The Evaluation Market in Germany: Estimating Market Size for Evaluation of Political Programs

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The United States has a long tradition in evaluation of political programs. In the 1930s and 1940s, programs were initiated to reduce unemployment and improve social security as part of the “New Deal.” In the late 1960s, somewhat comparable to the U. S. at that time, Germany’s new government started its own “New Deal.” Unemployment was modest but the growth of the economy was declining. The German government wanted to implement programs in order to follow a path of steady growth. Since most of the programs were evaluated, a growing market of evaluation could be observed at that time.

For several reasons, the government lost sight of this steady path. Only four decades later, four million unemployed convinced the administration under Chancellor Gerhard Schroeder in early 2000 that something had to fundamentally change. A second “New Deal” (New Deal II) was initiated; labour market reforms were agreed on and implemented. As a result, the bureau of labour was transformed into a service agency with the core task of placement. Additionally, unemployment payment and social welfare were eliminated. The basic idea was to create an activating social system (aktivierender Sozialstaat) that supported the unemployed but at the same time also placed more demands on them (BMWI, 2008, p. 16). The corresponding laws are linked to the name Hartz, a consultant to Chancellor Schroeder and manager of Volkswagen (VW) at that time. The intended and unintended effects of these reforms were widely discussed in the press, making many aware of evaluation and leaving them with the impression of a growing evaluation market. But how big is it? What does its structure look like?

Review of Published Information

The German “New Deal” of the late 1960s was based on the understanding of a state as a central managing institution that initiates and secures long-term sustainable development. “Social experimentation was introduced in a number of fields (e.g., education, legal training) as a procedure intended to scientifically inform and guide political decision-making. The result was an interaction between governmental personnel and social scientists to an extent without parallel in German history” (Wollmann, 1989, p. 242).

A significant point for the German evaluation market was a federal regulation on the “success control” of federal programs (Struhkamp, 2005, p. 180). This started as early as the 1970s, and stated that programs with a duration of several years had to report each year whether the expected milestones were reached, whether adaptations were needed, and if the program should be continued or discontinued. Once a program was terminated, a report had to certify whether the expected result related to the original or modified planning, whether actions
should be revised, and how the learning process could be secured (Stockmann, 2006a, p. 30). As a result, the evaluation market in Germany developed within a short timeframe. Although universities participated, “commercial research and consultancy firms succeeded to produce the lion’s share of the evaluation research funding” (Wollmann, 1997, p. 4).

The oil crisis in 1973 was accompanied by a reduced willingness to implement new social experiments. As a consequence, the German evaluation market declined. An additional argument for the shrinking market was the experience that evaluation did not meet expectations in a substantial number of cases. In 1989, the German institution comparable to the U.S. Government Accounting Office (GAO), the Bundesrechnungshof (BRH), reported that available methods for analyzing cause and effect relationships were rarely used, and that approaches of measuring causal effects through evaluation could rarely be observed (BRH, 1989, p. 38). A report on the same subject in 1998 indicated no better results (Stockmann, 2006a, p. 33). The government welcomed the recommendations of the BRH and promised to initiate continuous success controls of political programs (Stockmann, 2006a: 34). Additional reasons for an increasing evaluation market grew out of:

- Discussions within the realm of “New Public Management”
- Increased necessity for priorities and selection of programs due to budget constrains
- Increased requests for evaluation from the parliament
- Increased requests from NGOs and foundations for evaluation of their initiatives (Stockmann, 2006a, p. 35)

“Therefore, looking at the history of evaluation in Germany, by and large and despite certain ups and downs, there has been continuity concerning such tasks as evaluation studies” (Struhkamp, 2005, p. 182). The initiation of the German Society for Evaluation (DeGEval) in 1997 added to the professionalisation of the market. It introduced “Standards of Evaluation” in 2002 (DeGEval, 2002), thus giving an impulse to quality management in the evaluation field with the goal of creating a rational decision base (Stockmann, 2006b, p. 85) and to improve the quality of evaluation as a product and/or service (Stockmann, 2006b, p. 83).

When it comes to quantify the ups and downs, the author has found only two sources in the evaluation literature. One relates to the field of education, financed by the Ministry of Education and Research (Bundesministerium für Bildung und Forschung, BMBF), and the other to the fields of rural development and labour, co-financed by the European Council.

An analysis of the budget of the Ministry of Education and Research (Bundesministerium für Bildung und Forschung, BMBF) revealed that in the years 1976 to 1979, preschool through secondary school and vocational model experiments were funded by 160 Mio. € (Table 1), averaging 40 Mio. € per year (Weishaupt, 1980). These pilot projects were evaluated. The evaluation budget totalled 19.7 Mio € for the four years, averaging five Mio. € per year. That means, on average, as much as 12 percent of the volume for model experiments was spent on evaluation in those years.

