

Theories of Poverty: A Comparative Analysis

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Many poverty authors point out that the various ways poverty is conceptualized and measured are very crucial because different poverty measures tend to capture different people as poor. The main focus of this research is to review the theoretical and empirical research on theories of poverty, poverty measures and outcomes. Subsequently, we discuss conceptual framework of the different poverty measures.

Key Words: *Causes of Poverty, Monetary Poverty, Capability Poverty, Social Exclusion Poverty*

JEL Classification:

1) Introduction

According to the World Development Report (2002), poverty policies have utilized a broad conceptualization of poverty associated with different dimensions of poverty. Schiller (2008), Laderchi, Saith and Stewart (2003), pointed out that the way we conceptualize and measure poverty influences the fundamentals of poverty policies and programs.

While different poverty measures have been utilized, little attention has been paid to their comparative outcomes and implications (Blank, 2007).

Over the years, different perspectives regarding poverty influenced government welfare policy toward poverty reduction. Rank (2001) noted that understanding the real causes of poverty is important to enlighten our perspectives on the causes of poverty. According to Rank, our understanding of the causes of poverty could be grouped under three major factors: individual factors, cultural and neighborhood factors, and structural factors.

2) Three major factors of poverty

2-1) Individual Factors

The individual factors that fuel poverty include individual attitude, human capital, and welfare participation (Gans, 1995). The theory of individualism is rooted in American values and belief in the free market system, a system thought to provide opportunity for all. The belief in individualism places much emphasis on individual hard work and responsibility to acquire basic needs including food, shelter and health care services (Rank, 2004). Generally, the United States is seen as the land of opportunity, where individuals are provided with vast opportunities to achieve the American dream of material prospect and success. The premise of the American

dream stresses that talent, virtue and hard work can lead to success and that individual poverty is an individual failing due to lack of motivation (Rank, 2004).

However, some studies found little evidence to support this claim (Merton, 1957). These studies found that the poor tend to emphasize hard work, dislike for welfare system, and personal responsibility to refute a societal belief in the negative individual attitudinal cause of poverty (Schwartz, 2000).

The welfare programs have also been thought to cause work and marriage disincentives and dependence on government. The concept of welfare refers to a range of services that are provided to protect people in certain conditions that may include child poverty, sickness, and old age. In the United States, welfare refers to financial assistance to the poor. Some people, especially the Republicans, think that welfare is a re-distributive arrangement that violate individual rights. Welfare is therefore seen as forced taxation and theft (Rank, 2004). However, many studies carried out over the last 20 years have shown little evidence of welfare's association with work disincentive and family formation (Blank, 1997).

The theory of Social Darwinism also justifies people's experience with success or poverty on the basis of an individual's ability to survive. Social Darwinism is the extension of Darwin's ideas of natural selection and biological evolution to humans. Both Spencer and William Sumner employed Charles Darwin's theory of natural selection to argue for the primary cause of poverty in society (James, 2006).

According to Spencer and Sumner, social existence is a competitive experience among individuals who possess different natural abilities and traits (Hurst, 2004). They believe that those with better abilities are capable of being productive to survive while the weak will die off. Spencer and Sumner argued that the state and government should not intervene on the behalf of the poor because their poverty status is naturally ordained. Lester Ward, who argues against social Darwinism notes factors other than individual abilities tend to promote poverty.

Spencer believed that natural selection through the process of social competition promotes purification of the social system (Calhoun et al, 2002).

He argued that evolution serves a cleansing function that makes society more adaptable to its environment. The weakest die off while society's best and strongest survive. Spencer emphasized that society would get better as long as the individual, state and organization do not interfere with the natural course of social improvement. He pointed out that the social system is weakened when the weak are kept in society.

However, Spencer overlooked the social structure that would develop from a free market economy and how this would affect individual's development in society (Calhoun et al, 2002).

There is a contemporary application of Spencer ideology. Spencer's ideology is reflected in beliefs about poverty and welfare policies (Hurst, 2004). Conservatism embraces Spencer ideas. Spencer's idea determines national policies, funding and beneficiaries of welfare programs. Conservatism does not occupy itself with public issues of equality, freedom, social responsibility and general welfare. It is pulled towards private properties, profit, free market and survival of the fittest. Conservatives believe that social welfare should be provided to the disadvantages only when other sources of help have been exhausted, and even this in residual form. Welfare expenditures and programs are therefore kept at the minimum (Stone, 2002).

