

# **High School Dropouts in Chicago and Illinois: The Growing Labor Market, Income, Civic, Social and Fiscal Costs of Dropping Out of High School**

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“We can’t make it here anymore”  
James McMurtry

“Don’t Drop Out!”  
James Brown

## **Introduction**

Over the years, educational attainment in the U.S. has become a more important determinant of personal success and well-being in the labor market, social and family life, civic participation, personal physical and mental health, and overall life satisfaction. Those adults who fail to graduate from high school with a diploma face enormous obstacles in achieving adequate employment, earnings, and incomes over their entire adult life. The costs of dropping out of high school have increased over time for both the dropouts themselves and for society at large in the form of reduced federal, state, and local taxes and increased expenditures on dropouts in the form of cash and in-kind transfers. This policy brief provides a summary of key recent research findings on what we know about the costs of dropping out in the city of Chicago and the state of Illinois.

## **Estimates of High School Dropouts in the City of Chicago, the Chicago Metro Area, and the State of Illinois**

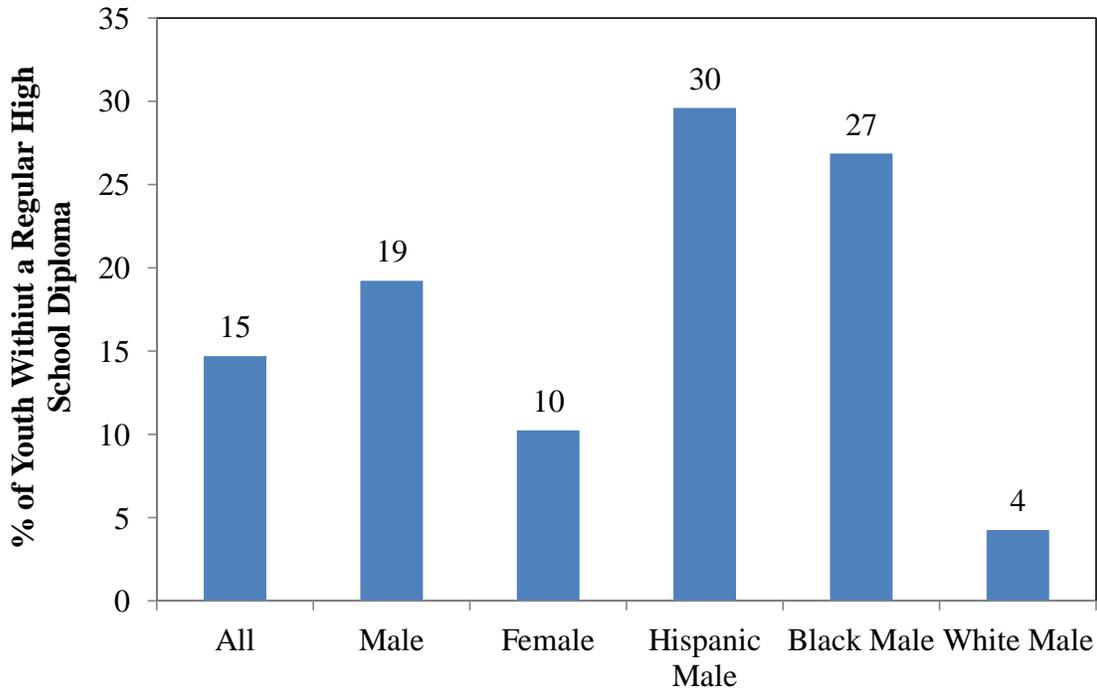
Knowledge of the numbers of young adults lacking regular high school diplomas and the incidence of such problems among gender and race-ethnic groups is indispensable for educational and workforce development planning. Based on findings of the 2009 and 2010 American Community Surveys, nearly 42,000 or 15 percent of 19-to-24 year old youth in the city of Chicago did not have a regular high school diploma.<sup>1</sup> Male youth in the city were nearly two times more likely to be dropouts than their female peers (19.2% versus 10.2%). Among major race-ethnic groups, the share of youth without a regular high school diploma varied widely, ranging from a low of 4 percent among White, non-Hispanics to highs of 20 percent among Blacks and nearly 24 percent among Hispanics. Among males, only 4 percent of White, non-Hispanics did not have a regular diploma while 27 percent of Black males and 30 percent of Hispanic males did not have a regular high school diploma.