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Expenses for Pilot Projects and Evaluation by BMBF 1976-1979</th>
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<tbody>
<tr>
<td>School and pre school</td>
<td>78,62</td>
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<tr>
<td>Vocational</td>
<td>81,58</td>
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<tr>
<td>Total</td>
<td>160,20</td>
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<td>Source: (Weishaupt, 1980, p. 1294)</td>
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In March 2000, Europe’s presidents agreed in Lisbon, Portugal, on the goal to develop the European Union (EU) into the most competitive and dynamic knowledge-based eco-
omic region of the world by 2010 (BMBF, 2008, p. 435). It was called “Lisbon-strategy,” and was designed to allow a sustainable economic growth with more and better work places and greater social coherence (BMWT, 2007, p. 9). In 2001, the environmental dimension was added. At the half-time conference in 2005, the European Council reinforced all three dimensions (economic, social, and environmental) (BMWT, 2007, p. 9).

“For the German government, the Lisbon-strategy is a core element of its activities on the national and European level” (BMWI, 2008, p. 12). “To reach the strategic goals, the available national and European funds including the European Structural funds (ESF)1 and funds for rural development ought to be mobilised and fit into a coherent full strategy” (BMWI, 2008, p. 9).

All member states of the EU have agreed to deliver a national strategic master plan (Nationaler Strategischer Rahmenplan, NSRP), also known as National Sustainable Development Strategies (NSDS), describing the dependency between the priorities of the European Union and the national reform program (Nationales Reformprogramm, NRP) (BMWT, 2007, p. 4). NRP concentrates on important German reforms in central political fields that support economic growth and employment under the conditions of globalisation and a changing age-structure of the society (BMWT, 2008, p. 13). Accordingly, this is expected to spill over to the operational programs (OP) of the German states.

The operational programs describe the implementation of the strategy stated in the NSRP (BMWT, 2007, p. 4). Agreements are settled between the European Council and the 16 states of Germany, each of which has its own OP. The EU-structural policy is intended to contribute to more economic growth of regions with a weak economy and infrastructure by combining the Lisbon strategy with the structural funds, thus supporting the reduction of existing regional disparities (BMWT, 2007, p. 14).

In the period of 2000-2006, a minimum of 70 structural funds programs were implemented (Toepel & Schwab, 2005, p. 65). Each one was negotiated between the European council and the German states. For each program, an ex-ante-, interim- and an ex-post-evaluation is required by the EU, which yielded a total of 210 evaluations (Toepel & Schwab, 2005, p. 69). Assuming an average of 100000 € for each evaluation, a minimum volume of 21 Mio. € were spent for evaluations of structural funds programs in Germany within this timeframe (Toepel & Schwab, 2005, p. 69). Assuming an equal spread of money over the seven years, this yields an average annual volume of three million € for evaluating ESF-programs. “The estimate all together can be regarded as conservative” (Toepel & Schwab, 2005, p. 68).

Estimating Evaluation Market Size

The evaluation market differs from ordinary economic markets in a specific detail. That is, in addition to supply and demand of evaluation services, a powerful third party exists: the evaluation funder. In Germany, both the federal government and the European Council are important funders of political programs and their evaluation. The German states finance political initiatives and their evaluation as well, but the volumes are much less than the funding from the European and federal levels.

To explore the volumes of federal and state funded evaluation, the author developed a questionnaire (see Figure 1). It contains ten questions including (a) the amount spent on political programs in 2007, (b) the percentage of these programs that were externally evaluated,

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1 “The European Social Fund, created in 1957, is the European Union’s main financial instrument for investing in people. It supports employment and helps people enhance their education and skills. This improves their job prospects. Member States and regions devise their own ESF Operational Programmes in order to respond to the real needs ‘on the ground’” (EU, 2008).
and (c) the average percentage of the program budget reserved for external evaluation. Analyzing these three components yields the total amount used for evaluation. An alternative approach would have been to ask for the evaluation volume directly. The author favoured the first approach because evaluation in ministries is highly fragmented. As such, there is no evaluation department in most ministries. In essence, evaluation requests are formulated by the head of the division in charge of the corresponding political program.

