

# FINANCIAL INCENTIVES AND DISINCENTIVES TO ENCOURAGE HEALTHY EATING

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Which? has campaigned for many years to make it easier for consumers to make healthier food choices. We have called for a range of actions to be taken - from clear nutrition labelling to more responsible food marketing.

Our *'Hungry for Change'* report, published in May 2009, examined progress made by government and industry across key areas. It showed that price can be a barrier to healthier eating, particularly in the current economic climate. Consumers have also told us that they would like to see retailers offering cheaper healthier options and both retailers and manufacturers including more healthy options in their promotions to make healthier eating easier.

We therefore want to see greater consideration given to how different types of financial incentives and disincentives can help make healthier choices less of a struggle.

## Our review

Discussion around the role of financial incentives or disincentives has been very limited to date, focusing mainly on the more controversial issue of food taxes. Which? has commissioned a review of the breadth of schemes that could be used, drawing on evidence from around the world, to see which financial incentives or disincentives could work alongside other healthier eating initiatives.

The review identified a range of possible schemes that could be used to make the prices consumers pay for healthier foods more appealing, and to incentivise food companies to offer healthier choices. A number of schemes are already working well at a local level and now need rolling out more broadly, others that have potential but need much more research and development to understand how they can fit within a broader strategy.

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for all consumers

The financial incentives and disincentives identified in the review Which? commissioned are summarised in the following table.

	Influencing consumer behaviour	Influencing the behaviour of food and health service providers
<b>Food prices</b>	<ul style="list-style-type: none"> <li>&gt; Food taxes</li> <li>&gt; Price promotions</li> <li>&gt; Restructuring prices in a discrete environment</li> <li>&gt; Portion size pricing</li> </ul>	
<b>Subsidies</b>	<ul style="list-style-type: none"> <li>&gt; Food vouchers</li> <li>&gt; Vouchers for educational activities and programmes for healthy eating</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Subsidising agricultural producers</li> <li>&gt; Subsidising retailers</li> <li>&gt; Subsidising meal providers</li> </ul>
<b>Financial rewards and penalties</b>	<ul style="list-style-type: none"> <li>&gt; Rewards for purchasing/ consuming nutritious foods</li> <li>&gt; Rewards for educational activities and programmes for healthy eating</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Rewards for educational activities and programmes for healthy eating</li> <li>&gt; Rewards and penalties for food advertisers</li> </ul>

**Next Steps**

Based on this comprehensive review of financial incentives and disincentives, and our subsequent engagement with key stakeholders, Which? believes that the following 10 areas should be explored further:

**1 Government should produce a financial incentives action plan**

The Department of Health and devolved UK governments, together with the Food Standards Agency, need to develop an action plan on financial incentives and disincentives. The plan must:

- fit within broader obesity and nutrition strategies
- pull together and roll out work that is already happening at local level where there is evidence of effectiveness.
- recognise the need to explore the role of broader-based financial incentives and disincentives that require further research and modelling

- 2 Financial incentives should be linked up with other healthy eating initiatives**  
Financial incentives should be viewed as a tool to help stimulate or reinforce healthy eating as part of a broader package of activity, such as school meal standards and clear nutrition labelling, rather than being implemented in isolation.
- 3 Further research is needed to understand how financial incentives should be targeted to local situations**  
The evidence indicates that to be successful, financial incentive schemes need to take local contexts into account. Some incentives may work in some places or for some people, but not in others.
- 4 Supermarket price promotions should include a larger proportion of healthier foods**  
In the current economic climate, price promotions such as discounts or extra product promotions (e.g. buy one get one free or two for the price of one) provide a real opportunity to help consumers make healthier choices. The Government needs to work with retailers and manufacturers in order to build on existing good practice and shift a much greater proportion of promotions towards healthier foods.
- 5 Price restructuring should be trialled in key public institutions so that healthier options are cheaper**  
The evidence shows that shifting the entire pricing structure of vending machine contents and cafeteria meals can influence consumption, although the number of 'real world' examples rather than research studies is small and come from the United States. The Department of Health and devolved administrations should pilot this approach in different types of public and private sector settings in the UK, linked to other healthy choice promotions e.g. the Scottish Healthyliving award and proposed Healthier Food Mark.
- 6 The food industry should remove incentives to buy larger portions**  
The Department of Health and Food Standards Agency should work with the food industry to explore the potential for portion size pricing, alongside availability of a choice of smaller portion sizes, to ensure that 'value pricing' does not penalise those consumers who are trying to eat smaller, healthier portions.
- 7 The use of food vouchers for healthier foods should be developed further**  
Evidence, especially from the United States, suggests that vouchers provided for healthier food purchases can be effective e.g. the Healthy Start scheme which provides women who are pregnant, or families with a child under four years old and are on certain benefits, with vouchers to spend on milk, fresh fruit and fresh vegetables. The Department of Health and devolved UK governments (in conjunction with the Food

Standards Agency where appropriate) should collate the evidence on voucher schemes and develop national recommendations and examples of good practice.

**8 The use of financial rewards to encourage children to opt for healthier foods should be explored**

Financial rewards have been used to encourage healthier eating among children and there is clear evidence of their success. Schemes are already being run in some parts of the country where children are given points for choosing healthy meal items in school cafeterias which can be exchanged for prizes. Such schemes should be analysed further to see if they should be applied more broadly as part of a package of measures to support healthier choices.

**9 More research and experimentation is needed into the role that food taxes, including VAT, can play**

Food taxes are contentious, but there has been only a limited amount of research into their potential impact to date. Further research is needed to understand whether or not there is a role for taxation at different points in the food supply chain (e.g. from raw commodities through to specific types of food products) including the scope for simplifying VAT on food and greater realignment with public health goals.

**10 Initiatives to subsidise the price and promotion of healthier options in retail outlets should be developed**

There is evidence that initiatives to subsidise the price and promotion of healthier options, such as fruit and vegetables, in retail outlets where consumers would normally have limited access can increase their sale e.g. the Scottish Grocers Federation's Healthy Living Programme which is now being piloted in parts of England. This type of scheme should be rolled out more widely, taking into account the English pilots currently being overseen by the Department of Health.

*The full range of incentives, disincentives and evidence of what works can be found in 'Financial incentives and disincentives to encourage healthy eating', produced for Which? by Dr Corinna Hawkes, Consulting Services, Food and Nutrition Policy July 2009.*