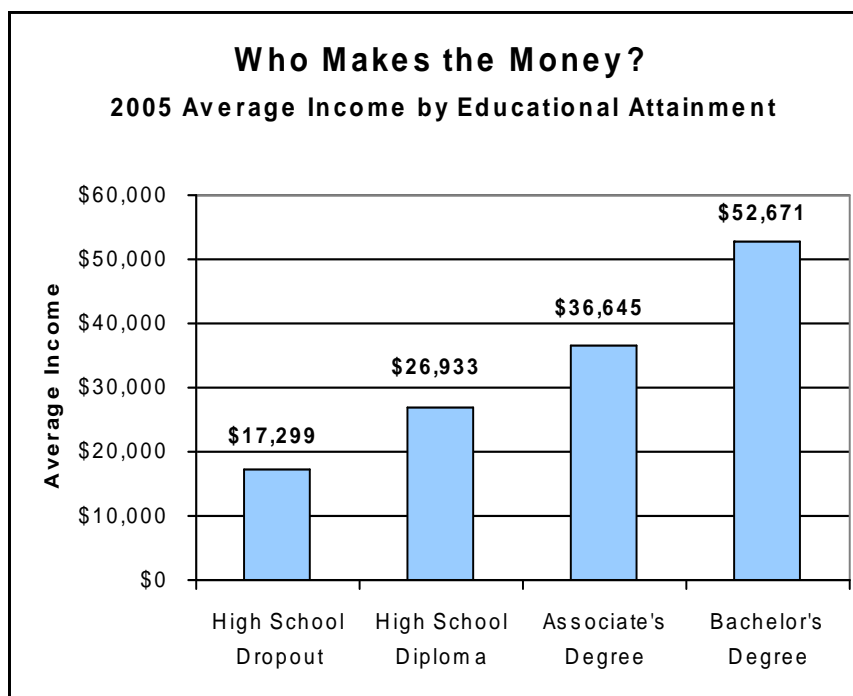


The High Cost of High School Dropouts: What the Nation Pays for Inadequate High Schools

Every school day, more than seven thousand students become dropouts. Annually, that adds up to about 1.3 million students who will not graduate from high school with their peers as scheduled. Lacking a high school diploma, these individuals will be far more likely than graduates to spend their lives periodically unemployed, on government assistance, or cycling in and out of the prison system.

Most high school dropouts see the result of their decision to leave school very clearly in the slimmess of their wallets. The average annual income for a high school dropout in 2005 was \$17,299, compared to \$26,933 for a high school graduate, a difference of \$9,634.¹ The impact on the country's economy is less visible, but cumulatively its effect is staggering.

If the nation's secondary schools improved sufficiently to graduate all of their students, rather than the 69 percent of students who currently graduate annually,² the payoff would be significant. **For instance, if the students who dropped out of the Class of 2009 had graduated, the nation's economy would have benefited from nearly \$335 billion in additional income over the course of their lifetimes.**



