

## **Economic measurement in public welfare economics – practical experiences on the regional level in Germany**

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*What is the fair price for social welfare? This paper shows that economic measurement performed in value-based markets may give an answer to this question. Economic measurement can do so in very different fields of social work applying different methods, such as public bids or qualified bargaining. After giving a short theoretical overview two German projects are presented and analysed in detail. The paper presents how trading welfare expressed in terms of outcome may be established with positive effects concerning public finances and the common good as well.*

### **1 General introduction and theoretical framework for analysis**

All those responsible for the efficient and effective use of public and private finances in public welfare are regularly confronted with questions such as: “How can we provide as much welfare as possible by using the means at our disposal, e.g. taxes, social work and the institutions involved?” And, more generally: “Is the welfare provided value-for-money?”

Typical answers given in specific situations could be: “Naturally it is worthwhile or do you think the elderly should be left alone by themselves when they require help?” Or “The poor little children, we just have to take care of them no matter what the cost!” More modern answers might be: “If we don’t invest in the early education of children our economic growth will decline!” Or “A whole year at home with assistance is much cheaper than a couple of weeks of residential care would be.”

Thus, we see either very fundamental ethical or moralistic arguments put forward or – taking a different track - the efforts taken are confronted with alternative costs in the future. Although very different arguments in themselves, both scenarios suffer the same blind spot:

- In politics and everyday life the moralistic scenario works up to the point where money, labour force or any other form of engagement becomes scarce. At this point, arguing becomes very difficult: the demand for doing something good is justified morally, without explaining the specific values produced in social welfare in a more detailed way.
- The “alternative-cost” scenario is all about explaining the costs and efforts – threatening with rising costs and efforts. Altogether this approach leads to a vision of social welfare as a cost-intensive project – once more the values produced are not part of the game in this scenario.

By focussing on the value of social welfare and giving this value a market-based price, economic measurement could be the solution. At the core, this approach includes a positivistic attitude towards public welfare, leaving open who is the vendee: the consumer, the government or a government-financed institution. The leading question following this approach is “What is the public welfare produced and what monetary value do we assign this social value?”

How different does this read compared to the well-known questions: “How much does a service cost? How much money is there to spend?” This typical line of discussion does not put forward the produced value but only the consumption of resources, thus stigmatising public welfare as a burden to society.

In short, the underlying thesis concerning the projects described in this paper is “Economic pricing of public welfare stresses the positive effects of welfare and thus leads to an appreciation

of welfare if – and here lies the key topic to this paper – we find a way to make welfare markets work in an economic way<sup>1</sup>”.

Starting from this general point of view it is obvious that the main task lies in integrating *assumed* values into the process of pricing. Two major difficulties have to be overcome in doing this:

- **The generation of value-based markets:** often enough there are no such markets because public welfare is provided by the government itself or by agencies and charity organisations funded by government. Funding in such situations does not often rely on prices but rather on the reimbursement of costs for providing a certain output – even if there is some kind of competition between providers. Additionally, citizens are often not seen as being capable to act as consumers in a welfare market.

Consequently, two challenges accompany the generation of value-based markets: the creation of markets and making values matter in the market, irrespective of whether the consumers in this market are citizens or the government itself. It will be shown, that the process of generating markets may go along with questions concerning the relative importance of values and measurement techniques.

- **Decision-making in value-based markets:** in everyday life we evaluate such different features as the tastiness of food, assumed beauty of a garment or the economic effects of an investment. Sometimes we need data concerning details of a product or service to make a decision, but mostly we do not need such measurements since we inherently know whether an item is worth the price.

In welfare markets things are a little different: people are not used to estimating the worth of the values produced in public welfare even if they are expressed in terms of outcome. People feel insecure, especially if they have to make decisions concerning the use of public money for public purposes.

Two lines of thought may be followed at this point: “How can we ensure that decision-makers feel secure performing economic measurement?” and “What is the right setting, the right surroundings so as to take decisions in value-based markets?”

Before describing two projects in which stakeholders successfully overcame both challenges, the present-day situation in Germany will be outlined. This should help to understand how insecure some of the stakeholders in the described projects must have felt before managing to conquer uncharted territories to date.

