SOUTHMOD

Policy note

Redefining the Free Senior High School Policy in Ghana

A cost-saving approach to reduce poverty

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October 2023

Findings

- Ghana's Free Senior High School policy succeeds in enhancing participation in senior secondary education and increasing literacy, but the policy is potentially unsustainable given its cost
- A reform that grants a uniform benefit of GHC 500 is estimated to save the government GHC 600 million annually (roughly USD 52.6 million) but would increase household poverty by around 0.34 percentage points
- This poverty increase can be countered by combining the proposed Free SHS reform with a new benefit for vulnerable older persons. Implemented as a bundle, the two reforms would reduce inequality and poverty in a revenue-neutral manner, with a 0.26 percentage points drop in household poverty and a 2.87-point reduction among households with older persons

The Free Senior High School (SHS) policy introduced in Ghana in September 2017 increased secondary school enrolment by 13.5% from 2017 to 2018. From its roll-out, the policy has been criticized for overcrowded classrooms and dormitories. These developments eventually led to the introduction of a double-track system, where students are divided into two groups that alternate the use of school facilities. Furthermore, the financial sustainability of the policy is questioned in the face of macroeconomic instability and the inability of the national government to define the sources of finance for the policy clearly.

To evaluate the economic impact of a hypothetical reform to the Free SHS policy that seeks to ensure equal access to secondary education at a lower cost, an analysis was done using the tax-benefit microsimulation model for Ghana (GHAMOD). The study bundles the reform with an old-age benefit to address high poverty among rural old-age households. The analysis shows how such a combination of policy reforms might reduce poverty and inequality in Ghana in a revenue-neutral manner.

The proposed reform to the Free SHS policy in Ghana

Currently, the amount spent per secondary school student is based on the student's residency status. Residents (boarding students) receive GHC 1,002.47 (about 88 US dollars), while non-residents (day students) receive GHC 648.47 per academic year. In addition to tuition fees waived for all students, resident students are offered three meals daily, while non-residents receive only one meal per school day. The state also pays students' water and electricity bills, albeit at lower rates for non-resident students.

We propose a reform that caps the financial benefit per student to a uniform amount of GHC 500 per academic year (about 44 US dollars), irrespective of their residency and wealth status. Parents or guardians seeking to enrol their children in boarding schools would therefore be required to contribute a more significant amount than under the current policy. The subsidy for resident students would be effectively cut in half.

This hypothetical reform has two primary purposes. First, the higher cost for students in residency would discourage families from seeking residency status and potentially encourage enrolment in community day secondary schools where students are non-resident. This could address overcrowding in secondary schools while populating the many community-day schools across the country that are currently underutilized due to the oversubscription of schools offering residency options.

Second, introducing this reform would reduce government expenditure on the Free SHS policy and free up funds for other social interventions. For example, these savings could go to new educational

infrastructure, which can help improve the country's access and quality of secondary education and support vulnerable older persons.

Reforming the Free SHS policy could produce considerable savings

We simulated the proposed changes to the policy using GHAMOD v2.6, a microsimulation model developed in 2022. Underpinned by data from the Ghana Living Standards Survey, the model uses individual-level information on incomes and consumption from nationally representative household surveys. While the Free SHS policy was introduced in 2017, the 2018 policy year in the model is used for analysis. It covers the first full academic year after the policy was enacted, allowing for an accurate assessment of the policy.

Table 1 shows the estimated impact of the policy reform on government expenditure, selected poverty indicators, and the Gini coefficient of inequality. The results represent the "morning after" effects, assuming full compliance and zero leakages. As shown in the table (column 3), the proposed reform to the Free SHS policy would lead to savings of approximately GHC 597 million per year to the government, but it would also marginally increase poverty and inequality. Columns 4 and 5 indicate the impact of a new old-age benefit scheme, discussed in more detail below.

Table 1: Effects of proposed Free SHS reform and old-age benefit on government expenditure, poverty and inequality, Ghana, 2018

	Free SHS: No Reform	Free SHS: With Reform	Impact of the Free SHS reform	Impact of the old-age benefit	Combined impact of the Free SHS reform and old-age benefit
	(1)	(2)	(3)	(4)	(5)
Government expenditure					
Expenditure on social transfers (GHC million)	3,724	3,127	-597	+558	-39
Poverty					
Poverty rate, all households	23.41%	23.75%	+0.34 pp.	-0.60 pp.	-0.26 pp.
Poverty rate, households with children	26.33%	26.71%	+0.38 pp.	-0.52 pp.	-0.14 pp.
Poverty rate, households with older persons	33.13%	33.49%	+0.36 pp.	-3.23 pp.	-2.87 pp
Poverty gap	8.43%	8.58%	+0.15 pp.	-0.46 pp.	-0.31 pp.
Inequality					
*Gini coefficient, 0–100	41.49	41.63	+0.14	-0.35	-0.21