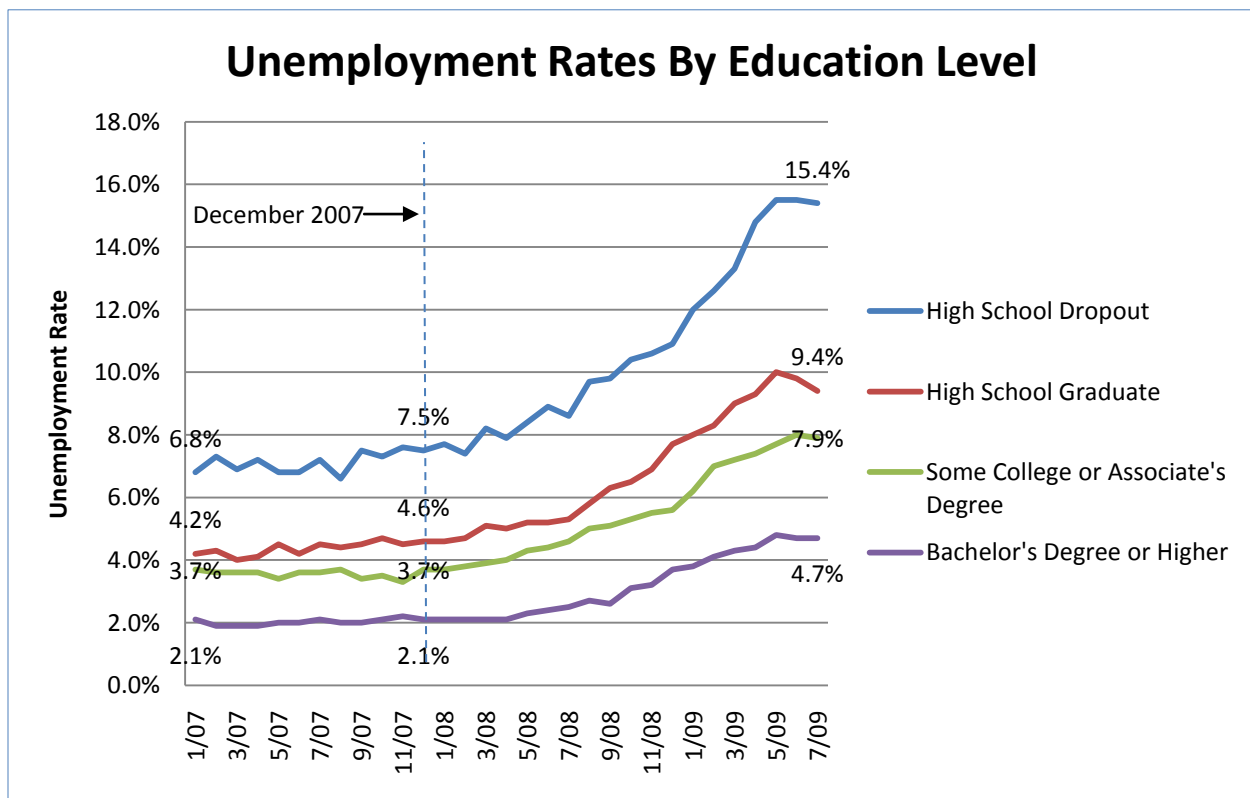
Source: U.S. Bureau of the Census. 2006

Everyone benefits from increased graduation rates. The graduates themselves, on average, will earn higher wages and enjoy more comfortable and secure lifestyles. At the same time, the nation benefits from their increased purchasing power, collects higher tax receipts, and sees higher levels of worker productivity.

Economic Recession More Likely to Impact High School Dropouts

Not only do high school dropouts earn less when they are employed, they are much more likely to be unemployed during economic downturns. Since the economic recession began in December 2007, the national unemployment rate has gone from 5 percent to 9.4 percent in July 2009, and the nation has lost more than 6.5 million jobs, with more losses expected before the economy rebounds.³

As shown in the graph below, the unemployment rate for individuals of all education levels has skyrocketed since December 2007, but high school dropouts have faced the most difficulty finding a job. According to data from the Bureau of Labor Statistics, the unemployment rate for high school dropouts in July 2009 was 15.4 percent, compared to 9.4 percent for high school graduates, 7.9 percent for individuals with some college credits or an associate's degree, and 4.7 percent for individuals with a bachelor's degree or higher.



Source: Bureau of Labor Statistics, Table A-4: Employment Status of the Civilian Population 25 Years and Over by Educational Attainment, <http://www.bls.gov/news.release/empst.t04.htm> (accessed August 10, 2009).

Students Who Learn More Earn More

Research conducted in October 2005 by Cecilia Rouse, when she was professor of economics and public affairs at Princeton University, shows that each dropout, over his or her lifetime, costs the nation approximately \$260,000.⁴ Unless high schools are able to graduate their students at higher rates, nearly 13 million students will drop out **over the next decade. The result will be a loss to the nation of \$3 trillion.**



The calculations on page five show the monetary benefits each state would accrue over the lifetimes of just one year's worth of dropouts if those students were converted to graduates. The numbers vary from state to state, of course: Vermont (at the low end) would see its economy increase by \$459 million; Massachusetts (near the middle) would add \$3.96 billion to its economy, and California's economy (at the high end) would accrue an additional \$45.5 billion over the lifetime of each graduating class. These figures are conservative, and do not take into account the added economic growth generated from each new dollar put into the economy.

More Graduates Benefit Society

Obviously, dropouts are a drain on the nation's economy and the economies of each state. Lower local, state, and national tax revenues are the most obvious consequence of higher dropout rates; even when dropouts are employed, they earn significantly lower wages than do graduates. State and local economies suffer further when they have less-educated populaces, as they find it more difficult to attract new business investment. Simultaneously, these entities must spend more on social programs when their populations have lower educational levels.

The nation's economy and competitive standing also suffer when there are high dropout rates. Among developed countries, the United States ranks eighteenth in high school graduation rates and fourteenth in college graduation rates.⁵ Dropouts represent a tremendous loss of human potential and productivity, and they significantly reduce the nation's ability to compete in an increasingly global economy.