## 2 Funding in the German welfare state – a short overview

The German welfare state relies mostly on two big players – government on the national, regional and local level and welfare organisations. A complex system of corporative law-making and decision-making has been established. Those who deliver services and aid – the welfare organizations and the local authorities – are part of the decision-making system themselves. In addition there is a small but fast-growing branch of private providers of welfare services, especially in care for the elderly and health services.

Consumer markets have been established in some minor fields but in general the policy field is still dominated by the two big players. By looking at the financing of welfare we note an incremental development:

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<sup>1</sup> It should be mentioned at this point that the underlying belief of the work presented is that by stressing the positive effects of public welfare we substantially stabilize our political system. It helps to maintain the balance between the economic and the social pillars of a society.

Up to the end of the 19th century welfare organizations operated by relying solely on private or church donations for “helping those with heavy burdens”. By the turn of the century, the state had moved in by providing public grants as a support to organisations. These grants did not normally cover all costs and were not directly linked to the deliverance of specific services. Nowadays, these types of grants are primarily found when dealing with small associations.

These grants slowly developed to a reimbursement of costs for delivering specific services. Up to the 1990s this reimbursement was done without looking at the outputs. With the dramatic reforms of German public administration, welfare organizations had to deliver more and more information concerning their output as well – counting clients and delivered hours of service, numbers of meals etc.

Looking for ways to establish an even more efficient public welfare in the mid -1990s, lawmakers and local municipalities began to implement market-oriented methods of producing and delivering public welfare. For example, a complex market-like system was established in care for the elderly and the disabled (Bundesministerium der Justiz, 2010). Public control of delivered output and freedom of choice given to the vendees and their families characterized the system. Some experiments with voucher-models were carried out, e.g. in child-care in the city of Hamburg (Arlt , 2010; Bange, 2010). These were based on publicly-controlled output quality, a specific number of hours of care for specific target groups per week and the freedom of choice for parents within the different government-licensed child-care suppliers.

The output and the qualities of processes and structures are the main focus in all these models, including setting the price: output or even cost-based pricing is dominant in this field - enabled by extensive public (co)-financing. The outcome only gains in importance when consumers use their freedom of choice and favour a certain supplier.

This one-sided focus changed at the beginning of this century by scientific evaluators trying to provide proof that social work produces outcomes. In other words, the approach is still very defensive and focuses on explaining that social work “works” instead of showing proudly that it is “producing values”. How to measure these outcomes is the dominant question in this discussion. This focus of attention often prevents a hands-on approach to realize an outcome-oriented market. Nevertheless initial efforts are made to make outcomes visible through lists of comparisons concerning the quality of services delivered to the consumers and thus introducing outcomes into the process of price-building.

The next step to be taken is to directly price the produced outcomes by price-building within markets, thus applying value-based pricing (=outcome-based pricing) and economic measurement of the produced welfare (Asghari, Schröder et al., 2003; Schröder, 2000; Schröder, 2004). The costs of welfare production would therefore not be the starting point for pricing anymore. Instead, the question “What is the monetary value of the anticipated social values?” would be put first.

The two projects described show how this new approach can be successfully performed. They are at the forefront of development and do not represent the German mainstream vis-à-vis economic measurement of outcomes.

### **3 Economic measurement of public welfare using public bids – outcomes for the elderly in the county of Borken**

The first project dating from 2004 to 2008 deals with enhancing quality of life for senior citizens in the county of Borken following three main objectives (Kreis Borken, JSB, 2007; Kreis Borken, JSB 2008):

- “Living independently as long as possible in old age” – an outcome-goal derived from Federal Law

- “Strengthening ambulant structures” – an output-goal derived from looking at the existing local support structures for the elderly in the county of Borken
- “Lowering cost increases for residential care for the elderly in the county” – an input-goal derived from the increasing effort for co-financing elderly care which is financed by using social insurance money, personal contributions of the elderly and – if this is not sufficient – support from local municipalities.

