



The Economic Benefits of Reducing High School Dropout Rates in the Jackson, Miss., Metro Area

More than seven thousand students become dropouts every school day. Annually, that adds up to almost 1.3 million students who will not graduate from high school with their peers as scheduled. In addition to the moral imperative to provide every student with an equal opportunity to pursue the American dream, there is also an economic argument for helping more students graduate from high school.

Most people realize that high school dropouts are generally at a great disadvantage when it comes to finding a good job. In fact, the unemployment rate for high school dropouts in July 2009 was 15.4 percent, compared to 9.4 percent for high school graduates, 7.9 percent for individuals with some college credits or an associate's degree, and 4.7 percent for individuals with a bachelor's degree or higher.

However, few people realize that high school dropouts also influence a community's economic, social, and civic health. For example, the Alliance for Excellent Education has estimated that if the high school students who dropped out of the Class of 2009 had graduated, the nation's economy would have benefited from nearly \$335 billion in additional income over the course of their lifetimes. Having a large number of high school dropouts also makes it more difficult for cities and states to attract new business.

In an effort to better understand the various economic benefits that a particular urban area could expect were it to reduce its number of high school dropouts, the Alliance for Excellent Education, with the generous support of State Farm®, has developed a sophisticated economic model in partnership with Economic Modeling Specialists Inc. The model allows various economic projections to be made for the forty-five largest U.S. Census-defined metropolitan statistical areas (MSA), which consist of both a central urban area and the surrounding geographic area that has strong social and economic ties to that city. The projections for economic benefits are estimated using graduation rates calculated by Editorial Projects in Education for all public school districts located within a metropolitan area.

As demonstrated in this document, if the Jackson metro area were to reduce by 50 percent the number of students who fail to graduate with their class, it could enjoy the following benefits:

- Total additional wages in an average year: **Over \$16 million**
- Percentage of new high school graduates who continue their education after high school: **49 percent**
- Total new homeowners: **1,000**

The Alliance will be releasing additional findings for Jackson, as well as new findings from other cities, in the coming months. Findings for other cities are available at <http://www.all4ed.org/EconMSA>.

The Economic Benefits of Reducing High School Dropouts Jackson, Miss. Metropolitan Area



Estimating the Economic Impact of Fewer Dropouts

The Alliance for Excellent Education has developed, with the generous support of State Farm®, a model to predict the various economic benefits that a particular region could expect to see if it were to reduce by 50 percent the number of students who fail to graduate with their class four years later.

Developed in partnership with Economic Modeling Specialists Inc., the model allows these projections to be made for the forty-five largest U.S. Census-defined metropolitan statistical areas (MSA), which consist of both a central urban area and the surrounding geographic area that has strong social and economic ties to that city. The projections for economic benefits are estimated by using graduation rates calculated by Editorial Projects in Education (EPE) for all public school districts located within a metropolitan area.

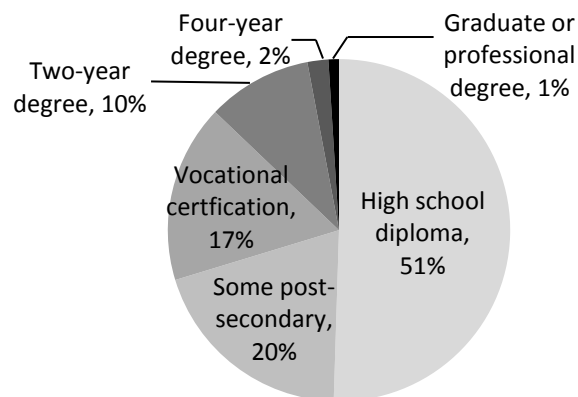
The MSA that includes Jackson also includes surrounding communities that span five counties. According to the EPE, this MSA accounted for an estimated 3,017 dropouts from the Class of 2008.

Halving the Number of Dropouts from Jackson and Surrounding Areas

Reducing the number of dropouts by just 50 percent for a single high school class in the Jackson metro area would result in tremendous economic benefits for the region:

1. **Increased wages:** By earning their diplomas and, in many cases, continuing their education, these new high school graduates would earn an average of over **\$16 million** per year in additional wages compared to their likely earnings had they dropped out.
2. **Increased human capital:** After earning their high school diplomas, many new graduates would not stop there. An estimated **49 percent** of these students are projected to continue their education after high school, some as far as a PhD or professional degree, as demonstrated in the chart below.

Additional Educational Attainment of Would-be Dropouts



Note: Due to rounding, percentages may not add up to 100.

3. **Increased home sales:** With their additional degrees and increased wages, these new high school graduates are better positioned to buy homes rather than to rent. By the time these new graduates reach thirty-nine years of age, they will have purchased nearly **1,000** homes in the Jackson region.

Findings from other cities and additional information on the economic model are available at <http://www.all4ed.org/EconMSA>.



Projecting the Economic Benefits of Reducing High School Dropouts Methodology

Developed in partnership with Economic Modeling Specialists Inc. and with the generous support of State Farm®, the Alliance for Excellent Education’s economic benefit model allows communities to see the estimated economic benefits that would result from reducing by half the number of students who drop out of high school. The model includes calculations for forty-five U.S. Census-defined metropolitan statistical areas (MSA), which consist of both a central urban area and the surrounding geographic area that has strong social and economic ties to that city. The estimates were created for each MSA using the most recent economic data available from the U.S. Census Bureau and the National Center for Education Statistics. Most of the available data is region-specific, which results in projections tailored to each individual metro area.

Increase in human capital. Projections on the increase in human capital were calculated based on the educational attainment rates of adults living in the various metro areas. Adjustments were made to account for the probable differences in access to the opportunities and resources necessary for would-be dropouts to successfully continue their education after high school compared to the average student.

Additional combined wages. The estimates of additional earned wages were calculated based upon the difference between a graduate’s earnings with their “projected” degree versus what they would earn as a high school dropout. Because individuals’ earnings typically increase with additional years in the workforce, the figure reported is the *average* annual difference in wages for all hypothetical graduates.

New homeowners. Data on the home-buying patterns of metro region residents by education level and income bracket provided the basis for calculating the likelihood that a graduate would buy a home by the age of thirty-nine. The homeownership probability for hypothetical graduates at each projected income bracket was used to calculate the estimated number of homes these graduates would buy.

Estimating the number of dropouts. The economic benefits are based on dropout counts estimated for the Class of 2008 by Editorial Projects in Education (EPE). EPE calculates the Cumulative Promotion Index, a widely accepted method for calculating the graduation rate, for high schools based on state-reported school-level data. To find the dropout counts, EPE multiplied the most recent graduation rates available for schools that fall within the metro areas by ninth-grade enrollment for the Class of 2008.

Because of a lag in data reporting, the most recent graduation rates available for use in this model are for the Class of 2005. Thus, the Class of 2008 is assumed to have a similar graduation rate as the Class of 2005. In most cases, this similarity will not likely result in significant inaccuracies, as graduation rates for most districts typically change just a fraction of a percent each year. However, it is important to note that some large urban districts have recently undergone large-scale high school reform efforts that may have resulted in significant changes to graduation rates since the 2004–05 school year.

New Orleans is of special note for this reason. Although the count of dropouts is based on pre-Hurricane Katrina graduation rates, the model has been built to capture the realities of the post-Katrina economy in the region. Due to the population loss that the area has seen since Katrina, EPE’s estimate of Class of 2008 dropouts is likely to be higher than actual, making it also likely that the economic benefits that New Orleans could see, should the dropout count be reduced by half, are overstated.