High school graduates, on the other hand, provide both economic and social benefits to society. In addition to earning higher wages—resulting in attendant benefits to local, state, and national economic conditions—high school graduates live longer,⁶ are less likely to be teen parents,⁷ and are more likely to raise healthier, better-educated children. In fact, children of parents who graduate from high school are far more likely to graduate from high school than are children of parents without high school degrees.⁸ High school graduates are also less likely to commit crimes,⁹ rely on government health care,¹⁰ or use other public services such as food stamps or housing assistance.¹¹ Additionally, high school graduates engage in civic activity, including voting and volunteering in their communities, and at higher levels.¹²

Who Does Not Graduate From High School?

- Only about 55 percent of Hispanic students and 51 percent of black students will graduate on time with a regular diploma, compared to 79 percent of Asian students and 76 percent of white students.ⁱ
- Among all races and ethnicities, females graduate at a higher rate than do their male peers—72 percent versus 65 percent.ⁱⁱ
- Graduation rates are significantly lower in districts with higher percentages of students who are eligible for free or reduced-price lunches (a measure of poverty).ⁱⁱⁱ
- High school students of low-income families drop out of high school at six times the rate of their peers from high-income families.^{iv}
- The lowest-achieving 25 percent of students are twenty times more likely to drop out of high school than students in the highest achievement quartile.^v

ⁱ Editorial Projects in Education, "Diplomas Count 2009: Broader Horizons: The Challenge of College Readiness for All Students," *Education Week* 28, no. 34 (2009).

ⁱⁱ *Ibid.*

ⁱⁱⁱ C. Swanson, *Who Graduates? Who Doesn't? A Statistical Portrait of Public High School Graduation, Class of 2001* (Washington, DC: Urban Institute, Education Policy Center, 2004).

^{iv} U.S. Department of Education, National Center for Education Statistics, *The Condition of Education 2004* (Washington, DC: U.S. Government Printing Office, 2004), Indicator 16, p. 61.

^v A. P. Carnevale, *Help Wanted ... College Required* (Washington, DC: Educational Testing Service, Office for Public Leadership, 2001).



Reducing Dropouts by Improving High Schools

To increase the number of students who graduate from high school, the nation's secondary schools must be dramatically improved. Although the investments made in the early grades are beginning to pay off, with higher fourth-grade reading scores and a reduction in the achievement gap between white and minority students,¹³ too many of America's high schools fail to serve their students' needs.

In a recent survey of high school dropouts, respondents indicated that they felt alienated at school and that no one noticed if they failed to show up for class. High school dropouts also complained that school did not reflect real-world challenges. More than half of the respondents said that the major reason for dropping out of high school was because they felt their classes were uninteresting and irrelevant.¹⁴

Others leave because they are not doing well academically. According to the 2007 National Assessment of Educational Progress in reading, only about 30 percent of entering high school freshmen read proficiently, which generally means that as the material in their textbooks becomes more challenging, they drop even further behind.

Whatever the causes, the nation can no longer afford to have one third of its students leaving high school without a diploma. High schools must be improved to give all students the excellent education that will prepare them for college or a career, and to be productive members of society.

For more information about the state of America's high schools, and to find out what individuals and organizations can do to support effective reform at the local, state, and federal levels, visit the Alliance for Excellent Education's website at www.all4ed.org.

How Much Does a High School Dropout Cost?

Researchers have started to examine various annual and lifetime costs associated with high school dropouts.

- The United States would save between \$7.9 and \$10.8 billion annually by improving educational attainment among all recipients of Temporary Assistance to Needy Families, food stamps, and housing assistance.ⁱ
- A high school dropout contributes about \$60,000 less in taxes over a lifetime.ⁱⁱ
- If the male graduation rate were increased by only 5 percent, the nation would see an annual savings of \$4.9 billion in crime-related costs.ⁱⁱⁱ
- America would save more than \$17 billion in Medicaid and expenditures for health care for the uninsured by graduating all students.^{iv}

ⁱ I. Garfinkel, B. Kelly, and J. Waldfogel, "Public Assistance Programs: How Much Could be Saved with Improved Education?" paper prepared for the Symposium on the Social Costs of Inadequate Education, Teachers College, Columbia University, October 2005.

ⁱⁱ C. E. Rouse, "Labor Market Consequences of an Inadequate Education," paper prepared for the Symposium on the Social Costs of Inadequate Education, Teachers College, Columbia University, October 2005.

ⁱⁱⁱ Alliance for Excellent Education, *Saving Futures, Saving Dollars: The Impact of Education on Crime Reduction and Earnings* (Washington, DC: Author, 2006).