In broad terms, there are two alternative approaches in carrying out such a project and both were discussed as project alternatives in the county of Borken:

- The science-based planning approach – developing and implementing a general project plan to adjust support structures to the assumed situation of an ageing society. This mainly relies on measuring and extrapolating data describing the actual situation of people and the state of the art concerning support structures through external experts.
- The value- and objective-based competitive approach – agreeing on outcome-objectives as starting points for developing an innovative support structure by competition, thus creating a value-based market. This approach mainly relies on values and the implementation power of local protagonists engaging in the process. External experts in this case support only the process architecture and management. Outcome goals are developed by the local protagonists themselves.

The advantage of the planning approach lies in the inherent security numbers, data and plans usually give to those responsible for public welfare. On the other hand, a general project plan and mere data-collection do not really change anything. Further, implementation only works well if the underlying beliefs of the analysis match the beliefs of those affected by the implementation.

The competitive approach does not give this kind of security in the beginning since one never knows what will happen if a group of active stakeholders starts arguing about shared outcome objectives for a change process. On the other hand, as soon as a consensus has been found such collectively-shared objectives give a strong basis for united action and, soon enough, improvements for the target-groups may be achieved.

The decision-makers in the administration of the county of Borken voted for the competitive approach with some elements of cooperative planning concerning target-groups and outcome-objectives, with the experts being local protagonists. This decision was taken after carefully studying past experiences in this kind of procedure and weighing the pros and cons of the two approaches.

Altogether the protagonists started in April 2004 without knowing in detail what kind of changes this would introduce. Nevertheless they decided to invest about 1.2 million euro following the competitive approach. They did this with faith in the exactness of their objectives, the power and knowledge of the wide range of local stakeholders and consultants’ professionalism and experience concerning project architecture and assistance in establishing an outcome-oriented market<sup>2</sup>.

The county’s administration and local welfare committee then invited a wide range of institutions already engaged in supporting or working with the elderly to take part in the process. These

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<sup>2</sup> Describing this starting position in detail is important for the analysis of the whole process, since outcome-objectives derive from values stakeholders have in mind while measurement data and master plans derive mostly from scientific analysis and debate.

almost 100 institutions included welfare organizations as well as private service-suppliers, doctors and volunteer groups, politicians and local administrators from the county and villages within the county. Starting from this point, every single decision in the whole process was a collective decision using a variety of instruments derived from economics and adapted to the purposes of public welfare.

These instruments include forms of economic measurement since a principle intention of the project was to invest money according to the project's objectives. Looking at the project in retrospect, one can identify five steps leading to successfully working value-based markets with elements of economic measurement.

### ***Step 1: Defining the target groups and main objectives of the project***

As an important basis for the whole project, the three objectives proposed by the administration were initially discussed, changed and decided on by more than 70 institutions. Secondly decisions were taken on which target groups among the elderly should be beneficiaries of the whole project. Acceptance and legitimacy of the action to be taken were largely enhanced by performing these steps in the form of a collective decision process.

After collecting ideas concerning possible target-groups for the project, three criteria were used within the selection step:

- Achievable effects concerning the main objectives of the project by working with the target-group
- Feasibility of presumed effects
- Time lag until presumed effects would possibly be attained.

The benefit analysis as an instrument for group decisions based on the summation of single decisions was introduced and accepted by all the stakeholders in the project. It should be stressed that in order to commonly agree on the results produced with the help of this instrument, it was crucial to formally introduce an intensive discussion phase on these results with the option to make changes. These discussions can be characterized as strongly value-driven which, in the end, led to very broadly accepted results that were not called further into question in the forward progress of the project. It was finally decided to focus on five target groups:

- Elderly persons with dementia
- Elderly persons living at home alone
- Elderly persons in hospital
- Elderly persons cared for by close relatives
- Engaged, still active elderly persons

All these decisions were taken without any measurement concerning the size or situation of target groups. Appropriate available information was used only in the discussion of the results of the "voting" for target groups. Though there were some ethical objections against deciding on certain target groups and therefore "excluding" other groups, doing all this together in a well structured process assured enough security for continuing the process.