The share of youth in the city of Chicago without a regular high school diploma (15%) was higher than that of the remainder of the Chicago Metro area (9.7%), state of Illinois (11.5%), and the entire U.S. (13.7%) (Chart 1).

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<sup>1</sup> These are conservative estimates of the number of high school dropouts. The American Community Survey tends to have below average coverage rates for low income households and respondents are known to sometimes exaggerate their educational credentials.

Chart 1:  
Percent of 19-to-24 Year Old Youth Who Did Not Have a Regular High School Diploma in  
the City of Chicago, All and by Gender and Selected Race-Ethnic Groups



### **The Employment Problems of 18-64 Year Old Dropouts in Chicago and Illinois**

The labor market problems of high school dropouts are quite severe in the city of Chicago, Illinois, and the U.S. The employment rates of 18-64 year olds increase steadily and substantially with their educational attainment. In Illinois, employment rates in 2010 ranged from a low of only 50% for adult high school dropouts (18-64), to 65% for high school graduates, and to 79% for those with an Associate’s degree. Dropouts residing in the city of Chicago fared even worse. Only 44% of 18-64 year old high school dropouts in Chicago were employed at the time of the 2010 ACS survey versus 56% of high school graduates and 73% of Associate degree holders.

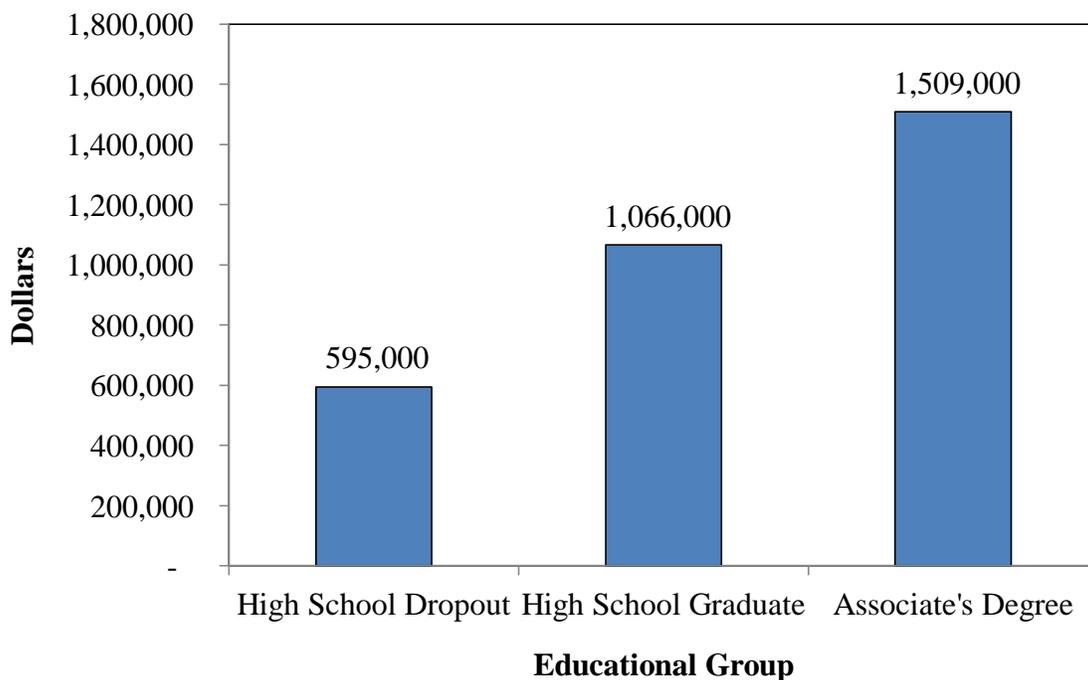
The low employment rates of high school dropouts in both the city of Chicago and Illinois are not due to short-term or temporary bouts of unemployment. A high share of 18-64 year old high school dropouts did not work at any time in the 12 months prior to the 2010 ACS survey. Nearly 48% of 18-64 year old high school dropouts in the city of Chicago did not work one week in the past year. Statewide, 42% of dropouts did not work at all during the past year. In sharp contrast, only 11-13% of 18-64 year old adults with a bachelor’s or higher degree in Chicago and Illinois were jobless for an entire year. The very low employment rates and high year-round joblessness rates of high school dropouts in the city of Chicago and Illinois have substantial adverse effects on their annual earnings and incomes.

