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New Philadelphia report shows cost of dropping out and impact on local economy

PHILADELPHIA – What’s the difference between a Philadelphia graduate and a high school dropout? About \$580,000, according to a new study released today by the Philadelphia Workforce Investment Board, in partnership with the City of Philadelphia and the Philadelphia Youth Network. That’s the difference in net fiscal contribution over a working lifetime (tax revenue generated vs. tax revenues received) between a Philadelphia student who earns a diploma and one who does not.

Furthermore, a high school diploma has increasingly become the prerequisite to full participation in the mainstream economy. In fact, a high school graduate earns almost twice the lifetime earnings of a high school drop out – about \$871,000 vs. \$457,000, and individuals with a bachelor’s degree or higher earn more than four times as much (\$2.05 million vs \$457,000).

Funded by the William Penn Foundation and the Pennsylvania Department of Labor and Industry as part of Project U-Turn, the citywide campaign to resolve the dropout crisis, the report paints a harsh picture of the economic prospects for high school dropouts, not to mention the costs of ripple effects for employers and the city.

“We know our economy has changed quickly and dramatically, and our city’s educational and social systems have been challenged to keep pace,” Philadelphia Mayor Michael A. Nutter said. “This report highlights and quantifies the economic arguments for investing in education, and validates our emphasis and direction.”

The report demonstrates that high school dropouts struggle to compete in today’s competitive marketplace. They suffer from greater stints of unemployment and underemployment and lower wages, and on average they require greater social assistance.

“The Foundation has invested in Project U-Turn and the efforts of its partner organizations to confront the dropout crisis because we believe fundamentally that its resolution is key to the City’s long-term social and economic well-being,” said Feather Houstoun, President of the William Penn Foundation. “This report provides us another piece of evidence about the critical importance of continuing this work.”

When he first took office, Mayor Nutter established education as a top priority for the city of Philadelphia, and established the goals of cutting the high school drop-out rate in half and

doubling the number of Philadelphians with college degrees. As one means of accomplishing these ambitious goals, Mayor Nutter established the Mayor's Office of Education to focus on these issues.

Chief Education Officer Lori Shorr, whom the Mayor has charged to achieve his goal to halve the drop-out rate by 2014 as well as implement his other education priorities, echoes the Mayor's sentiments and urges all Philadelphia residents to take their education seriously: "No matter what your age or past experiences, it is never too late to go back to school and reap the economic benefit you and your family deserve." Dr. Shorr notes that Philadelphia offers multiple pathways back to school for youth and adults who never finished high school, as well as a wide range of GED classes available for free throughout the City.

Underscoring the cross-system nature of Philadelphia's response, the City and the School District are jointly staffing a Re-Engagement Center for former dropouts who want to return to education. "This is precisely the kind of cross-system partnership we need to meet the Mayor's commitment," Dr. Shorr stressed.

The primary citywide leadership vehicle for pursuing and achieving the Mayor's education goals for young people is the Philadelphia Council on College and Career Success. Since its inception, this Council has been a force for innovation, leadership, and positive change, creating major citywide initiatives such as WorkReady Philadelphia, a system of programs designed to increase youth workplace exposure and career preparation, and Project U-Turn, a campaign to resolve the city's dropout crisis.

"The Council has embraced the Mayor's charge, and established a vision that all Philadelphia youth are prepared for educational and economic success," shared Laura Shubilla, Co-President and CEO of the Philadelphia Youth Network, which staffs this Council. She continued: "One critical goal is to increase the high school graduation rate to 80 percent by 2014, and the Council recently has recently adopted a new action plan framework to invest, align, and advocate around this goal."

Mayor Nutter concluded, "During these challenging economic times, people sometimes ask me, 'are you going to stick with your education agenda or set it aside and move on to something more immediate?' And this is my response: when you look at the costs of the dropout crisis – to communities ... to taxpayers ... to government - and most importantly to the lives of thousands of our citizens - what could possibly be more important?"

Some eye-opening statistics from the report included the following:

- Just 39 percent of the high school dropouts in Philadelphia were employed in 2006. Compare that to 58 percent of the city's high school graduates, 70 percent of those with some college experience and 82 percent of those with a bachelor's or higher college degree.
- High school dropouts are expected to earn only \$457,100 over their entire working lifetime, compared to \$870,600 for high school graduates, and xxx for college graduates.
- Nearly 49 percent of city residents who were high school dropouts received one or more cash transfer payments, compared to just 29 percent among high school graduates and 14 percent among college graduates.
- The net fiscal annual contribution of the average non-elderly working adult without a high school diploma was -\$6,780, indicating that mean annual tax payments were lower than the sum of the mean value of annual transfers.

- Over their working lives, that net fiscal contribution would accumulate into a shortfall of \$319,000. In contrast, a high school graduate makes a positive net fiscal contribution of \$261,000.

The report can be found on the Project U-Turn website at <http://www.projectuturn.net> Paul Harrington, Ph.D., who coauthored the report, is a national workforce expert and author of multiple research studies on the need to align human capital with the changing economy. Dr. Harrington found that the effects of having a large working age population that failed to complete high school in a knowledge-based economy increasingly puts the Philadelphia economy at risk of failing to grow. He notes, "Unlike in the past, the jobs found in the city of Philadelphia today demand a greater number of mid-skilled and higher educated workers than those found in the rest of the Commonwealth or in the suburbs. As the local economy increasingly embraces employers requiring a highly skilled workforce, Philadelphia needs to provide the human capital to retain and grow these businesses."

"The findings from this report are staggering on the surface, and point to an underlying trend that clearly shows the challenge we have in Philadelphia: employers in this economy greatly favor individuals who meet key education benchmarks and reward them accordingly," said Sallie A. Glickman, CEO of the Philadelphia Workforce Investment Board. "Our vision is a thriving and inclusive regional economy, and the realization of that vision now seems possible because of the laser focus Mayor Nutter has on educational attainment."

About the Philadelphia Workforce Investment Board

Founded in 1999, the Philadelphia Workforce Investment Board is a volunteer commission appointed by the Mayor of Philadelphia with the legislated responsibility to govern the public workforce system in the city, including the CareerLink Centers. The organization that supports the commission – Philadelphia Workforce Investment Board, Inc. – provides expertise in all facets of workforce development, and works to align the skills of the region's labor force to meet the needs of industry, ultimately supporting the region's growth and prosperity. The organization's vision is a thriving and inclusive regional economy and its mission is to advocate and advance a demand-driven opportunity agenda that effectively prepares Philadelphians to compete in the economic mainstream.

About the William Penn Foundation. The William Penn Foundation, founded in 1945 by Otto and Phoebe Haas, is dedicated to improving the quality of life in the Greater Philadelphia region through efforts that foster rich cultural expression, strengthen children's futures, and deepen connections to nature and community. In partnership with others, the Foundation works to advance a vital, just, and caring community. Learn more about the Foundation online at www.williampenfoundation.org.

About Project U-Turn

Project U-Turn is a citywide campaign to focus public attention on Philadelphia's dropout crisis and to design strategies and leverage investments to resolve it. The campaign is managed by the Philadelphia Youth Network, a private, non-profit youth intermediary organization that staffs the Philadelphia Commission for College and Career Success, and manages youth workforce investment funds available to the City under contract to the Philadelphia Workforce Investment Board. As a catalyst for collective action, PYN works to ensure that Philadelphia youth take their rightful places as full and contributing members of world-class workforce.