### ***Step 2: Deriving outcome objectives from the main objectives for the target groups chosen***

Among the target groups chosen are the group of elderly persons in hospital, e.g. after an accident. What does "living independently as long as possible" mean for these people with a high risk of finding themselves in residential care after leaving the hospital? And how can the

“revolving-door” effect be avoided? Within the project the following objectives were derived in a collective planning process following the main project goals:

- Only a small number of people return to hospital after being released and moving home
- Elderly people find themselves in residential care later or not at all
- Elderly people feel strong enough for the time after being released from the hospital<sup>3</sup>

By the end of this step, all preparations were concluded to establish a value-based market relying on outcome objectives as a first concretion of values to be produced on the welfare market. In Step 3 we enter the process of decision-making in such a market.

### ***Step 3: Economic measurement of project outcomes via a call for bids and a cost-benefit analysis***

A common way to assure providers fulfil objectives in a project is to have them describe in detail what exactly they want to do when, how and at what price. In this way, one receives a detailed description concerning output, processes and the assignment of finances – albeit still without the knowledge of what one really gets in terms of produced welfare, e.g. an estimate of how long a certain number of elderly persons will be able to stay at home after being released from hospital.

In Borken a completely new form was chosen by establishing a value-based market with the county as customer and networks of providers acting as potential providers of outcomes. In a call for bids, those future provider-networks were asked to “offer” certain outcomes for a certain price. They had to describe exact target-numbers, so bids comprised details such as “50% of the people being assisted will live at home six months after being released from hospital. We offer this (plus other outcomes) dealing with y amount of persons currently in hospital for a price of x thousand euro”. No details concerning the application of funds were given, just a brief description concerning the ambulant-structure to be established.

Thus, a huge number of bids (up to >80 per target group) were initiated – a real supplier-market had been established in a very short time. The selection process followed the idea of collective decision-making again. Taking the main objectives of the project and asking for economic efficiency in using public money, six criteria were derived to rate the bids:

- Expected effect concerning each of the three main objectives, in short, “increase in independency”, “strengthening ambulant structures”, “lowering cost increases for the county”
- Sustainability of the offered project (thus avoiding one-time effects)
- Transferability of the offered project (concerning other target groups and other areas within the county)
- Ratio of intended outcomes and price.

The steering committee of the project, comprising people from 16 different institutions, performed the rating by each applying the cost-benefit analysis of all projects and then combining the single votes. The prices of the winning projects can thus be taken as an economic measurement of public welfare finally funded by the county of Borken.

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<sup>3</sup> A discussion concerning possibilities to live independently within residential care was not performed since one of the main goals was “Lowering the increase of costs for residential elderly care”. Thus the goals to be discussed all focussed on staying at home as long as possible and the possibilities of living independently at home.

It should be mentioned that the only measurement put forward up to this point was the economic measurement of the bids. The bidders were not asked to provide any numbers proving they could achieve the promised outcomes. This changed in the following step, giving even more substantial arguments for the precision of the measures taken before.

#### ***Step 4: Formation and fulfilling of outcome-oriented contracts***

The selected projects underlying the bids were then put into practice. Part of the realization was the implementation of an outcome-oriented control mostly relying on estimates of the elderly themselves or the people engaged in the projects – professionals as well as volunteers – concerning the outcomes achieved.<sup>4</sup>

In the first step, these measured values were used as a basis for outcome-oriented control while developing the projects. In the end, they were used to evaluate whether projects should be continued or transferred to other places. In addition, a final control was performed concerning the overall effects on the target groups, followed by a slight shift in the selected target groups

Thus, taking stock of the project assured the protagonists that their chosen path of establishing an outcome-oriented market as well as the decisions taken had been the correct way to establish new support structures for elderly persons in the county of Borken.

