

Parameterization

$$E(\text{salary} | \text{Year}, \text{Sex}) = \beta_0 - \beta_1 \text{Sex} + \beta_2 \text{Year} + \beta_3 \text{Year} \times \text{Sex}$$

Old:

$$\text{Sex} = \begin{cases} 0 & \text{male} \\ 1 & \text{female} \end{cases}$$

$$\left. \begin{array}{l} \text{Year}=0, \text{Male}, 18223 = \eta_0 + 2\eta_1 \\ \text{Female}, 18223 - 571 = \eta_0 + \eta_1 \end{array} \right\} \Rightarrow \eta_0 = 17081, \eta_1 = 571$$

New:

$$E(\text{salary} | \text{Year}, \text{Sex}) = \eta_0 + \eta_1 \text{Sex} + \eta_2 \text{Year} + \eta_3 \text{Year} \cdot \text{Sex}$$

$$\text{Sex} = \begin{cases} 2 & \text{Male} \\ 1 & \text{Female} \end{cases}$$

$$\left. \begin{array}{l} \text{Year}=1, \text{Male}, 18223 + 741 = \eta_0 + 2\eta_1 + \eta_3 + 2\eta_4 \\ \text{Female}, 18223 - 571 + 741 + 169 = \eta_0 + \eta_1 + \eta_2 + \eta_3 \end{array} \right\}$$

$$\eta_0, \eta_1, \eta_2, \eta_3$$

$$\Rightarrow \begin{cases} \eta_3 = 1079 \\ \eta_4 = -169 \end{cases}$$

Old: Male  $E(S | Y, \text{Sex}) = 18223 + 741 \times \text{Year}$

Female  $E(S | Y, \text{Sex}) = 18223 - 571 + 741 \text{Year} + 169 \text{Year} = 17652 + 910 \text{Year}$

New: Male  $E(S | Y, \text{Sex}) = 17081 + 2 \times 571 + 1079 \text{Year} - 2 \times 169 \text{Year}$   
 $= 18223 + 741 \text{Year}$

Remark:  $E(S | Y, \text{Sex}) = 17081 + 571 - 1079 - 169 \text{Year} = 17652 + 910 \text{Year}$