The author contacted several federal ministries personally and asked them to cooperate with the data collection. In the state of Northrhine-Westfalia, the head of budget commission assisted in sending the questionnaire to all ministries. As a result, one federal and one state ministry responded to the questionnaire. However, neither ministry responded to the question on the volume spent on political programs in 2007, showing the effect of fragmentation directly. The interview partner of BMBF suggested consulting the 2008 national report on research and innovation (BMBF, 2008), which detailed that intended federal expenditures for science, research, and development amounted to 10.3 Billion Euro in 2007 (BMBF, 2008, p. 478). The biggest share of 56.7 percent came from BMBF.

An internal rule of the BMBF is that all programs with duration of more than one year have to be evaluated every five years. On average, the volume for these evaluations is two percent\(^2\). Two percent of one fifth of 56.7 percent of 10.3 Billion yields an estimate of 23 Mio. € for evaluation of BMBF research programs alone.

The second largest share of the expenses for science and research is held by the Ministry for Economy and Technology (Bundesministerium für Wirtschaft und Technologie, BMWT) with 19.7 percent, followed by the Defense Ministry (Bundesministerium der Verteidigung, BMV), with 11.3 percent. The remaining 12.2 percent is split among all the other federal ministries.

Assuming that regulations on evaluation similar to BMBF hold for all federal ministries, the total evaluation budget in 2007 can be estimated to be 41 Mio. € (dividing 23 by 0.567).

The Ministries of Labour, Development Aid, and Health are known to finance substantial evaluations that are not included in the national report for research and innovation. The estimated evaluation expenditure of 41 Mio. € can therefore be regarded as conservative.

\(^2\) The author thanks Jürgen Wengel, BMBF, for sharing this information.
Analyzing the actual budget (2008) of the federal government for evaluation yields a value of 13.3 Mio. €. Terms used for evaluation in Germany are “Begleitforschung (secondary research)” and “Gutachten” (expertise). The federal budget enumerates 9.7 Mio. € for secondary research and 28.8 Mio. € for expertise. The three amounts sum up to 52 Mio. €. This is 11 Mio. € more than the estimate based on the federal expenses for science, research, and development.

The main German institution for labour market research is called “Institut für Arbeitsmarkt und Berufsforschung (IAB).” It is the research organisation of the German labour agency (“Bundesagentur für Arbeit (BA),” located in Nuremberg. “Only with the externally increasing awareness in the 1990s, evaluation research was able to unfold in the IAB” (Brinkmann, 2007, p. 354). In connection with the “Hartz-evaluations,” financial and human resources are available for evaluation research that nobody in the “old IAB” as well as external institutions would have thought of” (Brinkmann, 2007, p. 354). Its budget in 2007 was 27 Mio. A third of this amount was spent on evaluation.4

Another institute that does evaluation in the labour market is the Berlin Science Center (Wissenschaftszentrum Berlin, WZB), with a yearly budget of 5.4 Mio. €, funded half by the state of Berlin and the other half by the federal government. Assuming the same percentage for evaluation as for the IAB results in an estimated 1.8 Mio € for evaluation. For the two institutions together, this amounts to 11 Mio. €. Since there are other research institutes involved in evaluation, such as the publicly funded German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung, DIW), 11 Mio. € can be regarded as a conservative estimate as well.

Not included in the amount of 52 Mio. € are the expenses for comparative school research like the OECD PISA and TIMMS studies that run under the label of systems evaluation in education. They are funded by the BMBF under the label of education research (Bildungsforschung), and they alone have a volume of 137 Mio. € for 2007 (BMBF, 2008, p. 504).

Additionally excluded are accreditation of universities and evaluation of teaching at universities and colleges. The same holds true for the evaluation of hospitals, since our intention was to focus on evaluation of political programs. For the same reason evaluations of foundations were excluded.

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3 The research was done by Thomas Fohgrub and submitted to the author.

4 The author thanks Uwe Blien, IAB for sharing this information.
Evaluations financed by the German states (except WZB) are also not included. The amount of 52 Mio. € can therefore be viewed as a conservative estimate for both federal and state expenditure for evaluation in Germany.

An important source for funding evaluations is the structural funds of the European Union. For the goals of convergence and regional competitiveness, there is 25.5 billion € available in Germany for the years 2007 through 2013 (BMWT, 2007, p. 89). Assuming an equal distribution over the seven years, programs will receive on average 3.6 billion € annually from the European Council. The share of co-financing the operational programs by German states ranges from 90 percent for programs financed through the European Program for Regional Development (EFRE) in the Eastern states of Germany to 50 percent for European Structural Funds (ESF) in the Western states of Germany. Additionally there are individual negotiations about the share of overhead costs of the operational programs. Its volume is difficult to estimate as evaluations are commonly considered overhead expenditures. Therefore no additional factor is used to calculate evaluation volumes financed through the European level.