## The Limited Annual and Lifetime Earnings of High School Dropouts

As a consequence of their fewer annual weeks and hours of employment and their lower average hourly earnings when working, the mean annual earnings of Illinois adults lacking high school diplomas or GED certificates are both quite low and well below those of their better educated peers in every age group. During 2009-2010, the mean annual earnings of dropouts ages 18-64 in Illinois were only \$13,400 versus \$21,700 for high school graduates, and \$32,800 for those with an Associate's degree. Over their entire working life from ages 18-64, the mean lifetime earnings of native born, high school dropouts (both men and women combined) in Illinois will be only \$595,000, well below those of high school graduates (\$1,066,000), and those with an Associate's degree (\$1.509 million). The gap in lifetime earnings between high school graduates and dropouts was \$471,000 and was even greater for males. The lifetime earnings of male native born high school graduates in Illinois were estimated to be \$1.330 million or \$573,000 above those of native born males who failed to graduate from high school.

Chart 2:

Mean Expected Lifetime Earnings from Ages 18-64 of Native Born High School Dropouts, High School Graduates, and Associate Degree Holders in Illinois, 2009-2010 Averages

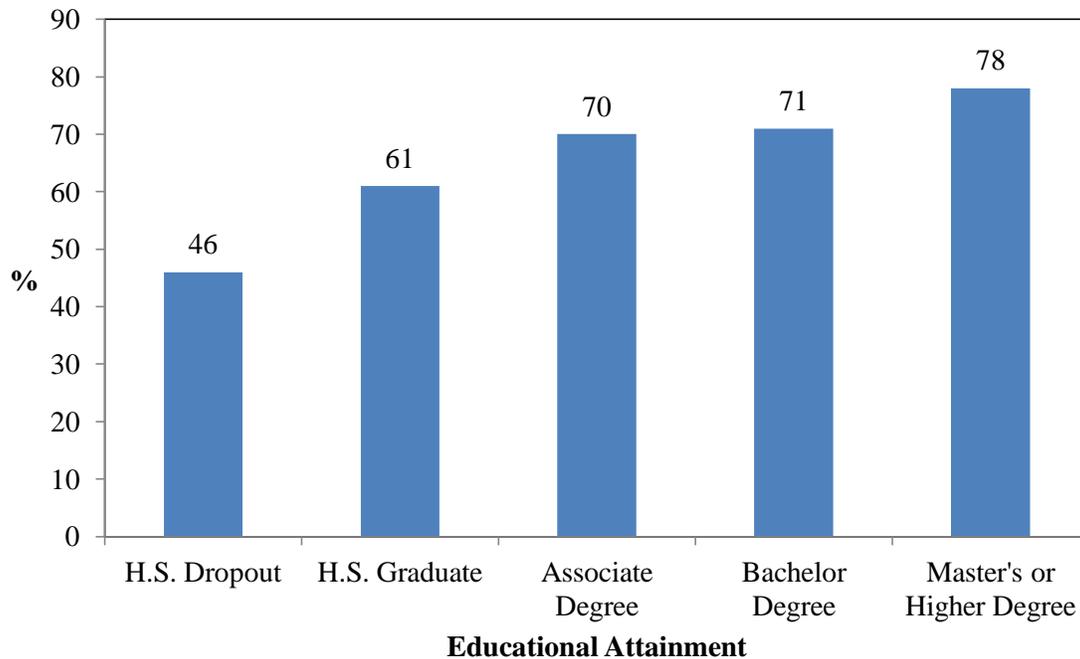


## Home Ownership Among Households Headed By High School Dropouts in Illinois

Among the key elements of the American Dream has been the ability to own one's home. Over the years, especially among younger high school dropouts, this Dream has become a fading reality as home prices rose faster than their annual incomes. In Illinois, during 2009 and 2010, only 46% of the state's households headed by an 18-64 year old high school dropout owned their housing unit, and this ratio fell to 30% when the householder was under age 40. Home ownership rates rose steadily with the educational attainment of the householder, increasing to 61% for high

school graduates, to 71% for householders with a bachelor’s degree and to 78% for those headed by an individual with a Master’s or higher degree. The mean values of the homes owned by Illinois adults also rose steadily with their level of educational attainment. Since one’s home is often the primary asset owned by middle to low-middle income families, a majority of the state’s households headed by high school dropouts report little to no net worth.