2-2) Cultural and Neighborhood Factors

The concepts of culture of poverty and social isolation provide frameworks that explain how poverty is created and maintained in some neighborhoods or among some groups. The cultural and neighborhood factors relate to the influence of people's residential environment that tends to shape poverty or success. Oscar Lewis first coined the term culture of poverty when he carried out a study on poverty in Mexico and Puerto Rico in 1961 and 1966 (Mandell & Schram, 2003). The theory of culture of poverty is built on the assumption that both the poor and the rich have different pattern of values, beliefs, and behavioral norms. This theory argues that the poor become poor because they learn certain psychological behaviors associated with poverty. Lewis mentions that the poor learn not to study hard, not to plan the future, to have unprotected sex, and to spend money unwisely. Lewis pointed out that poverty is transmitted from generation to generation because children are socialized with values and goals associated with poverty. The culture of poverty holds that the poor could fight and break away from poverty (McIntyre, 2002).

The culture of poverty significantly influenced social policy in the 1960s until empirical verification of the theory failed to hold (Rankin & Quane, 2000). Wilson's (1987 & 1996) studies on the role of culture and social isolation led to the concept of ghetto-specific culture. The ghetto-specific culture explains the effect of social isolation and the concentration of deviant behavior among the underclass in inner cities. According to Wilson, the underclass in inner cities is socially isolated from mainstream behavior, and in the absence of economic opportunity tends to accept negative behaviors such as out-of wedlock birth, welfare dependence, and crime. These deviant behaviors make it difficult for the inner city underclass to get out of poverty.

The opportunity theory is a reaction to the culture of poverty. The opportunity theory of poverty argues that people are poor because they have limited human capital, as well as limited access to opportunities compared to the wealthy. According to opportunity theory of poverty, the social system is structured such that it favors some group to succeed. Merton (1957) pointed out that the American social system is structured to limit certain groups' access to resources. He argued that even though the United States social structure provides opportunities for people to achieve the American dream, disadvantaged and marginalized groups have limited access to economic resources to achieve these goals.

Gans (1971), Rank (2004), Mandell and Schram (2003) also argued against the theory of cultural of poverty. They criticized the culture of poverty for holding the poor responsible for their lots rather than social forces associated with poverty. According to Gans (1971) and Rank (2004), the blaming-the-victim ideology used by politicians often focuses on character defects of the poor rather than the primary cause of poverty. People use judgmental and behavioral labels to justify their accusation of the poor.

Darling (2002) and Rank (2004) noted that human capital can have major effects on an individual's risk of poverty or success. The literature indicates that human capital significantly affects people's earning, and consequently lack of human capital can place an individual at risk for poverty.

According to Rank (2004) and Darling (2002), individuals with greater human capital are more likely to be competitive in the labor market than those who lack human capital.

2-3) Structural Factors

Larger economic and social structures have been found to account for poverty. Perspectives regarding structural factors argue that capitalism creates conditions that promote poverty. Beeghley (2000) noted the effect of economic structure stating that irrespective of individual effort (hard work, skill); the structure of the United States economy ensures that millions of people are poor. Specifically, the Davis and Moores' functionalist theory, labor market theories, and the social exclusion perspective threw more light on the structural causes of poverty.

The functionalist theory of social stratification argues that poverty is an important social, economic and political function for society in general, and for the middle and Wealthy classes in particular (Davis & Moores, 1945). On the basis of labor wages, functionalist theory accounts for the causes of poverty among certain people and groups in society. In their thesis, Davis and Moore emphasized the functional importance of some category of skills and knowledge in society. According to Davis and Moore, there are certain positions and functions in society that need special skills and knowledge for effective handling. They argued that conversion of one's talent into skills and knowledge requires a training period during which the individuals undergoing such training must sacrifice in some manner. Davis and Moore suggested that people should be motivated with higher wages and privileges to undergo this sacrifice and training, otherwise society will suffer. Thus, the wage of labor is proportional to the cost of training and individuals' sacrifice. Davis and Moore also argued that the existence of economic inequality and poverty as a result of labor-wage differential is justified (Hurst, 2004). One major criticism of Davis and Moore's functionalist theory is the problem of how to establish the functional necessity of a task for a society. Although it is important to motivate people to develop their talent and skills, the wide labor wage differential between chief executive officers and ordinary worker has been condemned (Grusky, 2001).

