



# IssueBrief

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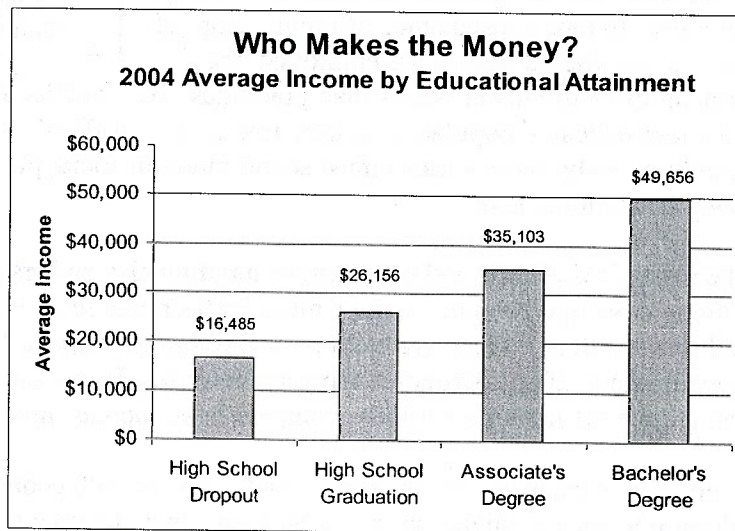
## The High Cost of High School Dropouts What the Nation Pays for Inadequate High Schools

Every school day, seven thousand students become dropouts. Annually, that adds up to about 1.2 million students who will not graduate high school with their peers as scheduled. Lacking a high school diploma, these individuals will be far more likely 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 2004 was \$16,485, compared to \$26,156 for a high school graduate, a difference of \$9,671 (U.S. Bureau of the Census, 2005). The impact on the country's economy is less visible, but it is nevertheless staggering.

If the nation's secondary schools improved enough that they were able to graduate all of their students, rather than the 68 to 70 percent of students that are currently graduated annually (Editorial Projects in Education, 2006), the payoff would be significant. **For instance, if the students who dropped out of the class of 2006 had graduated, the nation's economy would have benefited from an additional \$309 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, 2005

## 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: North Dakota (at the low end) would see its economy increase by \$425 million; Alabama (near the middle) would add \$3 billion to its economy, and California's economy (at the high end) would accrue an additional \$36 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 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 seventeenth in high school graduation rates and fourteenth in college graduation rates (Organisation for Economic Co-Operation and Development, 2006). 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

### Who Doesn't Graduate?

- Only about 56 percent of Hispanic students and 52 percent of black students will graduate on time with a regular diploma, compared to 77 percent of Asian students and 76 percent of white students (EPE, 2006).
- Among all races and ethnicities, females graduate at a higher rate than their male peers—73 percent versus 65 percent (EPE, 2006).
- 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).





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 student 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 increasingly 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. Our 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](http://www.all4ed.org).**

## MetLife Foundation

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**Estimated Additional Lifetime Income if High School Dropouts Graduated With Their  
Class in 2005-2006<sup>1</sup>**

State	9th Graders (2002-2003)	Estimated Graduation Rate (2005-2006)	Estimated Number of Dropouts for the Class of 2006	Total Lifetime Additional Income if Dropouts Graduated
Alabama	31,150	60.7%	12,242	\$3,182,907,000
Alaska	11,568	63.6%	4,211	\$1,094,795,520
Arizona	68,646	70.0%	20,594	\$5,354,388,000
Arkansas	36,657	71.8%	10,337	\$2,687,691,240
California	482,355	71.0%	139,883	\$36,369,567,000
Colorado	58,710	72.5%	16,145	\$4,197,765,000
Connecticut	43,977	79.3%	9,103	\$2,366,842,140
Delaware	10,150	60.7%	3,989	\$1,037,127,000
District of Columbia	5,289	58.9%	2,174	\$565,182,540
Florida	223,743	57.5%	95,091	\$24,723,601,500
Georgia	125,388	56.3%	54,795	\$14,246,584,560
Hawaii	15,629	63.7%	5,673	\$1,475,065,020
Idaho	20,038	77.8%	4,448	\$1,156,593,360
Illinois	164,554	76.3%	38,999	\$10,139,817,480
Indiana	82,602	73.0%	22,303	\$5,798,660,400
Iowa	41,394	82.5%	7,244	\$1,883,427,000
Kansas	39,683	75.0%	9,921	\$2,579,395,000
Kentucky	56,678	69.7%	17,173	\$4,465,092,840
Louisiana	63,869	60.6%	25,164	\$6,542,740,360
Maine	17,036	74.0%	4,429	\$1,151,633,600
Maryland	70,346	74.4%	18,009	\$4,682,229,760
Massachusetts	77,733	72.1%	21,688	\$5,638,751,820
Michigan	135,897	66.4%	45,661	\$11,871,961,920
Minnesota	71,222	79.0%	14,957	\$3,888,721,200
Mississippi	39,404	60.8%	15,446	\$4,016,055,680
Missouri	75,791	74.7%	19,175	\$4,985,531,980
Montana	13,532	75.8%	3,275	\$851,433,440
Nebraska	24,861	77.8%	5,519	\$1,434,976,920
Nevada	24,618	55.9%	10,857	\$2,822,699,880
New Hampshire	17,520	77.7%	3,907	\$1,015,809,600
New Jersey	89,234	84.5%	13,831	\$3,596,130,200
New Mexico	29,307	56.7%	12,690	\$3,299,382,060
New York	252,864	62.5%	94,824	\$24,654,240,000
North Carolina	111,493	66.2%	37,685	\$9,798,004,840
North Dakota	9,677	83.1%	1,635	\$425,207,380
Ohio	156,492	76.5%	36,776	\$9,561,661,200
Oklahoma	50,270	71.0%	14,578	\$3,790,358,000
Oregon	45,619	69.0%	14,142	\$3,676,891,400
Pennsylvania	153,464	79.1%	32,074	\$8,339,233,760
Rhode Island	12,548	72.3%	3,476	\$903,706,960
South Carolina	62,883	52.5%	29,869	\$7,766,050,500
South Dakota	11,247	74.5%	2,868	\$745,676,100
Tennessee	74,699	62.2%	28,236	\$7,341,417,720
Texas	359,368	66.8%	119,310	\$31,020,645,760
Utah	35,961	76.7%	8,379	\$2,178,517,380
Vermont	8,748	81.2%	1,645	\$427,602,240
Virginia	95,017	74.9%	23,849	\$6,200,809,420
Washington	86,602	68.2%	27,539	\$7,160,253,360
West Virginia	23,876	72.8%	6,494	\$1,688,510,720
Wisconsin	78,961	80.6%	15,318	\$3,982,792,840
Wyoming	8,059	74.0%	2,095	\$544,788,400
<b>United States</b>	<b>3,906,429</b>	<b>69.6%</b>	<b>1,189,727</b>	<b>\$309,328,929,000</b>



<sup>1</sup> The Alliance for Excellent Education determined the average additional lifetime income if one class of dropouts were to graduate by multiplying the number of dropouts—as determined using enrollment data for the ninth-grade 2002–03 school year (National Center for Education Statistics, Common Core of Data: 2002) and the high school graduation rate in 2006 (Editorial Projects in Education, 2006)—by the \$260,000 estimated lifetime earnings difference between a high school dropout and a high school graduate (Rouse 2005).

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