The European Council mandates evaluation of programs that are co-financed by the EU (Toepel & Schwab, 2005, p. 73). The evaluation share of the European program EQUAL, which terminated in 2007, was two percent on average. Assuming this share for all European programs leads to an estimate of 71 Mio. € for programs co-financed by the European level.

The estimate for the size of the evaluation market in Germany is calculated by adding the national and European amounts for a total of 123 Mio. €. If the estimate based on the federal budget is used, the estimate of the market size increases to 134 Mio. €.

A Look at Supply Structure

In order to get transparency of the supply structure of the evaluation market in Germany, the author developed another questionnaire (see Figure 2).

Six questions were asked, including (a) number of employees, and (b) share of sales volume in evaluation. Preliminary research by the author showed that 70000 € is a realistic estimate for the annual expenses of a full time employee working on evaluation. Multiplying the number of employees with the share of sales earned through evaluation and the average salary gives an estimate for the volume of evaluation.

An alternative approach of finding out about evaluation volume would be to directly include this question into the questionnaire. The author favoured the first approach because preliminary research indicated high non-response on this item.

The questionnaire was online from April 3-8, 2008. Members of “Forum-evaluation,” the listserv of the German Evaluation association, were invited to participate in the study, as this was a convenient way to advertise for the survey and reach high numbers of the German-language evaluation community. In essence, “Forum-evaluation” is the leading German speaking electronic discussion list on evaluation” (Beywl, 2007, p. 351). Founded in 1997, the listserv currently has 616 members, about 85 percent of whom are located in Germany. The remaining 15 percent is based in Austria or the German speaking part of Switzerland and in other European regions as well as in North and South America (Beywl, 2007, p. 352). Fluctuation is modest, with an average of two persons per week. Fifteen individuals continuously participate actively in the forum, 30 members post messages and comment frequently, and another 50 members participate infrequently. Most members are “quiet readers”

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5 The author thanks Thomas Fohgrub, BMWT for sharing this information.
6 The author thanks Michael Heister, BMAS for sharing this information.
7 The author thanks Wolfgang Beywl for sharing this information.
There is evidence that postings in the forum are read to some extent, yet it has been noted that postings are more frequently skimmed superficially (Beywl, 2007).

A total of 76 persons accessed the survey and 32 of these individuals answered the survey completely. On average, respondents took two minutes to answer the six questions. Thus, the work load does not appear to be a reason for the low response rate of five percent. Furthermore, all responses were submitted within the first three days, suggesting that two weeks comprised a sufficient timeframe for survey completion. Half of the responses came from companies with less than ten employees (see Figure 3). Two out of five had more than 50 employees. Only 16 percent of the respondents’ organizations had a primary focus on evaluation (see Figure 4). For more than half of the companies, evaluation volume covered less than 25 percent of total sales. As illustrated in Figure 5, the market is open for new companies. Only one out of ten companies offered evaluation services for at least two years.
Most of the companies offered evaluation services in at least three fields (Figure 6). The results differed if only fields that are evaluated frequently are considered (Figure 7). One third of the companies focused on only one field for evaluation. Nearly half of the companies frequently offer evaluation services in two fields. There is no indication for a relationship between years of experience and fields of expertise. The correlation of 0.09 is an indication that companies do not enlarge their profile over the years. The correlation between the number of fields and the number of employees was nearly the same (0.10). Company profile does not appear associated with company size.
Figure 5. Number of Years of Companies' Providing Evaluation

Figure 6. Total Number of Fields in Which Companies Evaluate
Next Steps

The study presented has a few limitations that need to be addressed in future research. The number of interviews with ministries needs to increase in order to strengthen the basis for estimating the market size. Specifically, the ministries of Labour and Social Affairs, Economy and Technology, and Health, as well as Human Development, have yet to be approached further.

Additionally, an increased number of evaluation suppliers have to be approached to further illustrate the German evaluation market. A second round of the Web-based questionnaire is planned. To increase the response rate, it is suggested that the study be announced in the DeGEval-newsletter after the summer holidays. Alternatively, the DeGEval e-mail addresses could be utilized to access the membership and informing them about the study. This method was used by Brandt (2007) to find out about expertise and professionalisation of DeGEval-members.

The main goal of the study was to increase transparency in the German evaluation market of political programs. This is in line with one of the major goal of evaluation, which is to achieve transparency. Considering the response rates to both questionnaires, there is indication that actors in the evaluation market behave comparable to other markets. Yet, the creation of transparency in the evaluation market does not seem to be a highest priority of these actors at this time.

Most hopefully, this research will initiate a fruitful discussion on size and structure of the evaluation market in Germany. In the end, all of us will gain.

References


EU 2008:


