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RESEARCH SPOTLIGHT

**Societal and Individual Costs of
Dropping out of High School in Canada**

Introduction

This research summary highlights the societal and individual costs of dropping out of high school in Canada. The findings illustrate that dropping out of high school translates into substantial costs for individual early school leavers and the Canadian government.

Coelli, Green, and Warburton (2007) argue that lower educational attainment in a society greatly contributes to the persistence of generational poverty. Individuals living in persistent poverty from generation to generation tend to rely on the Canadian social assistance and unemployment systems more than others and, moreover, have a more difficult time finding meaningful employment.

In addition, Canadians with more education have shown to have consistently higher health outcomes. Cutler and Lleras-Muney (2006) argue that the well-established relationship between higher education leading to higher income also applies to an individual's health. They argue that well-educated individuals gain knowledge of better health practices and that each additional year of education corresponds to a life expectancy increase of 0.18 years. This compelling relationship between level of education, health, and income is one of the reasons why Oreopoulos (2005) argues in favour of prohibiting early school leaving before students turn 18 years old.

Key Findings: Societal Costs

- Based on the class of 1989 (totalling over 137,000 students), the tax revenue loss incurred as a result of early school leavers not paying the same taxes as high school graduates is estimated to be around 4 billion dollars (Lafleur, 1992). The dropout rate was higher in 1989 than it is now (16.6% in 1990).
- The lifetime tax revenue loss for each student leaving high school early is estimated to be over \$6,000 (Canadian Council on Learning, 2009).
- Early school leavers make up 42.7% of all welfare recipients (Warburton & Warburton, 2004).
- 33.6% of non-graduates receive income assistance. Only 6.7% of high school graduates rely on social assistance (Ungerleider & Burns, 2002).
- Early school leavers cost social assistance a total of \$972 million annually (Hankivsky, 2008).
- On an annual basis, early school leavers cost the Canadian Employment Insurance system \$199 million in lost revenue (Hankivsky, 2008). This is a result of early high school leavers not paying into the system at the same rate as high school graduates.
- On an annual basis, early school leavers cost the Canadian Employment Insurance system \$1.1 billion (Hankivsky, 2008) as a result of social assistance costs paid out to non-graduates.
- Presently, the rate of high school incompleteness for people aged 25-44 in Quebec is 8.6%, compared to 5.6% in Ontario. Eliminating this gap would add over 2,500 more graduates per cohort, resulting in societal financial gains of over 1.75 billion dollars, between the years 2017-2066.

Key Findings: Individual Costs

- Men who obtain a Bachelor's degree make, on average, \$732,000 more over the course of their lives than those with only a high school diploma. For women, the figure is \$448,000 (Frenette, 2014).
- Staying in school longer has the effect of increasing weekly earnings by 10-25% (Oreopoulos, 2005).
- Hankivsky (2008) estimates that the annual lost wage figure for non-graduates is \$4,230.
- Each additional year of secondary school has the effect of lowering the probability that an individual will be unemployed by 2.5 to 5.6 percentage points, as well as increasing their weekly earnings by 10-25% (Oreopoulos, 2005).
- High school non-graduates cost \$8,098 each, per year, in health care costs (Hankivsky, 2008).
- Individual early school leavers cost social assistance a total of \$4,230 annually (Hankivsky, 2008).
- Annually, each individual early school leaver costs the Employment Insurance system an average of \$68.00 in lost revenue (Hankivsky, 2008).
- Annually, Employment Insurance costs per early school leaver amount to \$2,767 (Hankivsky, 2008).

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