ALLIANCE FOR EXCELLENT EDUCATION

IssueBrief

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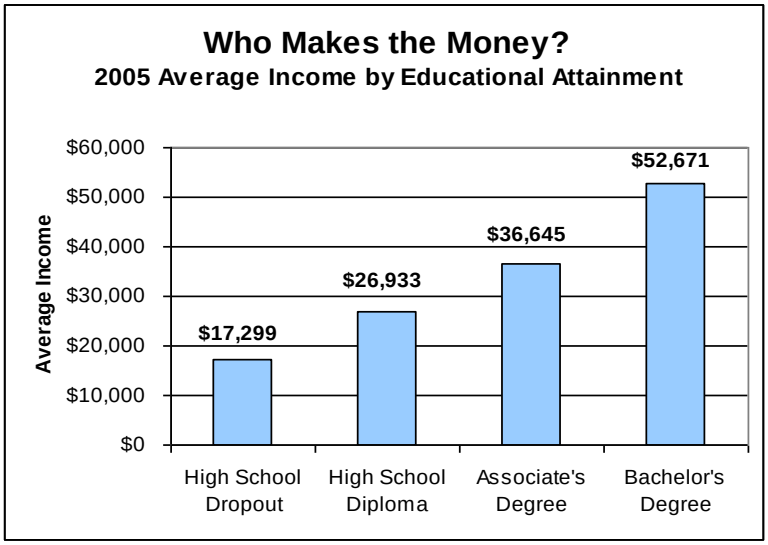
The High Cost of High School Dropouts
What the Nation Pays for Inadequate High Schools

Every school day, almost seven thousand students become dropouts. Annually, that adds up to about 1.2 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 most clearly in the slimness 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 (U.S. Bureau of the Census, 2006). The impact on the country's economy is less visible, but it is nevertheless staggering.

If the nation's secondary schools improved sufficiently to graduate all of their students, rather than the 70 percent of students who are currently graduated annually (Editorial Projects in Education, 2008), the payoff would be significant. **For instance, if the students who dropped out of the Class of 2008 had graduated, the nation's economy would have benefited from an additional $319 billion in income over their lifetimes.**

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.



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

Students Who Learn More Earn More

Research by Cecilia Rouse, professor of economics and public affairs at Princeton University, shows that each dropout, over his or her lifetime, costs the nation approximately $260,000 (Rouse, 2005). Unless high schools are able to graduate their students at higher rates, more than 12 million

students will drop out during the course of the next decade. The result will be a loss to the nation of *$3 trillion*.

The calculations on page 4 show the monetary benefits each state could accrue over the lifetimes of just one year's dropouts if those students could be converted to graduates. The numbers vary from state to state, of course: Vermont (at the low end) would see its economy increase by $439 million; Mississippi (near the middle) would add $3.98 billion to its economy, and California's economy (at the high end) would accrue an additional $42 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.

Who Doesn't Graduate?

- **Only about 58 percent of Hispanic students and 55 percent of black students will graduate on time with a regular diploma, compared to 81 percent of Asian students and 78 percent of white students (EPE, 2008).**
- **Among all races and ethnicities, females graduate at a higher rate than their male peers—75 percent versus 68 percent (EPE, 2008).**
- **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) (Swanson, 2004).**
- **High school students living in low-income families drop out of school at six times the rate of their peers from high-income families (U.S. Department of Education, National Center for Education Statistics, 2004).**
- **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 (Carnevale, 2001).**

More Graduates Benefit Society

Obviously, dropouts are a drain on the economies of each state and the nation. Lower local, state, and national tax revenues are perhaps the most obvious consequence of higher dropout rates; even when dropouts are employed, they earn significantly lower wages than 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 suffers when there are high dropout rates. Among developed countries, the United States ranks eighteenth in high school graduation rates and fifteenth in college graduation rates (Organisation for Economic Co-Operation and Development, 2007). Dropouts represent a tremendous waste of human potential and productivity, and 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, which results in attendant benefits to local, state, and national economic conditions, high school graduates live longer (Muennig, 2005), are less likely to be teen parents (Haveman et al., 2001), and are more likely to raise healthier, better-educated children. In fact, children of parents who graduate from high school are themselves far more likely to graduate from high school than are children of parents without a high school degree (Wolfe & Haveman, 2002). High school graduates are also less likely to commit crimes (Raphael, 2004), rely on government health care (Muennig, 2005), or use other public services such as food stamps or

housing assistance (Garfinkel et al., 2005). Additionally, high school graduates engage in civic activity, including voting and volunteering in their communities, at higher levels (Junn, 2005).

