The PROGRESA Conditional Cash Transfer (CCT) program is well-known for its positive impacts on education, and more than 50 countries have replicated the model so far. However, 35% of adolescents between 14 and 17 years old from families participating in the PROGRESA program drop out of school. This paper investigates why PROGRESA fails to prevent a substantial number of students from dropping out, and finds that bullying and the death of a parent are important factors. I exploit a rich data set that includes information about psychological variables of young people, as well as their social environments. To assess the problem of omitted variable bias, I use a bounding methodology. I find that boys suffer more from bullying than girls, but bullying affects only girls’ probability of dropping out of school. In particular, I find that a one standard deviation increase of being bullied increases the probability of not being enrolled in school by approximately 6 percentage points. Likewise, the death of a father affects only girls. After losing their fathers, girls are 30 percentage points more likely to stay at home and not study. While PROGRESA has positive effects on education, its current design does not protect individuals, particularly girls, from the social cost of bullying and from major life-changing events such as the death of a parent.