

***An Assessment of the Labor Market, Income, Health, Social, Civic and Fiscal Consequences of Dropping Out of High School***

***The Fiscal Economic Consequences of Dropping Out of High School***

***State and Local Fiscal Consequences of High School Dropout Problems in Massachusetts***

A three-part study of the dropout crisis and the consequences for the Commonwealth by Northeastern University's Center for Labor Market Studies

## **Executive Summary**

### **Introduction**

11,145 students drop out of Massachusetts high schools each year. This has profound consequences for the individuals who drop out and for the communities in which they live. This paper examined the consequences in seven areas:

- employment and earnings
- health and health care coverage
- public assistance dependency
- family formation
- civic participation
- incarceration
- fiscal costs

The explanations and calculations show that there is an opportunity to have a profoundly positive impact on the Commonwealth's budget by significantly reducing the dropout rate.

### **Key Findings**

- Dropouts are less likely to work as young adults and over the course of their lives.
  - Only 20% of 16-19 year old dropouts in Boston worked in 2004-2005, compared with 65% of high school graduates not attending school and 83% of Bachelor degree holders.
  - 55% of Massachusetts' dropouts ages 16-64 were working in 2005, compared with 73% of high school graduates
- Annually, dropouts earn far less on average than other educational subgroups. This is due to three factors:
  - They are less likely to obtain employment
  - Those who are employed work fewer hours annually
  - Those who are employed earn lower hourly wages

- Dropouts make up the majority of jail and prison populations.
  - A 2005 Massachusetts Department of Corrections report found that 70% of jail or prison inmates lacked a high school diploma or GED, though statewide, dropouts represent 12% of the non-elderly population.
- The dropout crisis has fiscal consequences for local, state and federal governments.
- The estimate below includes three types of fiscal cost:
  - Lower income and payroll taxes due to lower earnings
  - Higher Medicaid, Medicare and public assistance costs
  - Higher incarceration costs.
- Each Massachusetts dropout paid an annual average of \$2,498 in federal and state income taxes in 2002-2004, compared with the \$5,456 paid by the average high school graduate.
- When employers' payroll taxes are added to these figures, a dropout generates an annual average of \$4,315 in taxes, compared with an average of \$7,696 generated by a high school graduate.
- The net fiscal cost generated by a dropout over a lifetime is \$456,354.
- Over the 47-year working-age lifetime, the fiscal cost to *state and local* governments of each dropout (on average) would equal nearly \$145,000.
- Massachusetts' 11,145 annual dropouts will cost the public over \$108 million a year and will cost the Commonwealth alone over \$34 million a year.
- These figures were based on the difference between taxes and service costs generated by dropouts and those generated by high school graduates. The differences are more dramatic when dropouts are compared with college graduates.
- The explanations and calculations show that there is an opportunity to have a profoundly positive impact on the Commonwealth's budget by significantly reducing the dropout rate.