The labor-market theories focus on income and earning disparities to explain the major causes of poverty (Hurst, 2004). Marx (1932) pointed out that every good (including labor) has an exchange value and that the value of a good is the proportion of human labor invested in its production. The same general law that regulates the price of commodities governs the wage or price of labor-power. One weakness of Marx's thesis is that he treats labor as a homogeneous abstract in the labor market. However, in money economy the capitalist controls the distribution of reward system and they take more rewards themselves (Calhoun et al, 2002).

Neoclassical labor-market theory and Dual-labor-market theory are the main labor-market theories used to account for causes of inequality and poverty (Grusky, 2001).

The neoclassical labor-market theory assumes that there is a relatively free and open market in which the individual can compete for positions and those positions depend on individual's ability, effort and training. According to Hurst and Grusky, the neoclassical labor-market theorists argue that people are rewarded in proportion to what they contribute in society. In addition, they argued that one's education, training, skill and intelligence are very crucial components of productivity in free market society, and that the more a person offers in the free market the greater he will be rewarded. They conclude that the differential supply of and

demand for positions in free market society accounts for earnings inequality, and for that matter the experience of poverty by some people.

The neoclassical labor-market theory has been criticized by the dual labor-market theory. The dual labor-market theorists argued that the free market does not work perfectly as proposed by the neoclassical theorists. The dual-market theorists pointed out that other factors in a competitive society tend to determine individual positions and earnings in society. They point out that education and training programs often fail to reduce inequality and for that matter poverty. Furthermore, they argued that discrimination against minorities in the labor market works against the effective operation of the free market. The dual-market-theorists also added that extensive alienation among workers suggests that the free market model does not work. Figart and Power (2002), and Blau and Kahn (2000) pointed out that certain features have been identified in the labor market that account for deviation from the general law of labor price determination. One important consideration is the influence of gender and race on labor price. Hurst (2004) documented variations in individual earnings and these differences being due to social factors such as gender and race.

Darling (2002) and Alkire (2007) noted that differences in human capital accounts partly in the earning gap. However, the differential earnings are due to some social factors such as gender and race. We see the connection between labor wage and gender or race, and it is socially constructed. Social constructionist such as Fischer (1992) stated that inequality is the result of an intentional construct, created and maintained by social institutions and policies. Grusky (2001) also articulated that “the human condition has so far been a fundamentally unequal one; indeed, all known society has been characterized by inequality of some kind.

Furthermore, certain demographic characteristics including race, gender, work disability, family size and structure, residence, and age are importance factors that can increase or decrease the risk of poverty. Generally, poverty rates are higher among single parent household, women, minority, household with large number of children, and families (Rank, 2004).

Marx (1932) pointed out that the growth of industrialization has led to a significant economic vulnerability of labors in the capitalist system. The concepts of exploitation and social exclusion are two phases of work-related experience used to explain the primary causes of poverty in industrialized countries (Bessie, 1995). While the concept of exploitation was used during the Industrial Revolution, the theory of social exclusion replaced exploitation as the principal cause of poverty during the past few decades in the industrialized nations.

Bessie (1995) pointed out that the practice and experience of exploitation interacts with social exclusion to promote poverty. However, Bessie noted that exploitation and exclusion are not completely independent of each other and that an increase in the experience of exclusion may reinforce exploitation of workers in the labor markets.

Marx utilized the concept of exploitation to explain the fundamental cause of poverty among workers during the Industrial Revolution (Hurst, 2004). The Industrial Revolution was characterized by what Karl Marx termed exploitation of labor. During Industrial Revolution there was a great demand for the labor power of the poor. According to Marx, capitalists own the factors of production while proletarians hire their labor to capitalists. Marx (1932), however, emphasized that the poverty status of the worker is due to capitalist exploitation of the worker.

Marx believed that although the worker is the center of production in any industrial setting yet the worker receives very little or no rewards. According to Marx, the profit that the capitalist makes is a derivative of the accumulated surplus of the workers' production, and the extent of the capitalist's profit is directly proportional to the surplus products created by the worker (Calhoun et al, 2002). Marx argued that the capitalist accumulates more wealth and surplus through exploitation or dehumanization of the worker. Marx (1932) described the extent to which workers have been dehumanized by stating that "the worker sinks to the level of a commodity... and that the wretchedness of the worker is in inverse proportion to the power and magnitude of his production", (as cited in Calhoun et al, 2002).

