**Case study – Exercise: Electronic meal vouchers in Belgium**

**General information about meal voucher system in Belgium (baseline)**

In Belgium, employers can give their employees a social benefit called meal vouchers (see picture). Initially, meal vouchers were introduced to compensate employees for self-provided lunch meals consumed during working hours. In other words, the meal vouchers offered an alternative for those SMEs that could not provide a company restaurant. Furthermore, the initial goal was to stimulate citizens to buy healthy food and therefore improving the overall health of the population.

Nowadays, meal vouchers are foremost a popular alternative to pay raises as they accommodate advantages for both employers and employees. Thanks to the meal voucher system, an employer can grant up to 1 760 euros of net purchasing power per year per employee (a maximum of 10.80 euros per day worked, of which 2 euros is borne by the employee and 8.60 euros by the employer). Employers are exempted from social security contributions on the meal vouchers they give their employees. Furthermore, the employer can deduct a certain amount of money per meal voucher from his corporate tax declaration. Employees enjoy an increase in their purchasing power, as receiving a meal voucher worth for example 8,00 euros only costs them 1,09 euros in foregone wage. Employees are also exempted from social security contributions on meal vouchers, and do not have to pay taxes on this social benefit. Meal vouchers can be used to pay for food in supermarkets, butchers, bakeries etc. (food merchants) and to pay for meals in restaurants, diner’s, eateries etc. (food service or catering merchants) on Belgian territory. The meal vouchers thus allow for a stimulation of turnover and employment for the food merchants and food service merchants.

In the current situation, meal vouchers are paper-based. These paper meal vouchers can be seen as checks or cash banknotes. An employer who wishes to grant his employees meal vouchers, has to order the meal vouchers at one of the two certified issuing companies (Edenred and Sodexo). The amount of meal vouchers the employer orders, corresponds to the number of days worked by each employee in that month. This causes a considerable amount of administrative burdens/compliance costs for the employers and employees. Furthermore, employers have to pay for the delivery of the paper meal vouchers (15 euros per month), as well as pay service costs to the issuers of the meal vouchers (125 euros per month). There are about 75 000 employers offering meal vouchers, which corresponds to 2 000 000 beneficiaries (employees). A paper meal voucher mentions the name of the beneficiary (employee), name of the company (employer), value of the check, and expiration date (valid for 6 months).

The total value of meal vouchers granted in one year in Belgium is 1 600 000 000 euros (2 000 000 beneficiaries, average value of a meal voucher of 8 euros, average amount of cheques per year of 100 per beneficiary). 0.5% of all paper meal vouchers get stolen, lost and/or expired, which corresponds to a lost annual value of 8 000 000 euros. As the meal vouchers are non-refundable for employees (and employers), this impacts the purchasing power of consumers as well as the revenue of the food merchants and food service merchants. On the other hand, the publishers can keep the revenue they generated from selling the meal vouchers to their customers (the employers).

Meal vouchers are only accepted by official points of acceptance, which are food merchants and food service (catering) merchants with a contract with (one of) the two certified publishers. In Belgium, there are about 9 000 supermarkets, grocery stores, butchers, bakeries, cafes, restaurants, diner’s and eateries that accept meal vouchers.

Per payment transaction, meal vouchers must be checked on the amount and validity and collected by the cashier of the food store or catering company. After closing time, all meal vouchers must be counted and sorted (by issuer) on a daily basis and sent to the issuers on a weekly basis. Every week, a confirmation of reimbursement of the amount of meal vouchers is sent to each merchant. This process causes a considerable amount of administrative burdens/compliance costs for the food merchants and food service merchants. It is estimated that the annual total compliance cost caused by the paper meal vouchers amounts to 10 900 euros per year for an average merchant. On average, a merchant will only receive around 70 000 euros of revenue due to the meal vouchers. Therefore, around 10% of the revenue is lost due to the compliance costs, impacting the profitability of the stores. Furthermore, as there are only 2 players (issuers) active in the voucher market, competition is weak. One of the results is that employers have to pay considerable delivery costs and service costs besides the purchase costs for meal vouchers. Market prices are thus too high and employers experience a loss of profitability. One of the other side effects of the high costs is an unofficial circuit: food merchants with no contract with an issuer also accept meal vouchers, do not invalidate them and use these meal vouchers themselves to pay for their own supplies.

**Assignment 1**

Carefully read the general information above and answer the following questions.

