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The Economic Benefits of Reducing the Dropout Rate for Students of Color in the Detroit Metropolitan Area

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In the Detroit, Michigan metropolitan area, which includes the city itself and six surrounding counties, students of color made up a sizable portion of the estimated 21,900 students who dropped out from the Class of 2008: **7,250 African American, 950 Latino, 100 American Indian, and 400 Asian American¹ students are estimated to have dropped out from this class.**

Cutting the number of these dropouts in half would likely produce vast economic benefits by boosting the spending power of these communities of color and spurring job and economic growth in the Detroit area. Below, see the likely contributions² that these “new graduates” would make to their regional economy.

Estimated Economic Benefits if Half of the Class of 2008 Dropouts from Each Group Had Graduated						
			African American	Latino	American Indian	Asian American
	Increased Earnings	This single class of new graduates would likely earn the following amounts in additional combined income in an average year:	\$44.9 million	\$6.3 million	\$500,000	\$4 million
	Increased Spending and Investment	Increased earnings would likely allow new graduates to spend and invest the following additional amounts during an average year:	\$31.4 million (spending); \$11.5 million (investment)	\$4.4 million (spending); \$1.7 million (investment)	\$400,000 (spending); \$100,000 (investment)	\$2.6 million (spending); \$1.2 million (investment)
	Increased Home and Auto Sales	New graduates' increased spending would likely result in increases in the total value of homes purchased by the midpoint of their careers and the amount of money spent on vehicle purchases in an average year:	\$127.1 million (homes); \$2.8 million (autos)	\$18 million (homes); \$400,000 (autos)	\$1.5 million (homes); \$30,000 (autos)	\$12.5 million (homes); \$200,000 (autos)

All told, the students of color within this one class of new graduates could produce enormous benefits for the local economy:

- ✓ Together, their additional spending would likely generate **400 new jobs** and boost the gross regional product by as much as **\$72.5 million** by the time they reach the midpoint of their careers.
- ✓ As a result of their increased wages and higher levels of spending, state and local tax revenues within this metro area would likely grow by as much as **\$7.1 million** during an average year.
- ✓ The region would likely see increased human capital, with **49 percent** of these new graduates likely continuing on to pursue some type of postsecondary education after earning a high school diploma.

¹ For this analysis, figures for Asian American students are aggregated and include Pacific Islanders and Native Hawaiians. Though the Asian American community is particularly diverse, disaggregated data is not available for the numerous ethnicities included within it.

² These figures represent rounded estimates of gross benefits to the regional economy and are not intended to reflect the net impact of additional graduates. Estimates were developed in partnership with Economic Modeling Specialists Inc. and with the generous support of State Farm®.