



# Dropouts: Path to Poverty

The Lifetime Employment, Earnings and Poverty Consequences of  
Dropping Out of High School in the Los Angeles Metro Area

## Executive Summary of Report Prepared by Professor Paul Harrington Center for Labor Market Studies-Northeastern University

Los Angeles youth deserve opportunities and resources that allow them to become productive and self-sufficient citizens. Instead of journeying on a road to independence, a significant percentage of Los Angeles youth face extraordinary challenges and travel down a Path to Poverty. During the past decade, youth advocates have voiced concern over what they perceive as a dropout crisis within the city's school system. Several studies reveal key characteristics of the dropout population and provide insight on how to identify students most likely to leave school.<sup>1</sup> In response to the staggering dropout statistics, Los Angeles Mayor Antonio R. Villaraigosa has described the city's dropout figures as, "numbers that should put a chill in your spine" and has made it a top priority to reduce the city's high school dropout rate.<sup>2</sup>

Estimates of the number and rate of dropouts in the city of Los Angeles and in the state of California vary based on the data used and the method to produce these estimates. Regardless of the method for measuring dropout rates, it is clear that an incredible amount of Los Angeles youth continue to quit school without earning a diploma. This deeply troubling reality has several serious consequences borne by both the individual who has dropped and the community at large.

The Path to Poverty report focuses on three such consequences for high school dropouts:

**--Low employment levels**

**--Low earnings**

**--Increased risk of falling into poverty for a prolonged period of time**

High school dropouts are considerably less likely to be employed than are their better-educated counterparts. Furthermore, when they do find employment, high school dropouts are more likely to work in low skilled jobs that pay low wages. Over their entire working lifetime, these employment and earnings disadvantages accumulate into large annual and lifetime employment and earnings deficits. Compared to their better-educated counterparts, dropouts have an increased risk of living in poverty for a long period of time.

1. Russell W. Rumberger and Sun Ah Lim. October 2008. Why Students Drop Out of School: A Review of 25 Years of Research. California Dropout Research Project Report #15; Russell W. Rumberger and Brenda Arellano. December 2007. Student and School Predictors of High School Graduation in California. California Dropout Research Project Report #5; David Silver, Marisa Saunders, and Estela Zarate. June 2008. What Factors Predict High School Graduation in the Los Angeles Unified School District. California Dropout Research Project Report #14. 2. Shannon Holmes. March 20th 2006. Los Angeles Mayor Villaraigosa Calls High School Dropout Rate the New Civil Rights Issue. The United States Conference of Mayors.



This report presents estimates of the lifetime employment, earnings and poverty impacts of dropping out of high school for residents of the Los Angeles metro area. These estimates are based on the authors' analysis of the U.S. Bureau of the Census's American Community Survey (ACS) public use data files for the years 2005, 2006 and 2007. High school dropouts in this study are defined as those persons aged 18 to 64 years who failed to earn either a regular high school diploma or a similar type of equivalency award such as a GED and who were not currently enrolled in school.<sup>3</sup>

Dropping out of high school is associated with serious negative labor market outcomes. Dropouts have a weaker attachment to the labor market, are less likely to find employment, work for fewer hours when they do find employment, and earn lower wages than better-educated individuals earn. Moreover, changes in the industrial structure of employment has reduced the jobs available to poorly educated individuals and exacerbated the negative labor market consequences associated with dropping out of high school.<sup>4</sup>

The **Path to Poverty** report presents substantial differences in key labor market outcomes between metropolitan Angelenos who dropped out of school and those with a high school diploma or a higher level of education. The report also addresses the impact of these negative labor market outcomes on the lifetime employment and earnings prospects of dropouts and highlights their lifetime risk of poverty. Although all high school dropouts in the Los Angeles metro area suffer significant economic consequences for their educational deficit, this report has found that these economic costs of educational deficits are particularly steep for women.<sup>5</sup> Compared to their male peers, female residents who failed to graduate from high school in the Los Angeles metro area have higher rates of unemployment, make significantly lower wages, have a lower earnings potential, and a higher risk of poverty.

### **Summary of Key Findings**

**Work Rate:** High school dropouts were least likely to have worked at all during a given year. In the Los Angeles metro area, 70 percent of all high school dropouts had worked at some time during the prior year, compared to 78 percent of high school graduates, and almost 90 percent of college graduates. The work rate among female dropouts was only 54 percent compared to 85 percent among their male counterparts.

**Hourly Rate of Pay:** The hourly pay rates of Los Angeles metro area residents were also closely associated with their levels of educational attainment. Residents with a high school diploma had mean hourly rates of pay that were less than a third of those who held a master's degree and less than half of those who held a bachelor's degree (\$15.30 versus \$49.60 and \$34.15, respectively). High school dropouts had the lowest mean hourly wage rate, earning an average of \$10.00 an hour; a mean rate of pay only equal to two thirds of that of employed high school graduates.