**Problem analysis and definition**

1. What are the problems regarding the meal voucher system? Why should they be considered as problems?
2. What are the drivers causing these problems?
3. Who are the affected actors (stakeholders)?
4. For each actor that is impacted, describe which specific groups are impacted.
5. For each group that is impacted, describe how this group is impacted.
6. How will the problems evolve without government intervention? Will matters get better, worse or stay the same?
7. What could be a concise formulation of the central problem?
8. Prepare a possible problem tree, including:
   1. Problem drivers;
   2. Central problem;
   3. Effects.

**Objectives**

What could be possible policy objectives of a future intervention?

* 1. What are general objectives of a future intervention?
  2. What are specific objectives of a future intervention?

**Policy options**

Identify at least three possible policy options to address the problems.

**Information about the selected policy options**

1. **Baseline: Paper meal vouchers**

After having received the paper meal vouchers, an employer has to sort the meal vouchers internally and has to make sure the meal vouchers reach their beneficiaries. This gives rise to compliance costs/administrative burdens of 3 200 euros per employer per year, and 100 euros per employee per year. Once spent, per payment transaction, meal vouchers must be checked (on amount and validity) and collected by the cashier of the food or food service merchant. Each opening day (there are 303 opening days in total), all meal vouchers must be counted and sorted (by issuer). This task is completed by a cashier. Depending on the size of the merchant, the paper meal vouchers are then either sent to the issuers by registered mail or by external courier. Small merchants (e.g. grocery stores, butchers, bakeries and small local cafes, bars and restaurants) make up about 75% of all merchants, larger merchants (e.g. supermarkets and chains of restaurants) account for the remaining 25% of the merchants. Small merchants send their paper meal vouchers by registered mail, larger merchants by courier. In both cases, an administrative employee prepares the paper meal vouchers to be shipped. The paper meal vouchers are sent on a weekly basis (52 weeks) to both issuers. Every week, a confirmation of reimbursement of the amount of meal vouchers of the past week is sent by email to the merchants. Both at small and larger merchants, the confirmation is received by an administrative employee. These administrative activities result in compliance costs of 10 900 euros per merchant per year.

1. **Option 2: Electronic meal vouchers**

Electronic meal vouchers enable payments consistent with a bank or visa card (the cashier has to input the amount of electronic meal vouchers in the cash register per payment transaction). As a result, employers do not have to have the meal vouchers delivered any more. Employers also do not have to distribute the meal vouchers to their employees any more. This would lead to a decrease of the administrative burdens per employer per year to 2 527 euros, while administrative burdens per employee now will be 93 euros per year. For merchants, there is no need any more to collect, count, sort and send meal vouchers to the issuers, resulting in a reduction in administrative burdens per merchant per year to 3 391 euros. Nevertheless, a confirmation of reimbursement of the amount of collected meal vouchers is provided to the merchants on a weekly basis. It is expected that an electronic meal voucher system completely expels the unofficial circuit of payments with meal vouchers. Thanks to electronic meal vouchers, the share of lost, stolen and expired meal vouchers will drop from 0.5% to 0.2%.

The Belgian government will certify two additional issuers in order to improve the functioning of the market. Besides Edenred and Sodexo, E-kena and Monizze will be the third and fourth issuer of meal vouchers in Belgium. The four issuers estimate having to invest around 82 000 000 euros in IT systems and infrastructure to set up the electronic meal voucher system. Nevertheless, official points of acceptance of electronic meal vouchers (food merchants and food service merchants) now have to pay a transaction cost of 2% of the value of the accepted meal vouchers to the issuers. This is higher than the transaction cost of electronic payments (e.g. the transaction cost for Maestro payments is only 0.5%). For purposes of ease and clarity, transaction costs will be disregarded during the remainder of the exercise. Merchants also have to pay a start-up cost of 50 euros per issuer in order to be technically ready to receive payments with electronic meal voucher cards. This cost only covers the electronic meal voucher system; costs for bank and visa card payments are not included. There is of course no delivery cost in the electronic meal voucher scenario, and service costs have declined from 125 euros per month to 75 euros per month.

1. **Option 3: Abolition of meal vouchers, extra net salary instead**

In a situation where meal vouchers are abolished and employees receive the value of the meal voucher benefit as extra net salary, there are no administrative activities left.

**Assignment 2**

Read the general information again, as well as the information about the selected policy options and answer the following questions.

**Impacts**

1. What could be the impacts of the policy options identified earlier?
2. Who is impacted (stakeholders)?
3. Try to consider the benefits and costs of the options?
4. Try to identify which direct impacts (benefits and costs) can be quantified and/or monetised?
5. Are there relevant impacts that are not susceptible to quantification or monetisation? In other words, are some impacts only susceptible to a qualitative description?