**Chart 3:**  
Home Ownership Rates of Illinois Householders 18-64 Years Old by Educational Attainment, 2009-2010



### **Poverty/Near Poverty and Low Income Problems of High School Dropouts**

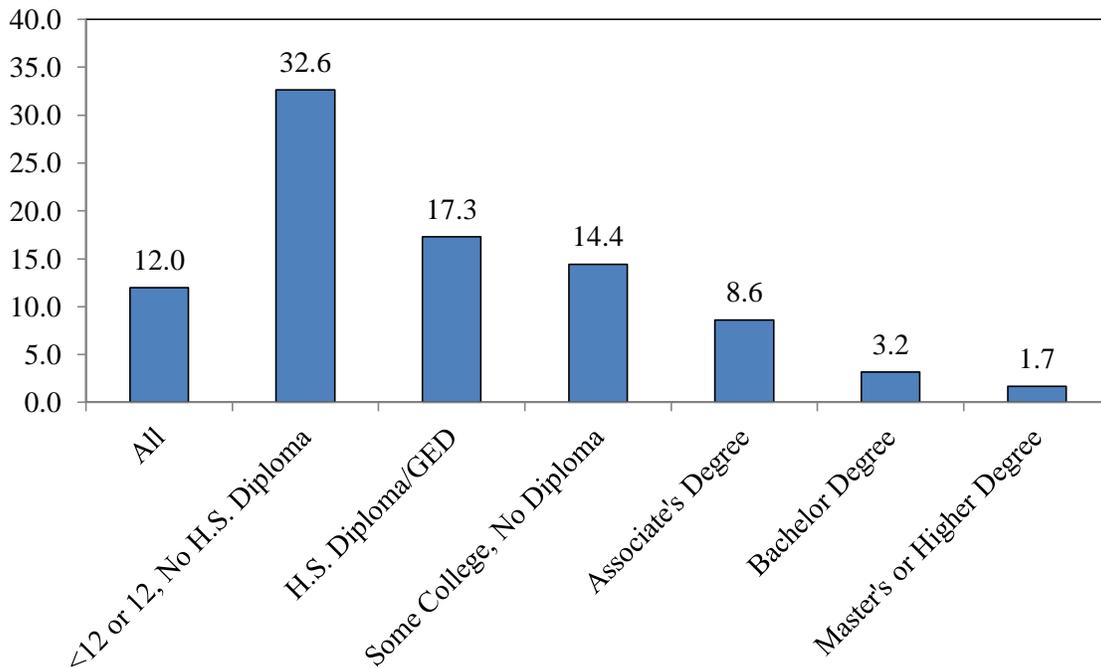
Due to their low average annual earnings, their limited receipt of income from any property holdings, and their lower marriage rates that reduce the presence of multiple earners in their households, adult high school dropouts (18-64 years old) are considerably more likely to face severe income inadequacy problems, including poverty and low income problems. In 2009-2010, nearly 40 of every 100 adult dropouts in the city of Chicago were either poor or near poor and 58 of every 100 of them were low income; i.e., having an annual income below 200% of the poverty line. Each of these income inadequacy rates was well above those of their peers with a high school diploma and especially those with college degrees. While close to 40 of every 100 adult dropouts in the city of Chicago were poor or near poor, only 29 per cent of high school graduates and 18 per cent of those with an Associate’s degree had such a low income. Children living in families headed by high school dropouts face a substantially above average probability of encountering cognitive, health, housing adequacy, and nutrition problems that will limit their future economic and educational development. Their chances of securing a Bachelor’s degree by their mid-20s are close to zero.

## Receipt of Cash Public Assistance Income/Food Stamps by High School Dropouts in Illinois

Due to their much lower employment and earnings, high school dropouts are more likely to rely on cash public assistance income for their support than their peers with higher levels of schooling. In Illinois, nearly 9 percent of high school dropouts, 18-to-64 years old, obtained either cash public assistance income or Supplemental Security Income (SSI) during 2009-2010 compared to only 5 percent of high school diploma holders, 2 to 3 percent of those with 1-3 years of college and only 1 percent of those with a Bachelor's or higher degree.