According to Marx, the worker's poor quality of life is due to the capitalist's exploitation or alienation of the worker. Marx underscored four main dimensions of exploitation or alienation. According to Marx a worker is alienated from his product, alienated from himself, from his fellow human beings and from the process of production. Marx emphasized that a worker's labor is external to him because it is not part of his nature. He suggested there is a constant struggle between the bourgeoisie (the capitalist) and the worker (the proletarian) in a capitalist society (Calhoun et al, 2002).

For the past few decades, the technological development of the Industrial Revolution caused workers' experience of exploitation to be replaced with the experience of social exclusion. The theory of exclusion explains the experience of marginalization of some groups in the United Kingdom and United States at the time of technological revolution (Moulaert, Swyngedouw, & Rodriguez, 2003).

The technological revolution placed more emphasis on knowledge as an essential element for employment over labor power. Less demand and dependence on labor power by industries caused polarization and marginalization of the disadvantaged in contemporary economy, especially in the capitalist economy (Hurst, 2004).

According to Bessie, the concept of social exclusion is alienation or marginalization of certain group within a society, where the majority of the population has substantial economic or political or social opportunities. In the sphere of salary employment, people become excluded when they become unemployed, and this form of economic exclusion is the direct precursor of poverty. For instance, unemployment occurs when a person is excluded or discriminated against from the labor market. Once a person is excluded from the labor market he is deprived of access to regular or good income. In the same way, when a person is denied equal access to property or credit or class status, or education, or standard of living or employment, his economic status is weakened toward becoming poor. A person's experience of unemployment can lead to loss of one's social class (Bessie, 1995).

Although, criticisms have been leveled against each of the theories of poverty, the varied ideologies put forth by the theorists evoke different clarification that enlightens our understanding of the causes of poverty. It seems the theory of social exclusion best captures the phenomenon of poverty. Unlike the other perspectives, the social exclusion perspective covers the processes, forms, causes, and effects of poverty.

3) Defining and Measuring Poverty

Poverty is a worldwide concern. Although there is a global concern towards poverty reduction, there is a little agreement on a single definition and measurement of poverty (Kotler, Roberto, & Leisner, 2006). According to Kotler et al. (2006), the problem of arriving at one single definition of poverty has been compounded by a number of factors. Poverty affects heterogeneous groups such that the concept of poverty is relative depending on different interest groups and individuals experiencing it (Rank, 2004). The difficulty surrounding the definition and measurement of poverty has often led poverty researchers and policy makers to relate poverty to the concepts of impoverishment, deprivation, the disadvantaged, inequality, the underprivileged and the needy (Kotler, Roberto, & Leisner, 2006) underscored four main approaches to poverty definition and measurement.

3-1) Monetary Poverty

According to Laderchi et al. (2003), the monetary approach defines poverty in terms of how much a person's income (or consumption) falls short of some minimum level of resources. The monetary approach to poverty measurement involves methodologies that emphasize monetary indicators and an objective derivation of the poverty line. The monetary approach is based on the assumption that a uniform monetary metric can be used to control for the heterogeneity of all the individuals and their situations. Pointed out that determining poverty based on a monetary metric entails the choice of an indicator, a unit of analysis, and a poverty line.

A monetary indicator provides a common denominator of measurement for comparability (Laderchi et al, 2003). The dominant use of the monetary indicators to measure poverty is justified on the grounds that it can approximate aspects of poverty or well-being that are difficult to measure in the same unit. In addition, a monetary approach serves as a standard homogenous platform of poverty measurement that eases the tension between theoretical complexity and diversity of poverty definitions and measurements. The monetary approach emphasizes on the choice of income or expenditure indicator as a proxy for consumption as a proxy for permanent income.

Laderchi et al (2003) suggested a weakness of the monetary approach is its focus on the physical or moral character of the poor rather than the real causes of poverty. Traditionally, poverty is viewed as an individual problem, even though many of the causes of poverty can be traced to the household level. Laderchi et al (2003) suggested poverty analysis should consider the household as a unit of observation and the results of the analysis can be presented either at the household or individual level.