**Assignment**

Fill in and calculate the total annual amount of compliance and other costs for all affected actors under the Baseline, Option 2 and Option 3 by making use of the table on the next page. For the identification of costs, rely on the impacts that were considered to be quantifiable.

What will be the total amount of compliance and other costs for all affected actors under the three Options over a time span of 10 years?

**Annual compliance costs and other costs for all affected actors under the Baseline, Option 2 and Option 3**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Baseline**  **Paper meal vouchers**  ***(do nothing)*** | **Option 2**  **Electronic meal vouchers** | **Option 3**  **Abolition of meal vouchers** |
|  | **Compliance costs** | **Compliance costs** | **Compliance costs** | **Compliance costs** |
| Employers |  |  |  |  |
| Employees |  |  |  |  |
| Merchants |  |  |  |  |
| **Total** |  | **EUR** | **EUR** | **EUR** |
|  |  |  |  |  |
|  | **Other costs** | **Other costs Baseline** | **Other costs Option 2** | **Other costs Option 3** |
| Employers |  |  |  |  |
|  |  |  |  |  |
| Employees |  |  |  |  |
| Merchants |  |  |  |  |
|  |  |  |  |  |
| Issuers |  |  |  |  |
| **Total** |  | **EUR** | **EUR** | **EUR** |
|  |  |  |  |  |
|  | **Total costs** | **Total cost Baseline** | **Total cost Option 2** | **Total cost Option 3** |
| Employers |  |  |  |  |
| Employees |  |  |  |  |
| Merchants |  |  |  |  |
| Issuers |  |  |  |  |
| **Total** |  | **EUR** | **EUR** | **EUR** |

**Assignment 3**

Carefully read the general information and information about the selected benefits again and try to measure the quantifiable compliance costs for the food merchants and food service merchants.

**Assignment**

1. Use the SCM to calculate the annual compliance costs of the paper-based meal voucher system for food merchants and food service merchants in Belgium.
2. Use the SCM to calculate the annual compliance costs of the electronic meal voucher system for food merchants and food service merchants in Belgium. What is the total impact on the administrative burden of the implementation on a yearly basis?
3. What is the compliance cost for the merchants when the meal voucher system is abolished and employees receive the value of the meal voucher benefit as extra net salary?

**Specific and general time measures and costs for paper and meal voucher system**

|  |  |
| --- | --- |
| ***Process and steps*** | ***Time*** |
| Paper-based meal voucher system | |
| All merchants: Receive, check and collect meal vouchers per transaction *by cashier* | 7,5 seconds |
| Small merchants: Count and sort paper meal vouchers *by cashier* (daily) | 6 minutes |
| Larger merchants: Count and sort paper meal vouchers *by cashier* (daily) | 30 minutes |
| Small merchants: Send paper meal vouchers to issuer by registered mail, *preparation and delivery at post office by administrative aid* | 16 minutes |
| Larger merchants: Send paper meal vouchers to issuer by courier, *preparation by administrative aid* | 7,50 minutes |
| All merchants: Receive confirmation of reimbursement by email *by administrative aid* | Standard time |
| Electronic meal voucher system | |
| All merchants: Receive payment electronic meal vouchers per transaction *by cashier* | 30 seconds |
| All merchants: Receive confirmation of reimbursement by email *by administrative aid* | Standard time |

*Table: Relevant time measures meal vouchers*

|  |  |
| --- | --- |
| Number of employees receiving meal vouchers  *(no indication this will change due to electronic format)* | 2 000 000 |
| Number of employers granting meal vouchers to employees  *(no indication this will change due to electronic format)* | 75 000 |
| Number of merchants accepting payments with meal vouchers,  of which 75% is small or medium-sized, and 25% is larger | 9 000 |
| Total number of paper meal vouchers | 300 000 000 |
| Average number of meal vouchers used in 1 payment transaction | 4 |

*Table: General info meal vouchers*

|  |  |
| --- | --- |
| Receive an email or electronic document | 1 minute |
| Send an email or electronic document | 1 minute |
| Copy a document | 2 minutes |
| Print a document | 2 minutes |

*Table: Standard time measures*

|  |  |  |
| --- | --- | --- |
| 1 A4 page black-white | € 0,11 | z 0.47 |
| Envelope | € 0,05 | z 0.22 |
| Stamp | € 0,70 | z 3.02 |
| Shipment by courier (total cost) | € 7,55 | z 32.56 |
| Registered mail (total cost) | € 14,50 | z 62.54 |

*Table: Standard costs (exchange rate EUR-PLN of 8 February, 2019)*

*See Standard Cost Model – Tab ‘Setup’ for hourly rates per profile.*