from 2005). Robust standard errors in parentheses are clustered at the individual level. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. Variable definitions are given in Appendix A.

Table 10 Auditors' SEB and their Income after They Leave a Big 6 Auditing Firm

VARIABLES	*INCOME*		
	(1)	(2)	(3)
HIGH_SEB	0.115***	0.0970**	0.147*
	(0.0429)	(0.0456)	(0.0861)
D_FEMALE	-0.227***	-0.189***	-0.394***
	(0.0384)	(0.0422)	(0.0767)
D_BORNSTHLM	-0.0604	-0.0733	-0.0644
	(0.0642)	(0.0713)	(0.104)
AGE	1.016***	1.109***	0.658**
	(0.176)	(0.195)	(0.290)
BIRTHORDER	-0.0198	-0.0518	0.142*
	(0.0438)	(0.0478)	(0.0822)
MARRIED	0.0446	0.0571	-0.111
	(0.0431)	(0.0502)	(0.0741)
D_LIVESTHLM	0.158***	0.190***	0.178**
	(0.0399)	(0.0406)	(0.0802)
SCHOOL_GRADES	0.0361	0.0224	0.0632
	(0.0297)	(0.0328)	(0.0521)
TOTAL_YR_BIG6	-0.000106	0.00578	0.0247***
	(0.00607)	(0.00766)	(0.00837)
Observations	4,445	3,653	792
Adjusted R-squared	0.138	0.147	0.183
Year FE	YES	YES	YES
Sample	All	Not In Audit	In Audit

Note: This table presents OLS regression results examining whether CPAs' socioeconomic background (*HIGH_SEB*) predicts their income after they leave a Big 6 auditing position. The analysis is conducted at the individual–year level and includes only income observations after exit from Big 6 audit firms. Individuals may either remain within the auditing industry outside Big 6 firms or transition to non-audit industries. Column (1) includes all post-exit observations. Column (2) restricts the sample to individuals who leave Big 6 audit firms and subsequently work outside the auditing industry. Column (3) includes individuals who leave Big 6 audit firms but remain in the auditing industry (i.e., employed in non–Big 6 audit firms). Robust standard errors in parentheses are clustered at the individual level. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. Variable definitions are given in Appendix A.

Table 11 Robustness Tests

Panel A: Summary statistics of continuous SEB variable (*SEB_CONT*)

Variable	Obs	Mean	Std. dev.	p25	p50	p75	Min	Max
SEB_CONT	7,530	3.611	1.255	2.75	3.867	4.867	1	5

Panel B: Distribution of SEB Groups constructed based on the continuous SEB variable (*SEB_CONT*), Group 1 (4) corresponds to the lowest (highest) SEB level.

SEB Group	Freq	Percent	Cumulative
Group 1	1,143	15.18	15.18
Group 2	1,310	17.4	32.58
Group 3	1,795	23.84	56.41
Group 4	3,282	43.59	100
Total	7,530		100

Panel C: Distribution of SSYK categories among fathers

SSYK	Freq	Percent	Cumulative
1	2,195	31.58	31.58
2	1,735	24.96	56.54
3	1,093	15.72	72.26
4	232	3.34	75.6
5	300	4.32	79.92
6	265	3.81	83.73
7	680	9.78	93.51
8	385	5.54	99.05
9	66	0.95	100
Total	6,951		100

Table 11 Robustness Tests (continued)

Panel D: Regression analysis - continuous SEB and Income

VARIABLES	*INCOME*					
	(1)	(2)	(3)	(4)	(5)	(6)
				Base: *SEB Group 4* (highest)		
SEB_CONT	0.0244***	0.0200***	0.0154***			
	(0.00434)	(0.00413)	(0.00405)			
SEB Group 1				-0.0711***	-0.0635***	-0.0470***
				(0.0162)	(0.0152)	(0.0149)
SEB Group 2				-0.0623***	-0.0472***	-0.0396***
				(0.0154)	(0.0146)	(0.0145)
SEB Group 3				-0.0737***	-0.0583***	-0.0485***
				(0.0135)	(0.0131)	(0.0127)
D_FEMALE	-0.301***	-0.269***	-0.298***	-0.302***	-0.270***	-0.298***
	(0.0104)	(0.00999)	(0.0101)	(0.0104)	(0.00998)	(0.0101)
D_BORNSTHLM	0.0865***	-0.0262*	-0.0185	0.0829***	-0.0281*	-0.0203
	(0.0134)	(0.0157)	(0.0153)	(0.0134)	(0.0156)	(0.0152)
AGE	1.846***	2.771***	2.778***	1.845***	2.770***	2.777***
	(0.0465)	(0.0553)	(0.0540)	(0.0465)	(0.0553)	(0.0540)
BIRTHORDER	-0.0424***	-0.0395***	-0.0358***	-0.0443***	-0.0407***	-0.0370***
	(0.0124)	(0.0120)	(0.0119)	(0.0124)	(0.0119)	(0.0119)
D_LIVESTHLM		0.167***	0.152***		0.166***	0.151***
		(0.0125)	(0.0120)		(0.0125)	(0.0120)
CHILDREN		-0.448***	-0.451***		-0.448***	-0.451***
		(0.0162)	(0.0161)		(0.0162)	(0.0161)
MARRIED		0.0501***	0.0415***		0.0498***	0.0411***
		(0.0136)	(0.0136)		(0.0135)	(0.0136)
SCHOOL_GRADES			0.116***			0.116***
			(0.00931)			(0.00928)
Observations	36,487	36,487	35,709	36,487	36,487	35,709
Adjusted R-squared	0.325	0.397	0.414	0.326	0.397	0.414
Year FE	YES	YES	YES	YES	YES	YES
AuditFirm FE	YES	YES	YES	YES	YES	YES
Sample	All	All	All	All	All	All