Analysing the whole project, major results concerning the generation of value-based markets and the practice of economic measurement in such markets may be comprised as follows:

- A value-based regional market in public welfare could be established in the county of Borken without any foregoing measurement. A collective discussion of the outcomes to be traded on such markets was important for the successful implementation of the market
- Economic measurement of project-based outcomes was possible because those performing the measurement had agreed on shared values and objectives beforehand
- Economic measurement was in the “eyes of the beholder” and there was no need to establish complicated forms of outcome measurement using techniques from social sciences as a basis for economic measurement. Economic measurement worked almost the same way as everyday markets do, though the values underlying the purchase decision had to be dealt with more explicitly
- Economic measurement worked in Borken because there was a direct link between shared objectives and valuation criteria used for the purchase decision
- A cost-benefit analysis relying closely on shared values supported the economic measurement in the established welfare market. It worked somewhat like a collective valuation tool concerning the variety of valuation criteria
- Simple forms of evaluation by the beneficiaries of a certain service have the sufficient level of quality to confirm or confute the decisions drawn via the presented form of economic measurement
- Security in decisions relied on shared values and objectives and taking these into account in a very systematic way. Especially in the beginning of the change process, neutrality and expertise of the consultant secured trust and enabled this new path to be taken

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<sup>4</sup> It should be stressed that a couple of projects which were not among those selected for funding started anyway – due to the bidders being convinced of their ideas and creative in finding alternative funding sources.

- Regarding the outcomes achieved, the project has developed intense dynamics in establishing innovative, effective and efficient structures for delivering outcomes in welfare. This is probably due to two main factors: the effects of competition by establishing outcome markets on the one hand and the collective action of all regional stakeholders driven by common values on the other hand; the shared objectives minimized the amount of general discussions and maximized the pleasure of producing welfare in close cooperation with many people convinced of what they were doing.

#### **4 Economic measurement of public welfare by bargaining – aid for at-risk youths regarding addictive drugs in the city of Hamburg**

This project – starting in the year 2006 – deals with “enabling childhood and adolescence without addictive drugs” and concentrates on the target group of youths and young adults with a risk of drug abuse or already addicted to drugs (Baumeister, 2010; Behörde für Soziales, Familie, Gesundheit und Verbraucherschutz der Freien und Hansestadt Hamburg, JSB, 2010). The aim of the project was to establish counselling services in five districts of the city of Hamburg, combining the professionalism of counsellors for persons addicted to drugs with the knowledge of those working with youths. Through this combination, the intention was to work with youths at an early stage of their coming into contact with addictive drugs, overcoming the difficulty of reaching those youth far too late.

The starting point of the project was outcome goals which had been set in close cooperation with the administration and all suppliers of addiction support in the city of Hamburg. Those outcome goals were:

The clients of counselling services for addiction support for youths and young adults should

- know about the consequences of using addictive substances
- be motivated to use counselling services concerning addiction support
- reduce or stop the use of legal addictive drugs
- stop the consumption of illegal addictive drugs
- feel socially included again.

These had been set up following a detailed scientific analysis of the field of addiction support in Hamburg concerning target groups and existing services. Thus, to some extent, we find the above mentioned science-based planning approach in this project.

The participants in the project were: youth welfare offices of city districts, the department for addiction support of the central city government, experts from all fields of youth support, providers of the counselling services to be established, experts from schools and social work plus a scientific institute specialized in evaluation in the field of addiction support. Politicians were not directly involved.

The approach of the project was to develop and agree on outcome-oriented contracts as the starting-point to establish new counselling services. The setting for developing these contracts was somewhat tighter than in Borken: the providers of the counselling services to be established and the amount of funding had already been fixed by the administration at the start of the project. This had been done following a request for bids by the administration mainly relying on quantity and quality of outputs to be delivered and experiences with the supplier beforehand.

Thus, the point of departure was not a market with a polypoly on each side but a situation with vendor and vendee already tied to each other both trying to make the best deal. Therefore, part of the challenge was to find a good balance between institutional goals and the shared outcome-objectives in finding the best deal. During the process, some providers actually described the situation as a “bazaar” being a little uncertain whether the positive aspects of a bazaar – namely

putting forward the (social) values making an item worthwhile for purchase – really would prevail over the bargaining to get as much output per monetary unit as possible.