Notes: Column (1) shows selected budgetary and distributional outcomes with no policy changes in the 2018 policy year, while column (2) shows these estimates with the proposed reform to the Free SHS policy. Government expenditures are in GHC millions, and poverty and inequality estimates are based on household consumption. Column (3) shows the estimated impact of the Free SHS reform, (2)– (1). Column (4) shows the separate impact of the proposed old-age benefit scheme, with no changes in the Free SHS policy. Column (5) reports the combined effects of the reformed Free SHS policy and the old-age benefit, or (3) +(4).

*The Gini coefficient measures the inequality among values of a frequency distribution, such as income levels. A Gini coefficient of 0 reflects perfect equality, where all income or wealth values are the same, while a Gini coefficient of 100 reflects maximal inequality among values. For example, the Gini coefficient will be 0 if everyone has the same income. In contrast, a Gini coefficient of 100 indicates that a single individual has all the income or consumption within a group of people, while all others have none.

Source: Authors' elaboration using GHAMOD v2.6

Improvements in welfare through an old-age benefit scheme

According to the World Bank (2020), poverty rates in Ghana are higher among households headed by older persons and rural dwellers. This is confirmed by the baseline estimates in column (1) of Table 1 above, which point to a poverty rate of 33% in households with older persons, nearly 10 percentage points more than in the overall population. Other studies attribute these findings to the high degree of informality in the Ghanaian economy and the inadequacy of the existing pension schemes. Table 1, column (2) further shows that the proposed Free SHS policy reform would increase poverty in households with older persons by 0.36 percentage points, slightly more than in the overall population.

The high incidence of poverty among old-age households, along with the additional growth in poverty due to the Free SHS policy reform, calls for further financial assistance targeted at these households. Accordingly, we propose a new cash transfer for older persons in rural areas without social assistance. While elderly individuals are already supported by the Livelihood Empowerment Against Poverty (LEAP) programme, this programme extends social assistance to the elderly in rural areas.

Our proposed old-age benefit scheme would support many elderly individuals needing monetary assistance. The proposed cash transfer amounts to GHC 65 per month per person (~ 5,5 US dollars), roughly as much as current LEAP benefits for single-member households. As for appropriate targeting, we limit the eligible recipients to those who are:

1. 65 years of age or above
2. neither LEAP beneficiaries nor recipients of any pension scheme and
3. living in a rural area

Column (4) in Table 1 shows that the old-age benefit alone would cost around GHC 558 million to the government but reduce poverty considerably, especially among households with older persons. Outcomes that cover the entire population—headcount poverty rate, poverty gap (a ratio showing the average shortfall of the total population from the poverty line), and the Gini coefficient—would improve notably as well.

In Column (5), we bundle the Free SHS policy reform with the old-age benefit and find that poverty outcomes improve considerably with no additional budgetary costs. In fact, the government would save roughly GHC 39 million compared to the status quo while achieving a nationwide poverty decline of 0.26 percentage points. As expected, the reforms have the most favourable impact on households with older individuals, who experience poverty reduction of nearly 3 percentage points.

A win-win for education, poverty, and inequality

The Free SHS education policy in Ghana increased secondary school enrolment rates but also came with considerable challenges, as it has been difficult for the government to find sustainable financing, and equity among students suffered. This policy note proposes a combination of policy reforms to address these issues. The recommended bundle includes lowering the annual financial benefit to students by not separating them by residency status and using the resulting savings for a targeted cash transfer to elderly people. The reforms would promote equity in education, ensure the long-term sustainability of subsidized education across the country, and reduce poverty, especially among old-age rural households needing the most support.

Policy recommendations

- Given the Ghanaian government's significant fiscal constraints, reviewing the financial commitment to the Free SHS policy is necessary. One approach is to require parents to contribute a portion of children's education costs, reducing government expenditure and freeing up resources for other, more effective social interventions
- One such intervention would be redirecting funds towards supporting vulnerable older persons through cash transfers. This would lead to considerable decreases in poverty
- In addition, the government could invest the savings into improving educational infrastructure, such as community day secondary schools, to increase enrolment and enhance the quality of both teaching and learning. Such investments would have a positive long-term impact on the education system and the overall development of Ghana