Table 11 Robustness Tests (continued)

Panel E: Regression analysis - SEB based on SSYK and Income

VARIABLES	*INCOME*		
	(1)	(2)	(3)
	Base: *SSYK_1* (highest)		
SSYK_2&3	-0.0290**	-0.0248*	-0.0266**
	(0.0132)	(0.0129)	(0.0127)
SSYK_4&5	-0.0863***	-0.0540***	-0.0434**
	(0.0223)	(0.0208)	(0.0205)
SSYK_6&7	-0.0758***	-0.0626***	-0.0538***
	(0.0174)	(0.0161)	(0.0157)
SSYK_8&9	-0.0816***	-0.0568**	-0.0391*
	(0.0241)	(0.0239)	(0.0227)
D_FEMALE	-0.298***	-0.267***	-0.295***
	(0.0107)	(0.0103)	(0.0105)
D_BORNSTHLM	0.0971***	-0.0145	-0.00459
	(0.0139)	(0.0163)	(0.0157)
AGE	1.868***	2.801***	2.812***
	(0.0487)	(0.0571)	(0.0556)
BIRTHORDER	-0.0427***	-0.0414***	-0.0382***
	(0.0128)	(0.0122)	(0.0121)
D_LIVESTHLM		0.167***	0.152***
		(0.0130)	(0.0125)
CHILDREN		-0.446***	-0.449***
		(0.0169)	(0.0167)
MARRIED		0.0433***	0.0342**
		(0.0141)	(0.0141)
SCHOOL_GRADES			0.114***
			(0.00993)
Observations	33,836	33,836	33,203
Adjusted R-squared	0.328	0.400	0.416
Year FE	YES	YES	YES
Audit Firm FE	YES	YES	YES
Sample	All	All	All

Note: This table presents results examining the link between auditors' SEB using alternative measures of SEB and income. Auditors' SEB is measured as a continuous variable based on fathers' income quintiles (*SEB_CONT*) (Panels A, B and D) and fathers' occupational status (*SSYK*) (Panels C and E). Panel A reports summary statistics of continuous measure of SEB (*SEB_CONT*). Panel B reports the distribution of fathers' income groups constructed based on *SEB_CONT*. The groups are defined as follows: Group 1 if *SEB_CONT* ∈ [1, 2]; Group 2 if *SEB_CONT* ∈ (2, 3]; Group 3 if *SEB_CONT* ∈ (3, 4]; and Group 4 if *SEB_CONT* ∈ (4, 5]. Panel C reports the distribution of fathers' occupational categories based on *SSYK* for the sample of auditors used in the SSYK-based analysis, where *SSYK* codes vary from 1 to 9 and lower *SSYK* values represent higher SEB. Panel D presents regression results using the continuous SEB measure (*SEB_CONT*). Columns (1)–(3) report results with *SEB_CONT* entered as a continuous variable. Columns (4)–(6) report results where *SEB_CONT* is converted into Groups 1–4, as described in Panel B, with Group 4 serving as the baseline category. Panel E presents regression results using *SSYK* occupational categories as an alternative measure of fathers' SEB to examine their association with auditors' income. *SSYK* codes are defined as follows: (1) managers; (2) occupations requiring an advanced level of higher education; (3) occupations requiring higher education qualifications or equivalent; (4) administration and customer service clerks; (5) service, care, and shop sales workers; (6) agricultural, horticultural, forestry, and fishery workers; (7) building and manufacturing workers; (8) mechanical manufacturing and transport workers; and (9) elementary occupations. The baseline category in the regressions is *SSYK* = 1 (managers). The variable *SSYK2&3* denotes a combined category in which *SSYK* = 2 and *SSYK* = 3 are grouped together; similarly, *SSYK4&5, SSYK6&7*, and *SSYK8&9* denote combined categories of *SSYK* = 4–5, 6–7, and 8–9, respectively. Robust standard errors are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. Variable definitions are provided in Appendix A.