

Education and the Economy:

Boosting the Nation's Economy
by Improving High School Graduation Rates



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Frequently Asked Questions

Q: Why will improving the high school graduation rate have a positive financial impact on my community?

A: Without a diploma, an individual typically earns significantly less money over his or her lifetime than if he or she had graduated from high school. When compounded by the hundreds or thousands of students who drop out from a single high school class in a metropolitan area, these lost wages amount to millions of dollars that could have been spent throughout the region, spurring economic activity for local businesses, supporting new jobs, and boosting revenues from sales and income tax. As a result, state and local governments—most of which are facing serious financial shortfalls—should not view the allocation of funds toward education as simply *spending*; rather, funding education should be seen as an *investment* with the likelihood of significant economic returns for the state.

Q: Why is this information important?

A: Addressing the dropout crisis requires the attention and investment of all facets of a community, including parents, teachers, schools, community organizations, policymakers, and business leaders. For many, the moral imperative that all students receive an excellent education is compelling enough to motivate engagement in education reform. For others, however, the economic message is especially powerful, particularly in the current economic climate. This, along with similar information highlighting the link between education and the economy, has been used in many communities to coalesce stakeholders around the need to address the dropout crisis and create coalitions for high school reform.

Q: How are you defining a particular metropolitan area?

A: The metropolitan areas used in this analysis are based on metropolitan statistical areas (MSAs), which are geographic areas defined by the federal government. An MSA contains one or more central urban areas and the surrounding counties that have strong social and economic ties to those cities. MSAs range in size from one county to twenty, or more.

Q: I live near one of the cities included in this analysis; how do I know if I live within its MSA?

A: The U.S. Census Bureau publishes a list of MSAs and the counties that are included in each. To see if your city or county falls within an MSA included in this analysis, visit the Census Bureau's website at <http://www.census.gov/population/www/metroareas/metrodef.html>.

Q: How were the projections of economic benefits calculated?

A: These findings were obtained by analyzing local economies through an economic input-output model created by Economic Modeling Specialists Inc. (EMSI), an Idaho-based economic firm specializing in socioeconomic impact tools. For more information on the model and analysis that yielded the findings, see the technical notes, available at http://www.all4ed.org/files/EconTechNotes_leb_seb.pdf.



Q: How precise are the economic benefit projections?

A: These findings are based on the most current economic data available and are comparable to results from similar studies that forecast the economic impact of education at the state and national levels. It is particularly difficult to forecast exact values of economic benefits. However, these projections fall within the range of benefits that each state could expect to see.

Q: In addition to economic benefit projections for my MSA, is there similar information available for my state, too?

A: In March 2011, the Alliance for Excellent Education released projections of economic benefits that could come from improving the graduation rate in each state and the District of Columbia. This information is available at http://www.all4ed.org/publication_material/EconStates.

Q: There are many ways to calculate high school dropout and graduation rates; what calculation method was used in determining the economic benefit projections?

A: Counts of dropouts for each state were calculated by Editorial Projects in Education's (EPE) Research Center using the Cumulative Promotion Index method. More information on EPE's method for calculating dropout counts is available in the technical notes (http://www.all4ed.org/files/EconTechNotes_leb_seb.pdf). The Cumulative Promotion Index was used in this analysis because it is the only available method that allows for a universal comparison of dropout counts across districts and states.

Historically, graduation and dropout rates have been inconsistent and incomparable. The Alliance for Excellent Education supports the movement toward common calculations of graduation rates using longitudinal data. By the end of the 2010–11 school year, all states will be required to report graduation rates using a common calculation, known as the four-year adjusted cohort rate, as outlined in regulations finalized by the U.S. Department of Education in 2008. The Alliance plans to use this data in future analyses and projects. To learn more about these issues and the new regulations, see the Alliance's 2009 publication "Every Student Counts: The Role of Federal Policy in Improving Graduation Rate Accountability," available at http://www.all4ed.org/files/ESC_FedPolicyGRA.pdf.

As an alternative, included with the projections for many MSAs is a scaled-down look at the economic benefits of improving the graduation rate. For this alternative analysis, the Alliance demonstrates the economic benefits of graduating just one thousand additional students from a single class, regardless of the graduation rate.

Q: Where did the other information for my MSA come from?

A: Sources for the information on high schools and dropout factories, as well as sources for the economic data that generated these economic benefit projections are included in the technical notes, available at http://www.all4ed.org/files/EconTechNotes_leb_seb.pdf.

Q: May I use these findings in my own work?

A: Yes. The Alliance for Excellent Education encourages the use of this information to underscore the link between education and the economy. However, please credit the Alliance for Excellent Education when doing so.

If you have a question that is not answered above, or you would like further explanation for any of the questions answered above, please email localbenefits@all4ed.org.