The choice of a poverty line is crucial to poverty measurement. A poverty line may be identified either with respect to a list of basic needs (absolute) or some characteristics of the distribution of the welfare indicators chosen (relative) (Ravallion, 1998). Ravallion's Food Energy Intake method underscores the level of income or expenditure at which food energy requirements are met. The lack of economic theory to determine minimal level of needs caused the estimation of the poverty line to be influenced by political debates and policy agenda. Because the choice of poverty line has political influence and a lack of economic theory, the poverty line tends to be problematic and misleading (Laderchi et al., 2003).

3-1-1) Determinants of Monetary Poverty

Monetary poverty is measured as the total income or consumption proxy by either expenditure or income. In most developing countries and the United States, the absolute poverty line is used and food energy requirements are taken into account for the development of the poverty line (Ravallion, 1998). The United States uses a poverty threshold that considers only cash income before tax.

The poverty threshold is computed by putting a monetary value on the minimum amount of food a family or individual needs to survive. When a family or an individual's total income falls below the poverty threshold, then the family or individual is considered poor. The family or an individual's monetary poverty level is associated with family size, age, gender, race, place of residence, and marital status (Schiller, 2008). Rank (2001) underscored certain individual and household characteristics that are likely to make people susceptible to poverty. Rank's analysis of the patterns and dynamics of poverty in the United States, using data from the Panel of Income Dynamics (PSID), National Longitudinal Survey of Youth, and Survey of Income and Program Participation, revealed that typical households are usually poor for one or two years and then manage to get out of poverty for a while. Because these typical households are not far from the poverty thresholds, unfavorable economic conditions often throw these families back into poverty. According to Rank (2005), these households share certain characteristics that make them susceptible to and/or have difficulty to get out of poverty. Specifically, racial minorities in inner cities and families with large number of children experience chronic and periodic poverty for years (Rank, 2005 & 2001).

Schiller (2008) pointed out that an increase in family size has an important implication for family financial need and security. An increase in family size requires more demand for household services and goods such as an increase in family laundry and health care services. According to Schiller (2008), an increase in family size can be associated with an increased level of poverty. For instance, an increase in the number of children from one to five can triple the family poverty level. On the contrary, total family income is likely to increase with family size as more members of the family take up employment in the labor market.

3-2) Capability Poverty

Capability poverty is the failure of a person to achieve basic capabilities to adequately fulfill certain crucial functions at minimal level (Saith, 2001; Sen, 1985). The capability approach views monetary resource as means that that can help to enhance people's well-being. The monetary resource is viewed as a necessary, but not sufficient condition to prevent the casual chain of poverty (Laderchi et al., 2003). Therefore, the capability approach emphasizes both monetary resources and other resources to develop or achieve capabilities. Saith's (2001) literature review on capability poverty primarily focused on the work of Sen (1985). Sen argued that the monetary approach emphasizes utility of a commodity and does not provide a good proxy to assess people's well-being.

Sen's (1985) capability approach provides a framework that can be use to assess inequality, poverty and individuals' or groups' well-being. Sen's concept of capability operates at two levels: at the level of realized well-being or outcome measured by functioning, and at the level

of potential well-being or opportunity measured by capability. Functioning refers to a person's achievement while capability refers to the combination of various functions a person can achieve. Sen, as cited in Saith (2001), pointed out that a person's achievement or functioning is a better proxy for well-being. What a person successfully accomplished with a commodity is what matters, taking into consideration the characteristics of the commodity, the characteristics of the person and external circumstances. Alkire (2007) and Darling (2002) also highlighted that human capital or capability provides people with the necessary skill or ability to function well in society. Alkire (2007) and Darling (2002) noted that lack of human capability places an individual in a more economically vulnerable position when they face detrimental events such as loss of job, illness or family changes. Individuals with a high quality of human capital will do well in the labor market, according to Darling (2002).

Many empirical studies consider health, nutrition, education, sanitation, water supply, and housing as basic functions necessary for a decent life (Darling, 2002). Streeten et al (1981) underscored basic needs as shown in Table 1.