^{iv} Alliance for Excellent Education, *Healthier and Wealthier: Decreasing Health Care Costs by Increasing Educational Attainment* (Washington, DC: Author, 2006).

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Estimated Additional Lifetime Income If High School Dropouts Graduated With Their Class in 2008-2009¹

States	Estimated Graduation Rate (2005-2006)	Projected Number of Nongraduates for the Class of 2009	Total Lifetime Additional Income if Dropouts Graduated
Alabama	61.4%	25,136	\$6,535,360,000
Alaska	65.9%	3,893	\$1,012,180,000
Arizona	68.6%	23,834	\$6,196,840,000
Arkansas	71.9%	10,931	\$2,842,060,000
California	67.5%	175,011	\$45,502,860,000
Colorado	72.7%	17,391	\$4,521,660,000
Connecticut	78.9%	9,394	\$2,442,440,000
Delaware	66.0%	3,783	\$983,580,000
District of Columbia	48.8%	2,328	\$605,280,000
Florida	57.5%	103,990	\$27,037,400,000
Georgia	55.9%	64,052	\$16,653,520,000
Hawaii	63.9%	6,202	\$1,612,520,000
Idaho	76.8%	4,989	\$1,297,140,000
Illinois	74.1%	46,130	\$11,993,800,000
Indiana	73.3%	23,414	\$6,087,640,000
Iowa	80.7%	7,859	\$2,043,340,000
Kansas	75.4%	9,419	\$2,448,940,000
Kentucky	72.0%	16,193	\$4,210,180,000
Louisiana	61.9%	20,011	\$5,202,860,000
Maine	76.3%	3,810	\$990,600,000
Maryland	73.5%	21,133	\$5,494,580,000
Massachusetts	75.9%	15,221	\$3,957,460,000
Michigan	69.6%	46,295	\$12,036,700,000
Minnesota	79.2%	13,999	\$3,639,740,000
Mississippi	60.5%	16,246	\$4,223,960,000
Missouri	74.4%	20,455	\$5,318,300,000
Montana	76.1%	3,038	\$789,880,000
Nebraska	78.7%	5,293	\$1,376,180,000
Nevada	47.3%	20,722	\$5,387,720,000
New Hampshire	77.0%	4,202	\$1,092,520,000
New Jersey	82.1%	19,573	\$5,088,980,000
New Mexico	56.0%	13,210	\$3,434,600,000
New York	68.3%	81,079	\$21,080,540,000
North Carolina	63.3%	46,675	\$12,135,500,000
North Dakota	79.0%	1,777	\$462,020,000
Ohio	74.3%	40,198	\$10,451,480,000
Oklahoma	70.6%	14,707	\$3,823,820,000
Oregon	74.9%	11,350	\$2,951,000,000
Pennsylvania	77.6%	35,026	\$9,106,760,000
Rhode Island	72.8%	3,377	\$878,020,000
South Carolina	66.3%	21,873	\$5,686,980,000
South Dakota	77.1%	2,348	\$610,480,000
Tennessee	69.5%	24,856	\$6,462,560,000
Texas	65.3%	133,160	\$34,621,600,000
Utah	72.2%	10,503	\$2,730,780,000
Vermont	78.7%	1,765	\$458,900,000
Virginia	69.2%	33,540	\$8,720,400,000
Washington	62.4%	33,850	\$8,801,000,000
West Virginia	71.8%	6,913	\$1,797,380,000
Wisconsin	81.7%	14,020	\$3,645,200,000
Wyoming	73.2%	1,995	\$518,700,000
United States	69.2%	1,286,915	\$334,597,900,000



¹ The Alliance for Excellent Education determined the average additional lifetime income if one class of dropouts were to graduate by multiplying the projected number of students who failed to graduate with their class in 2009 by the \$260,000 estimated lifetime earnings difference between a high school dropout and a high school graduate. National totals are not the sum of the state totals for methodological reasons. (Sources: Editorial Projects in Education, “Diplomas Count 2009: Broader Horizons: The Challenge of College Readiness for All Students,” *Education Week* 28, no. 34 [2009]; C. E. Rouse, “Labor Market Consequences of an Inadequate Education,” paper prepared for the Symposium on the Social Costs of Inadequate Education, Teachers College, Columbia University, October 2005.)

Endnotes

- ¹ U.S. Bureau of the Census, *Income in 2005 by Educational Attainment of the Population 18 Years and Over*, Table 8, 2006, <http://www.census.gov/population/www/socdemo/education/cps2006.html> (accessed July 30, 2009).
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