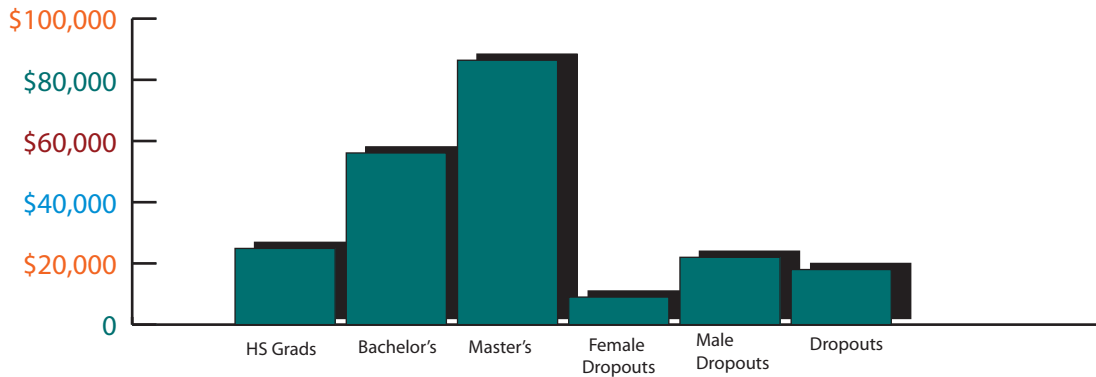
3. Respondents to the ACS survey were asked to identify whether they were enrolled in school at any time in the three month period prior to the survey. Persons who were not enrolled in school and who lacked a high school diploma/GED are classified as high school dropouts in this report. GED holders are assigned to the high school graduate category if they did not complete any years of post-secondary schooling.

4. Hans Johnson and Ria Sengupta. April 2009. Closing the Gap: Meeting California's Need for College Graduates. Public Policy Institute of California; Deborah Reed. May 24th 2008. Prepare Less-educated Workers for the Shifting Economy.

5. 2007. When Girls Don't Graduate, We All Fail: A Call to Improve High School Graduation Rates for Girls. National Women's Law Center.



### Annual Earnings:



### Expected Lifetime Earnings in 2005-07:

Dropouts	HS Grads	Bachelor's	Master's
\$697,000	\$1.2 mil	\$2.43 mil	\$3.5 mil

### Female high school dropouts from the Los Angeles metro area:

- Have an extremely poor lifetime earning potential
- Can expect to earn less than half the amount earned by females who have only a high school diploma
- Will earn less than a quarter of the amount earned by those female residents who have a Bachelor's degree (\$402,000 versus \$835,000 and \$1.791 million, respectively)

### Trends in Expected Lifetime Earnings, 1979 to 2005-07:

- Between 1979 and 2007, the lifetime earnings of dropouts declined from \$883,000 to \$697,000 (21 percent loss)
- College graduates with either a Bachelor's degree or a Master's degree experienced an increase in their expected lifetime earnings over this period of time by 10 percent and 26 percent respectively

As a result, the gaps between the lifetime earnings of dropouts and other educational groups increased sharply. For example, the lifetime earnings advantage of being a high school graduate, relative to being a high school dropout, in the Los Angeles metro area has increased from 45 percent in 1979 to 65 percent today.

**"People don't expect government to solve all of their problems. But they sense, deep in their bones, that with just a slight change in priorities, we can make sure that every child in America has a decent shot in life and that the doors of opportunity remain open to all."**

**---President Barack Obama**





**Trends in Lifetime Earnings of Men and Women:** Men and women residents of the Los Angeles metro area have seen divergent trends in their lifetime earnings. Between 1979 and the present day:

--**The lifetime earnings of males declined slightly by two percent**

--**Female residents' lifetime earnings increased by 49 percent**

--**Male dropouts witnessed a 28 percent decline in their lifetime earnings solely attributable to a sharp 25 percent decline in their hourly rate of pay (contrary to males with college degrees)**

Dropouts are the only educational group of females that saw their lifetime earnings decline between 1979 and the present day. Despite a six percent increase in their work rate and a 12 percent increase in their annual hours of work, the expected lifetime earnings of this least educated female residents declined by 10 percent. The entire decline is attributable to the 13 percent reduction in their hourly rate of pay between the late 1970's and today.

**Risk of Poverty:** Another troublesome consequence of the weaker labor market outcomes of high school dropouts in the Los Angeles metro area, relative to their counterparts with a higher level of educational attainment, is that they are more likely to spend a longer period of their lives living in poverty. High school dropouts from the Los Angeles metro area spent an average of nine years living in poverty.

This duration is considered chronic or long-term poverty and is considerably longer than the average amount of time residents with higher levels of education were likely to spend living in poverty. Residents with a high school diploma spent an average of five lifetime years in poverty, while those with a Bachelor's degree spent an average of 2.2 years and those with a master's degree 1.5 years. The average number of years a female high school dropout spent living in poverty was 10.7 years; 43 percent longer than the average length of time of their male counterparts (7.5 years).

In closing, the **Path to Poverty** report sheds light on the extraordinary challenges that Los Angeles youth face. While the road to recovery is not an easy one, the City of Los Angeles has a workforce development system in place that takes a collaborative approach to mending the gap between young people and the resources and opportunities they deserve.

For a full copy of the report, please visit [www.wib.lacity.org](http://www.wib.lacity.org) or call 213.744.7164.

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