Nevertheless, the process started in quite the same way as in the county of Borken, though in the progress of the project one major difference arose: intense discussions concerning the necessary quality of measurement within such an outcome-oriented process occurred in Hamburg, whereas in Borken nothing of this kind happened. These discussions accompany the project to this very day and sometimes even put the chosen hands-on approach into question. Before dealing with the topic of measurement in more detail, an overview of the action taken within the project will be given.

***Step 1 Defining target groups and corresponding outcome objectives as common standards for all services***

In several workshops, target groups as well as outcome objectives concerning the target groups were defined as a minimum standard for all five counselling services to be established in the city of Hamburg. All participants in the project were involved in this step. The following table gives an excerpt of the results achieved:

<b>Target groups, all with a risk of drug abuse or already addicted to drugs (excerpt)</b>	<b>Outcome objectives (excerpt)</b>
Youths, age of 14 to 18	<ul style="list-style-type: none"> <li>... think using addictive drugs is something critical</li> <li>... reduce consumption of addictive drugs</li> <li>... recognize their own danger of addiction</li> <li>... regularly attend school or instruction courses</li> </ul>
Youths and young adults, age 14 to 27 with a migration background	<ul style="list-style-type: none"> <li>... use existing systems of dependence support</li> <li>... use possibilities for education without drug consumption</li> <li>... have stronger motives to stay away from drug use</li> </ul>

***Step 2 Deriving specific target groups and choosing outcome objectives for each service***

The common standard comprised ten possible target groups with up to five possible different outcome-goals per group. On this basis, each city district formed an individual contract. This was done in sub-groups per city district with all the above mentioned protagonists taking part to ensure a shared understanding of target groups and desired outcomes.

### **Step 3 Economic measurement of project outcomes by bargaining**

The main challenge performing the bargaining process was finding a balance between the funds provided by the city of Hamburg and target numbers concerning the size of target groups to be dealt with and outcomes to achieve.

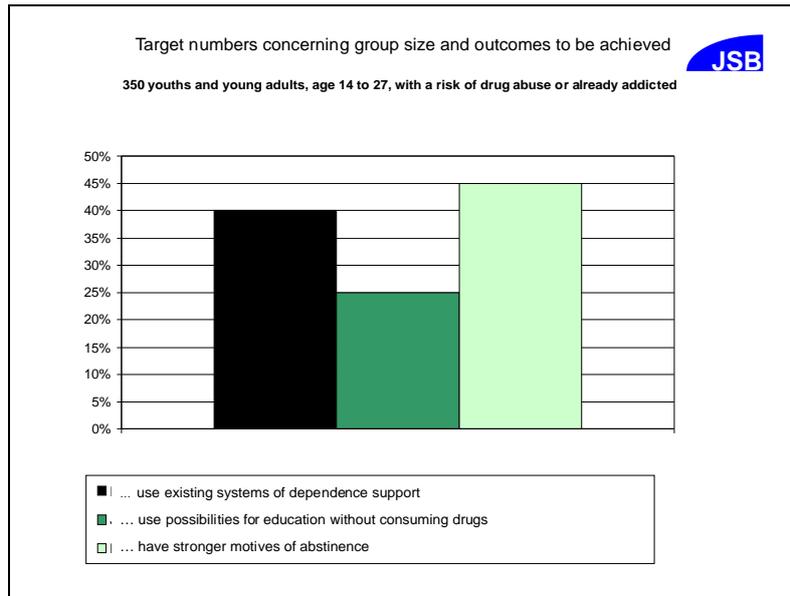
Initial attempts to come to an agreement step by step were not very successful. Discussing one parameter after the other including detailed commitment to specific forms of measurement concerning the target numbers brought out many difficult questions: "Why is the size of the target groups so small?" or, on the other hand, "How do you think we can get into contact with so many youths with only two individuals working?" dominated the discussion.

Additionally, discussions arose concerning the necessary quality of outcome-measurement as a basis for an agreement on target numbers. This almost led to a point which could be summarized as: "Not knowing how to measure outcomes by methods of social sciences makes it impossible to do economic measurement of outcomes!" At this point, some of the participants – still comprising all organizations involved in the project – left the room somewhat displeased at the end of three hours of bargaining and discussions.