Table 1: Basic Needs and Their Indicators

Basic need	Indicators
Health	<ul style="list-style-type: none"> • Life expectancy at birth
Education	<ul style="list-style-type: none"> • Literacy • Primary school enrollment at a percentage of the population aged five to fourteen
Food	<ul style="list-style-type: none"> • Calorie supply per head or calorie supply as a percentage of requirement • Infant mortality per thousand death
Water supply	<ul style="list-style-type: none"> • Percentage of population with access to possible water
Sanitation	<ul style="list-style-type: none"> • Infant mortality per thousand death • Percentage of population with access to possible water

3-2-1) Determinants of Capability Poverty

According to Sen, (1985, n.d) and Gorman (1980) the development of a person's capability or achievement functioning can be expressed as $Q_i(X_i) = f_i[C(X), Z_i]$ where Q is the capability or state of being of the individual given the resource constraint X.

- F is the function that maps the characteristics of goods into the state of being.
- X_i is the vector of commodities chosen by the individual C.
- X is the standard budget constraint.
- Z_i is the vector of personal, societal and environmental factors that affect the conversion of available resources into outcomes.

A capability model emphasizes the fact that the development of human capital or capability is influenced by availability of financial resources and other social or environmental factors (Sen, 1985, n.d). Schiller (2008) highlighted how personal investment in human capital such as education can operate as a strong mechanism that can influence the distribution of poverty. According to Schiller, educational achievement is a prime factor for distribution of poverty. Those who invest in education have a higher chance of getting out of poverty. The attainment of

higher education can lead to greater productivity and earnings. Higher education can increase one's chance of employment and delay layoff from job. In line with Sen (1985), and Darling (2002), Schiller (2008) mentioned that person capability or functioning, such as educational attainment, can be determined by a number of factors. Racial inequality, gender inequality, place of residence, and individual or family financial status influence educational achievement. Studies show that there is association between level of family income and child developmental outcomes. According to Duncan et al. (1998), economic deprivation during the first five years of child development can lead to poor cognitive and physical development. Duncan et al. conducted a panel study of income dynamics of households in the United States to investigate the relationship between income and children completing schooling. Results of the study indicated a strong relation between family income and child's ability and achievement in early and middle childhood. A study conducted by Duncan et al. (1997) on poor and no poor children in the United States also revealed that children from poor families suffer 1.3 times more than no poor children in terms of learning disabilities and developmental delay. Results of the study also indicated the dropped out rate of poor children high school in 1994 to be were twice that of no poor children. Poor children have also been noted to suffer emotional or behavioral problem 1.3 times as much as no poor children (Schiller, 2008).

Racial discrimination causes one-third of all minority to receive inferior education (Schiller, 2008). This observation was partly attributed to poor school facility as well as a sense of isolation and subjugation of these students. Consequentially, minority students who experience racial discrimination end-up with low educational achievement (Hurst, 2004). Furthermore, Schiller noted that the financial constraints of poor families push their children to be enrolled in substandard schools. Even though some poor children demonstrate high level of academic achievement, they cannot afford higher education due to lack of financial resources. Poor families may find it difficult to provide school clothes, lunches and supplies in order for their children to take advantage of free high school education. Thus, students from low socioeconomic backgrounds tend to drop out of school at greater rate (Schiller, 2008).

Gender roles and expectations limit females' educational aspiration. Generally, females are encouraged to pursue Home Science courses while males are encouraged to become scientists. A person's place of residence also affects his educational achievement. A study by Jonathan Kozol on the educational facilities of the poor and the affluent discovered that minority neighborhoods in some part of the United States lack the facilities needed for a good education (as cited in McIntyre, 2002). According to Wilson (1987, 1996), the underclass in inner cities is socially isolated from the mainstream, and in the absence of educational and economic opportunities the poor accept dropping out of school, poor education and welfare dependence as normal. Lack of opportunity and complacency make it difficult for the inner city poor to get out of poverty. Studies by Rankin and Quane (2000) also confirmed Wilson's findings.

Research shows a number of social and economic factors are associated with higher school dropout rates. Studies show a strong relationship between income, race, age, gender, and geography/region of residence and the rate of dropping out of school (Kaufman et al., 2000).

Using data from the 2000 Current Population Survey, Kaufman et al. (2000) found that the high school dropout rate for Whites remained lower than the rate for Blacks, but over the past 30

years the difference between Whites and Blacks has narrowed, especially in the 1970s and 1980s. In addition, Kaufman et al. found that Whites and Asians/Pacific Islanders were more likely to complete high school than their Black and Hispanic peers. Asians/ Pacific Islander young adults had the lowest dropout rate compared to all other racial ethnic groups. Asians/Pacific Islanders had a dropout rate of 3.5% compared to 4.1% for Whites, 6.1% for Blacks, and 7.4% for Hispanics.

