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INVESTMENTS IN HUMAN CAPITAL AND THE TRANSITION OUT OF POVERTY FOR YOUTHS

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Economic theory suggests that an important strategy in moving youths out of poverty is to increase their earnings potential by investing in their human capital. Of course, such strategies can follow several alternate courses. These include pursuing higher education, vocational training, and military enlistment, to name several. This paper seeks to explore the effects of specific strategies of human capital investment on the movement of youths out of poverty using the human capital model to explain the effects of various economic influences. Hypotheses will be tested by employing the National Longitudinal Survey of Youth (NLSY). This database is particularly well-suited to the proposed research in that it surveys a large sample of youths aged 14-17 in 1979. It then interviews them every year thereafter through 1991. Hence it is possible to trace each youth's human capital decisions over this time period. A model will then be developed using logit equations to estimate the effects of various human capital investment decisions on the probability of moving out of poverty when controlling for a set of background variables. The model will allow for background factors to be altered to test the effects on many different hypothetical individuals. It is proposed that formal education is the most powerful predictor poverty status.