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 (U.S. Department of Education, 2005), too many of America's high schools are still serving their students poorly.

In a recent survey of high school dropouts, respondents indicated that they felt alienated at school and that no one even 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 respondents said that the major reason for dropping out of high school was that they felt their classes were uninteresting and irrelevant (Bridgeland & di Iulio, 2006). Others leave because they are not doing well academically; only about 30 percent of high school students read proficiently, which generally means that as the material in their textbooks becomes increasingly challenging, they drop ever further behind.

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 could 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 (Garfinkel et al., 2005).**
- **A high school dropout contributes about $60,000 less in taxes over a lifetime (Rouse, 2005).**
- **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 (Alliance for Excellent Education, 2006b).**
- **America could save more than $17 billion in Medicaid and expenditures for health care for the uninsured by graduating all students (Alliance for Excellent Education, 2006a).**

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

MetLife Foundation

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Estimated Additional Lifetime Income If High School Dropouts Graduated With Their Class in 2007-2008[1]

States	Estimated Graduation Rate (2004-2005)	Projected Number of Nongraduates for the Class of 2008	Total Lifetime Additional Income if Dropouts Graduated
Alabama	61.3%	24,985	$6,496,220,352
Alaska	67.6%	3,865	$1,004,974,141
Arizona	73.3%	19,852	$5,161,504,766
Arkansas	73.2%	10,260	$2,667,523,066
California	70.1%	161,918	$42,098,598,750
Colorado	74.2%	16,640	$4,326,288,281
Connecticut	78.1%	9,764	$2,538,616,133
Delaware	60.1%	4,271	$1,110,566,133
District of Columbia	57.6%	1,937	$503,556,809
Florida	60.8%	97,499	$25,349,857,813
Georgia	58.1%	59,510	$15,472,691,406
Hawaii	67.4%	5,536	$1,439,394,404
Idaho	76.6%	4,954	$1,288,128,105
Illinois	76.7%	41,068	$10,677,615,000
Indiana	73.6%	22,920	$5,959,132,969
Iowa	82.8%	7,033	$1,828,505,479
Kansas	74.3%	10,043	$2,611,071,328
Kentucky	71.5%	16,160	$4,201,578,164
Louisiana	54.7%	26,520	$6,895,070,508
Maine	77.2%	3,814	$991,749,688
Maryland	73.6%	21,490	$5,587,513,750
Massachusetts	74.7%	16,298	$4,237,514,023
Michigan	70.5%	45,305	$11,779,231,953
Minnesota	78.1%	15,105	$3,927,296,445
Mississippi	61.8%	15,322	$3,983,658,301
Missouri	76.5%	18,337	$4,767,669,258
Montana	75.7%	3,191	$829,555,073
Nebraska	79.6%	5,131	$1,334,017,090
Nevada	45.4%	19,687	$5,118,578,867
New Hampshire	77.1%	4,244	$1,103,382,363
New Jersey	83.3%	18,474	$4,803,197,852
New Mexico	54.1%	13,837	$3,597,594,863
New York	68.0%	83,905	$21,815,389,375
North Carolina	67.0%	41,362	$10,754,181,953
North Dakota	79.2%	1,771	$460,427,595
Ohio	75.9%	37,857	$9,842,903,281
Oklahoma	70.8%	14,611	$3,798,885,391
Oregon	70.4%	13,486	$3,506,271,133
Pennsylvania	80.4%	30,578	$7,950,162,188
Rhode Island	71.1%	3,675	$955,476,958
South Carolina	55.6%	28,478	$7,404,274,414
South Dakota	75.6%	2,511	$652,894,849
Tennessee	65.4%	27,982	$7,275,246,367
Texas	68.5%	118,091	$30,703,733,125
Utah	78.6%	7,985	$2,076,173,760
Vermont	80.2%	1,689	$439,057,671
Virginia	72.9%	29,195	$7,590,623,828
Washington	68.8%	28,001	$7,280,254,414
West Virginia	72.8%	6,530	$1,697,729,668
Wisconsin	80.5%	14,864	$3,864,550,625
Wyoming	74.2%	1,861	$483,876,885
United States	**70.6%**	**1,229,277**	**$319,611,922,500**

[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 2008 (Editorial Projects in Education, 2008) by the $260,000 estimated lifetime earnings difference between a high school dropout and a high school graduate (Rouse, 2005). National totals are not the sum of the state totals for methodological reasons.

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