3-3) Social Exclusion Poverty

Social exclusion is a situation whereby an individual is denied the opportunity to participate in the normal activities of citizens whether he desires to participate or not (Silver & Miller, 2002). As a relational process, social exclusion theory view poverty as a declining participation and access to resources.

Laderchi et al. (2003) outlined the attributes of social exclusion: multidimensionality, dynamic, relational, active, relative and contextual. The multidimensionality of social exclusion refers to idea that the experience of exclusion exists in economic, social, and political forms. Olson (as cited in Jordan, 1996) noted that people become vulnerable to poverty when they are excluded from a rent-seeking organized group within a market economy. He argued that poverty caused by mass unemployment in the 1970s was created by the collective action of special interest groups that marginalized others in the labor market. Furthermore, social exclusion occurs when a person or group is deprived of its social status. Usually individuals or groups are denied all of their social existence within mainstream society. When social exclusion occurs the individuals affected do not have an equal opportunity for jobs in the labor market (Bessis, 1995). In the political arena, social exclusion occurs when a certain groups including women and racial and religious minorities are deprived of part or all of their political rights. The multidimensional aspect of social exclusion also emphasizes to the causal connection between the different dimensions of exclusion.

Unlike the monetary and capability approaches, which focus on elements of deprivation, the dynamic attributes of social exclusion focus on the process and outcomes of deprivation. The dynamic process of social exclusion explains that some exclusion can lead to other form of exclusion, which in turn can lead to more exclusion and permanent multiple disadvantages. For example, lack of monetary income arises from lack of employment and social isolation. The dynamic attribute of social exclusion implies that exclusion has both current and future impacts (Laderchi et al., 2003). The relational aspect of social exclusion recognizes that social exclusion entails social isolation, rejection, lack of support and denial of participation for certain people or groups. In the United States, race and gender relationship are critical for understanding social exclusion and policy (Schiller, 2008). The concept of social exclusion has been used largely in the European Union's (EU) social policies. The EU considers social exclusion as a process by which individuals or groups are wholly or partially excluded from full participation in society. The EU adopts one-half or less of the national disposable median income as an indicator of social exclusion poverty (Atkinson, 2002). An individual or family income which is 50% of the national median income provides evidence of near poverty. Most empirical studies of social exclusion in western European countries operationalize social exclusion poverty as relative

income or level of unemployment (Saith, 2001). These studies correlated median income or unemployment with different dimensions of exclusion (Paugam, 1996).

3-3-1) Determinants of Social Exclusion Poverty

As previously mentioned, in this research social exclusion poverty is operationalized in terms of median income. It is the relative position of the individual in society with regard to their median income. Any person or family whose income falls below a group or population median income is considered poor. Social exclusion research has emphasized median income as an appropriate proxy to analyze the experience of social exclusion poverty (Atkinson & Hills, 1998). Schiller (2008) argued that a person's participation in the labor market does not necessarily assure financial success. According to Schiller, although persons with the same educational qualifications work the same jobs, earning disparities exist. The real earning of a worker depends on a number of variables that may include nature of job, age, work experience (employment), education, race, gender and place of residence.

Josson's (1999) analysis of the experience of social exclusion in welfare states found that minority subgroups, especially women or Blacks, are likely to be socially excluded in a gendered society. Studies conducted by Atkinson in eight European countries in the late 1970s and 80s to assess the relationship between income poverty and unemployment indicated a positive association (Atkinson & Hills, 1998). Kuhn, LeBlanc and Gundersen (1997) predicted the effects of unemployment on the poverty rate using annual data from 1971 to 1995. The results of the study indicated an increased poverty rate with decreasing income of poor persons. Recent research on labor market processes found that variations in individual earning are due to people's characteristics and job type (Schiller, 2008). According to Schiller and Hurst, some jobs are more remunerative than others. White collar jobs, including professional and technical workers, managers and administrators, sale and clerical workers, are better paid than blue collar jobs. Blue collar jobs, including craft workers, operators, transport drivers and nonfarm workers, are also better paid than service workers. Farm workers are generally paid a low wage. Fronczek (2005) reported median earnings by sex and race. The data from the 2004 American Community Survey revealed men have a greater median income compared to women. In addition, Using data from the Current Population survey of the United States, Schiller (2008) reported the 2003 income at the top 5% indicates that Asian had the highest income followed by White, Hispanics and Black households, respectively.