Families headed by high school dropouts were considerably more likely to be dependent on food stamps to support themselves and their children. One in three households in Illinois headed by a person lacking a high school diploma obtained food stamps during 2009-2010 compared to 18 percent of households headed by a high school graduate, and 1 percent of households headed by four year college graduates.

Chart 4:  
Percent of Households Headed by 18-to-64 Years Old in Illinois  
Who Received Food Stamps) During 2009-2010



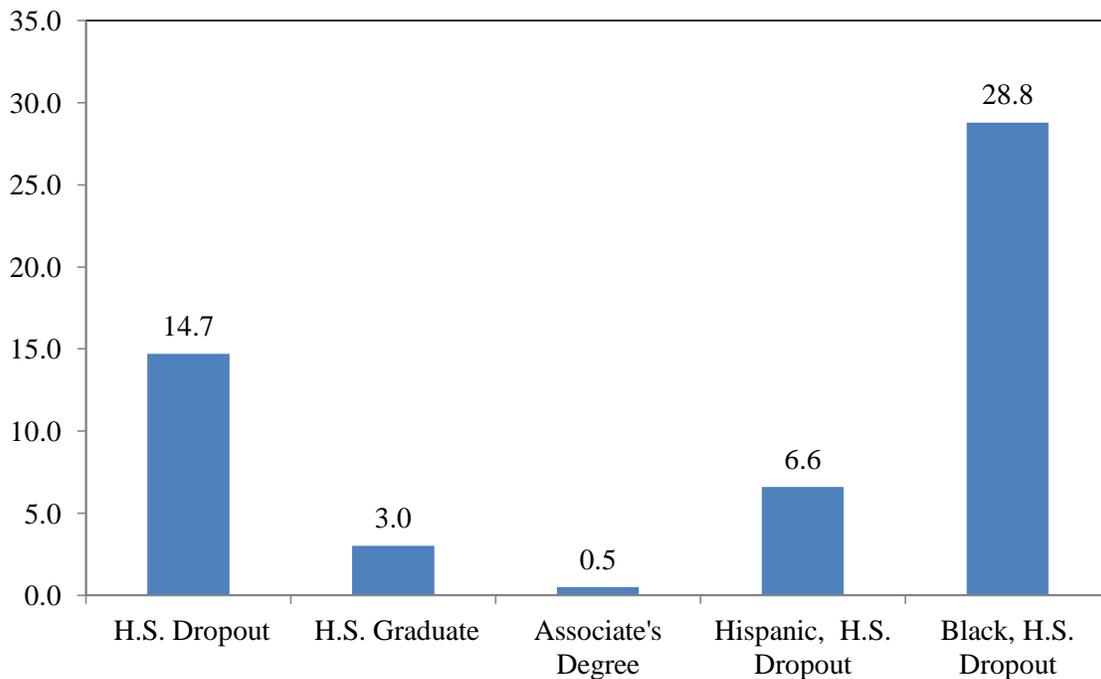
## Incarceration Rates of Younger High School Dropouts (18-34 Years Old) in Illinois

Due in part to their inferior labor market outcomes and their limited employability skills, high school dropouts are much more likely than their better educated peers to end up incarcerated in jail or prison. In Illinois, dropouts accounted for 51% of the incarcerated population between the ages of 18 and 34 in 2010. In that year, 10% of native-born high school dropouts (18-34) in Illinois were in jail or prison, an incarceration rate that was 2 percentage

points above the U.S. average (8.0%). Among 18-34 year old native-born males, incarceration rates ranged from lows of one-tenth of one percent for those with a B.A. or higher degree to 3% for high school graduates with no completed years of postsecondary schooling, and to a high of 15% for high school dropouts. A native born male high school dropout (18-34 years old) was 5 times more likely to be incarcerated than a native-born male with a high school diploma and nearly 30 times more likely to be in jail or prison as a native-born male with an Associate's degree.

