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Cost of Dropouts in the Capital Region

EXECUTIVE SUMMARY

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Key Findings

High educational attainment is a critical input in securing positive outcomes on a wide range of dimensions of well-being among youth, including physical and mental health, employment, and civic engagement. An investigation of the costs associated with high school dropouts reveals a scale of cost that is quite substantial to the Capital Region. The purpose of this analysis is to raise awareness among regional constituents of the impact that lower educational attainment outcomes have not just on youth well-being across the nine counties of the Capital Region, but for the entire region, through the loss of economic value and the associated public sector costs associated with reduced revenue and additional social expenditure.

Foundations of Social Cost of Dropout Analysis

People who drop out of high school, over their lifetime, represent a significant loss to the economy, society, and the public sector. Those with lower education levels, on average, have substantially lower earnings, more tenuous connections to the labor market, make greater demands on social services, tend to have higher criminal activity levels and worse health. Over the past three decades, researchers in the United States have taken up the question of what cost to society school dropouts represent and how to invest in education in ways that prevent dropouts and thus derive associated cost savings.

We share this information in an effort to highlight the importance of greater attention and responsiveness to the needs—and strengths—of youth who face considerable obstacles in both advancing through the educational process and in securing other social, emotional, and community supports.

Cost of Dropouts in the Capital Region: by County and for the Region as a Whole

Our estimates of the impact of school dropouts on the Capital Region can be interpreted as either the lifetime costs incurred in California and the region for each dropout or, if dropouts are prevented, the social cost estimates can be viewed as potential savings resulting from the reduction of dropouts in the region. Our analysis highlights several important factors and findings:

- Educational attainment is strongly associated with high labor force participation rates, lower unemployment, higher salaries and more weeks worked per year. In 2008, high school graduates (including those with higher degrees as well) earned on average more than 2 ½ times as much as those without a high school degree, earning on average \$39,160 compared to the average of \$15,201 for those without a high school degree.
- When these average figures are multiplied by the absolute number of students who dropout of school each year, the scale of the problem becomes quite large; it represents a combined loss of nearly \$215 million in wages and purchasing power in the regional economy.
- Furthermore, there are significant fiscal and social costs associated with dropouts. For the nine counties comprising the Capital Region, the long-term fiscal impact of just one year of dropouts (n=8,961) would be approximately \$1.5 billion, including an estimated cost to state and local governments of about \$480 million and over a billion dollars in estimated cost to the federal government. With particular attention to our most vulnerable youth populations,

these figures also help us to appreciate the inextricable linkages among health, education, and labor in understanding how our efforts to reduce dropouts can produce other important benefits to ensure healthier transitions to adulthood.

	If 30% of dropouts were to graduate		If 50% of dropouts were to graduate	
	State/local government	Federal government	State/local government	Federal government
Fiscal savings	\$144 million	\$310 million	\$240 million	\$517 million
Socio-economic savings	\$722 million		\$1.2 billion	
Social Gains for Region*	\$866 million		\$1.4 billion	

Source: California Department of Education, 2009; Belfield & Levin, 2007a

*Social gains figures are derived by Belfield & Levin (2007a) based on estimated benefits, including increased earnings to additional graduates (net of taxes), reduced insurance and other costs to potential victims of crime, and fiscal savings to state/local governments (this is detailed separately in their article).

It is important to note with regard to the educational costs (and savings) estimates presented in our analysis that such calculations do not take into account the potential additional costs that may be implied by pursuing reductions in dropouts -- an amount that will vary greatly depending on the strategies adopted, and therefore cannot be easily quantified here. Other social systems and community development endeavors are likely to be critical in increasing the educational attainment levels of the region's populations.

Implications for Action

Our analysis provides additional data to support the notion that investments in education in the Capital Region can yield benefits both to the individual students as they pursue their personal and professional goals, as well as to their families and communities. Perhaps most importantly is the implication that with greater access to educational opportunities and broader forms of support for youth, the Capital Region is better positioned to tap into the talents and personal assets that young people possess and thus broaden the scope of perspectives that are represented in ongoing community development efforts. While educational attainment alone may not be sufficient to secure the long-term well-being of youth as they transition to adulthood, it is most certainly a necessary component in increasing their chances for economic mobility and healthier living and working conditions in the future.