The service voucher system in Belgium

Learning Exchange on “Service Voucher Systems”
Riga

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Maarten Gerard
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IDEA CONSULT...

- Research-based consultancy
- Located in Brussels
- A team of 35 professionals
- Part of the European ECORYS-network
- Five fields of expertise
  - Regional and urban development
  - Competitiveness and innovation
  - Culture and tourism
  - Labour market and socio-economic policy
  - Real estate and territorial development
The service voucher system in Belgium
Aims of the service voucher system

- The Belgian service voucher system launched in 2004 to encourage demand and supply of domestic services
- Wage cost subsidy for labour-intensive, low-skilled domestic work
- Aims of the measure:
  - Create new jobs, especially for low-skilled workers
  - Transform undeclared work to regular jobs
  - Facilitate work-life balance for users
Organisation of the service voucher system

- Triangulation is a key-element!

- **Federal Unemployment Benefit Agency**
  - Payment of €13.91 per voucher

- **Issuing Agency**
  - User buys 1 voucher for €7.5
  - Company perceives €21.41 per voucher

- **User**
  - Worker receives 1 voucher per hour work

- **Licensed company**
  - Worker hands over voucher and perceives salary

- **Worker**
  - Worker receives 1 voucher per hour work
Legal obligation to evaluate the system

- The service vouchers have been evaluated eight times by IDEA Consult on request of the Belgian Federal Ministry of Employment

- These evaluations focus on different aspects:
  - The effect on employment of target groups
  - The overall cost of the measure for the government
  - The quality of the service voucher employment
  - The impact on the employment of users
  - ...
- All figures are based on the most recent evaluation study (finalised in July 2012)
The evaluation of the service voucher system
Exponential growth of the system

<table>
<thead>
<tr>
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<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tr>
<td>Active companies</td>
<td>504</td>
<td>840</td>
<td>1,163</td>
<td>1,504</td>
<td>1,892</td>
<td>2,292</td>
<td>2,576</td>
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<tr>
<td>Number of workers</td>
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<tr>
<td>Number of workers</td>
<td>61,759</td>
<td>87,152</td>
<td>103,437</td>
<td>120,324</td>
<td>136,915</td>
<td>149,827</td>
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<tr>
<td>Number of jobs</td>
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<td></td>
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<tr>
<td>Number of jobs</td>
<td>98,424</td>
<td>118,389</td>
<td>133,438</td>
<td>150,192</td>
<td>164,789</td>
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<tr>
<td>Active users</td>
<td>98,814</td>
<td>190,734</td>
<td>316,101</td>
<td>449,626</td>
<td>557,482</td>
<td>665,884</td>
<td>760,702</td>
<td>834,959</td>
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<td>Bought cheques</td>
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<td></td>
<td></td>
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<tr>
<td>Bought cheques</td>
<td>8.11</td>
<td>20.3</td>
<td>35.9</td>
<td>53.1</td>
<td>73.6</td>
<td>78.2</td>
<td>97.1</td>
<td>109.1</td>
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</tbody>
</table>
Main results of the evaluation

• Generator of new jobs for target groups (low–skilled workers and immigrants): 4.3% of all jobs in Belgium
• Transformed undeclared work into regular jobs
• Strict regulation guaranteed a decent quality of work:
  • increasing permanent contracts
  • increasing average salary
  • increasing number of full-time jobs
  • increased trainings
  • ...
• Well rooted in the habits of users:
  • 10% of Belgian population
  • 17% of households
• Facilitates the work-life balance of users
Cost of the service voucher system

- **Important cost for government: €1.66 billion in 2011**
  - Intervention on voucher
  - Tax cut
  - Administrative costs
- **Generates also important direct and indirect returns**
  - Direct returns: reduction of unemployment benefits and increased social contributions and personal income tax for service voucher workers
  - Indirect returns: companies income tax and social contributions and taxes by administrative staff
- **Direct and indirect earn-back effects estimated around 45% of gross intervention**
- **Net cost of €911 million in 2011**
- **Other earn-back effects further decrease the actual cost**
Impact and challenges of the service voucher system
Impact of service vouchers

- Creation of jobs
  - Durable jobs
  - Jobs for target groups
  - Indirect employment within service voucher companies
- Creation of new companies or activities
- Transformation of undeclared work into regular jobs in the cleaning sector
- Increasing employment of users
  - Going back to work or working more hours
- Increasing the Belgian GDP
- Facilitating the work-life balance of users
Challenges

• **Insufficient supply of workers**
  - Use of migrant workers
  - Activation of non-active population

• **Discrepancy between offer and demand of services**
  - Regional labour markets
  - Elderly in need of care

• **Inadequate exchange value of service voucher for companies**
  - ‘Static’ intervention vs career development

• **Risks to create more undeclared work**
  - Creation of demand
Towards a successful service voucher system
Explaining the succes of the system

- Acceptance of the system by the social partners
  - Discussion of working conditions
  - Involvement of the private market
- A significant difference in price compared to undeclared labour
  - Starting low
  - Creation of demand
- Availability of workforce
  - Free access of workers
- Potential gains for employers
  - No private sector without profit
- Willingness of the government to finance the system
Lessons to be learned

- A significant difference in price compared to undeclared labour
- Availability of workforce
- Profitability of the activity
- Willingness of the government to finance the system
- Triangulation and monitoring:
CONTACT

Maarten Gerard
Maarten.gerard@ideaconsult.be

IDEA Consult
Kunstlaan 1-2, bus 16
1020 Brussel
www.ideaconsult.be
02 282 17 10