

Modelling the average income dependence on work experience in the USA from 1967 to 2002

Abstract

The average and median income dependence on work experience and time is analyzed and modeled for the USA. The original data set providing the mean and median income estimates in 10 year long intervals spans a long time period of almost 35 years – from 1967 to 2003.

A microeconomic model linking personal income, population age structure and GDP per capita is used to predict the mean income values in various age groups and their relative evolution in time. Also modeled is the value of work experience where the mean income growth ends and it starts to drop exponentially with increasing age. This work experience increases through time as the square root of the per capita GDP growth.

Prediction for the following 20 years is given for each age group considering potential per capita growth rate of 1.6%. The USA mean income dependence on work experience for 1987 coincides with that for 2002 in the UK – the years when per capita GDP were equal in the countries.

Key words: personal income distribution, mean income, median income, microeconomic modeling, USA, real GDP, macroeconomics

JEL Classification: D01, D31, E17, J1, O12