4) Conclusion

Each of the three different kinds of poverty holds different assumptions regarding the definition and measurement of poverty. Some empirical evidence indicates that the three poverty measures do not identify the same people as poor (Laderchi et al, 2003).

Comparatively, a monetary poverty fundamentally considers households or individuals and their disposable resources as isolated units in a given economy (Saith, 2001). Unlike the income poverty approach, capability poverty tends to focus on people rather than on goods. Capability poverty emphasizes the need to assess individuals' level of capabilities in relation to well-being or poverty. Both the monetary and capability poverty perspectives view the individual poor as

independent person in a free market system (Saith, 2001). Contrary to the monetary and capability perspectives, social exclusion perspective views individuals or households' poverty status in a relative term. Social exclusion poverty identifies the individuals' or households' vulnerability as dependent on the resources of both the individual and the larger community. Thus, whereas monetary and capability poverty focus on individual circumstances, the social exclusion analysis examines the structural characteristics of society and the structure of groups. Of the experience and perspective of persons and households as isolated entities, or interdependent members of society, is well articulated in Stone's (2002) market model.

A contrast between the three different types of poverty is necessary for policy consideration to address particular poverty issues. Unlike the monetary and capability approaches, the social exclusion approach focuses on the fundamentals, causes, processes, forms, and outcomes of poverty (Laderchi et al., 2003). Specifically, social exclusion poverty is more concerned with group and structure characteristics that are responsible for poverty. According to Laderchi et al (2003), the monetary poverty measure is the dominant paradigm in research and policy arenas. However, the limited empirical consistency of the monetary poverty approach indicates the false impression of it being considered the most accurate of all the other approaches. Because monetary and capability poverty are basically individualistic, welfare policies often tend to ignore group characteristics. Both monetary and capability poverty tend to focus on individual access to resources. Laderchi et al (2003) suggested that monetary poverty often suggests poverty solutions that emphasize increasing incomes (by economic growth).

Based on the theoretical framework and models of poverty definitions and measurements, we utilize a conceptual framework that demonstrates the linkage between theory and concepts, predictors and the different poverty measures.

Based on conceptual framework:

- 1) Different theories and concepts tend to shape the determination of predictors as well as the operationalizations and measurements of poverty types.
- 2) The different poverty measures result in different estimates of population sizes of those considered as being poor. Although the three poverty measures are different, they do overlap to capture a size of the population as poor. They also result in information and conclusion discrepancies, which in turn may have serious policy implications.
- 3) Predictor variables anticipated to be associated with all the three poverty measures are family size, family structure (marital status), age, race, gender, and place of residence.
- 4) What distinguishes one poverty measure from another is each measure unique poverty definition and defined threshold levels (Schiller, 2008). As noted by Blank (2007), a poverty line is an important aspect of poverty measurement because it conveys useful information about the theoretical and political conceptualization and measurement of poverty. Individuals or households with resources below the poverty threshold are considered to be poor and those with resources above the poverty line are not poor.
- 5) The standards used to set the poverty line vary with each poverty measure such that the three poverty measures may not capture the same people as poor. Therefore, understanding the three poverty measures is crucial to poverty policy/ program formulation and analysis (Laderchi et al., 2003).

6) The monetary poverty measure sets the poverty line by focusing on an absolute standard. The absolute poverty line is a fixed cut off point of resources (income). Once the absolute poverty standard or line was established, it remained unchanged (even though provisions are made for changes in price level) in the times of growing economy (US Department of Health and Human Services, 2009).

7) Unlike the monetary poverty, the social exclusion poverty measure sets the poverty line based on a relative approach. The social exclusion poverty defines the poverty threshold relative to the average living standard of the people (Schiller, 2008). Thus, social exclusion poverty points to the position of the individual in relation of others in society.

8) Unlike the monetary poverty and social exclusion poverty measures, the capability poverty measure utilizes a nonincome based approach. The capability poverty approach defines the poverty line in terms of educational achievement or how well a person is educated (Saith, 2001). The capability poverty threshold is defined as the end of specific years of schooling. However, the educational threshold is set by matching total income to educational level.

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