The incarceration rates of young adult dropouts varied widely across gender and race-ethnic groups. Male dropouts in Illinois and the U.S. are much more likely to be incarcerated than their female peers. The incarceration rate of native-born 18 to 34 year old male dropouts in Illinois was 15%, compared to a rate of under 2% for native born female dropouts in this age group. Black male dropouts in Illinois had by far the highest incarceration rate among the three major race-ethnic groups. Nearly 29% of 18 to 34 year old, Black male dropouts in Illinois were incarcerated in 2010 (Chart 5). Incarceration rates of Black males fell sharply with their educational attainment, declining to under 8% for high school graduates and only 2% for Associate degree holders. Native-born Hispanic male dropouts (6.6%) in Illinois had a similar incarceration rate as native-born White male dropouts (6.5%). The annual costs of housing dropouts in jail or prison are quite substantial and contribute to the growing fiscal problems of state and local government. Spending time in jail or prison also has been found to reduce substantially the longer-term earnings potential of released inmates, making it difficult for them to find a job that will allow them to independently support themselves and their families.

Chart 5:  
Incarceration Rates of 18-34 Year Old Males in Illinois By  
Selected Educational Attainment and Race-Ethnic Groups, 2010 (in %)



## **The Contributions of U.S. Adults (18-64 Years Old) to the Fiscal Well-Being of National, State, and Local Governments by Educational Attainment**

Among the potential economic benefits to society as a whole from investing in the education of the nation's population is an improvement in their ability to help finance the fiscal needs of our national, state, and local governments. The higher annual earnings, incomes, and property ownership of better educated adults would be expected to increase their net annual contributions to the budgets of government agencies through higher tax payments at all levels of government and lower dependence on both cash (welfare, unemployment compensation, Supplemental Security Income) and in-kind transfers (food stamps, rental subsidies) from government.

Using estimates of both annual tax contributions to federal, state, and local governments in the form of federal and state income taxes, Social Security payroll taxes, state sales taxes, and local property taxes and annual cash and in-kind transfers (unemployment benefits, TANF benefits, general relief, Social Security retirement and survivor benefits, food stamps, Medicare, Medicaid, rental subsidies), we have calculated the mean annual value of the net fiscal contribution of U.S. adults ages 18-64. The net annual fiscal contribution is simply the difference between cumulative taxes paid and cash/in-kind transfers received by a given individual.

During 2009-2010, the average U.S. adult 18-64 years old contributed nearly \$10,500 more in taxes than they received in cash and in-kind transfers. The mean values of these annual net fiscal contributions varied to an extremely high degree across educational groups. On average, adult high school dropouts were the only group to collect more in cash and in-kind transfers than they paid in all forms of taxes. Their mean net contribution was a -\$1,510. The mean annual fiscal contribution of high school graduates was +\$5,020 and an adult with a Bachelor's degree contributed \$18,830. The gap in mean annual fiscal contributions between high school graduates and dropouts was \$6,530.

These annual estimates of net fiscal contributions for each educational group were converted into lifetime fiscal contributions by multiplying each of them by the expected number of years between graduation (or school leaving for dropouts) and age 64. Over their lifetime, based on observed experiences in 2009-2010, the average high school dropout would end up receiving nearly \$71,000 more in cash and in-kind benefits than he/she paid in all taxes. In contrast, the average high school graduate would pay \$236,000 more in taxes than he received in government benefits, and the average bachelor degree holder would pay \$885,000 more in taxes than he/she received in benefits. The gap between the mean lifetime net fiscal contributions of high school graduates and high school dropouts was nearly \$307,000. Dropping out of high school before receiving a high school diploma places a substantial fiscal burden on the rest of society. Dropping out of high school is a Lose Lose, Lose proposition for the dropouts themselves, their families, and society at large.

Table 1:  
The Mean Net Annual Fiscal Contributions of 18-64 Year Old  
Adults in the U.S. by Educational Attainment, 2009-2010 Averages

	(A)	(B)
Educational Attainment	Annual Net Fiscal Contribution	Lifetime Net Fiscal Contribution
High School Dropouts/no GED	-1,510	-70,850
High School Graduate/GED	5,020	236,060
1-3 years of College	9,130	429,150
Bachelor's Degree	18,830	884,940
Master's or Higher Degree	28,430	1,336,310
All	10,490	493,000
High School Graduate – High Dropout	6,530	306,910
1-3 Years of College – High School Dropout	10,638	500,000