The solution shifted the focus away from the former output / input ratio discussions to outcome / input-ratios and desired outcome-objectives. This fundamental shift was made possible by two changes in the process of bargaining:

- Starting from the outcome objectives, vendor and vendee were asked to give a complete set of target numbers per target group each by themselves as a new basis for bargaining. Comparing these and arguing the difference in (some) numbers in an outcome-oriented manner made it possible to find a compromise. "Arguing in an outcome-oriented way" means a discussion on contents such as compliance, external factors influencing adolescent behaviour, existing networks to establish contacts with youths – all of them directly influencing the achievable target numbers – probably as least as much as the (wo)man-power involved or the quality of work delivered. The latter aspects were to be discussed in more intensity in the controlling process following the formation of contracts
- As a basis for this form of bargaining, concentrating on the desired values, an agreement was achieved concerning the quality of target numbers: the fixing of an outcome target number within the contract is possible without knowing how to measure the rate in the future, e.g. "45% of the youths having stronger motives to abstain". The target numbers agreed on were understood as part of an outcome-profile derived from the shared objectives. Forms of measurement were to be discussed later in fulfilling the contracts. The following graph illustrates such an outcome-profile.

In doing this, all target numbers could be agreed on, finalizing the economic measurement at this point: given the price, an outcome amount to be achieved had been agreed on. Five very different contracts reflecting the different situation in the city districts as well as different working methods were put together.



Economic measurement in this project was even more difficult than in Borken – there was no chance of finding the right relationship of outcome and price by comparison. The right relationship had to be found by discussion of the whole scenario to be expected in the coming period of time. Thus, successful bargaining relied on the knowledge of those involved and a shared understanding of the values and objectives of work in addiction support.

#### **Step 4 Formation and fulfilling of outcome-oriented contracts**

The formation of outcome-oriented contracts (Behörde für Soziales, Gesundheit, Familie und Verbraucherschutz der Freien und Hansestadt Hamburg, 2010) was accompanied by regular and individual controlling dialogues between the contracting parties. The topics of these controlling dialogues included:

- The degree of achieving desired outcomes
- Outcome-oriented changes of the contract if necessary
- Type of output-deliverance.

Thus trying to develop an ever-better understanding concerning the youths, their way of life and how outcomes may be achieved.

#### **An ongoing discussion: the measurement of outcomes**

Parallel to this individual fulfilment of contracts, an intensive discussion concerning measurement of outcomes came up again. Three aspects of the still ongoing discussion shall be mentioned since they directly refer to questions of economic measurement in public welfare:

- **The scientific attitude towards measurement:** In healthcare, a growing culture of evaluation develops looking for measurement methods producing unambiguous and reproducible numbers. The field of addiction support as part of healthcare and the players in this field are influenced by these ideas too. Compared to this standard of data quality the target numbers contracted imply a somewhat larger amount of uncertainty in their informative value. They are certainly not completely unambiguous. One of the participants in the project even said he could not really believe that it is possible to write down numbers in a contract without having agreed on a precise procedure of measuring these numbers

- **The security discussion:** Drug policies are a field of permanent intense political discussions. In Germany, the discussion moves between the two poles “It is a criminal issue – the police should be primarily in charge” and “It is both a social and a health issue – we should cure and assist drug addicts.” Working in this field, one is often confronted with questions concerning the effectiveness of the work done. Numbers are the best answer in this situation since politicians tend to believe in numbers more than words. Thus, contracting without real knowledge on how to measure outcomes is a somewhat risky procedure leaving suppliers in particular with an uneasy feeling
- **The evidence trap:** In healthcare there is a trend in favour of evidence-based medicine and treatment. Having evidence for a close correlation between output and outcome is certainly a good thing, especially concerning the security discussion. But as long as one sets up scientific standards of non-ambiguity and reproducibility, evidence may not be created with a reasonable effort in certain fields of social work. This especially concerns preventive action. At the same time, we have to be aware that primarily focussing on areas where measuring is “easy” could lead to a neglect of preventive actions and set a focus on cost-intensive forms of engagement e.g. with direct and intensive interaction of supporter and those requiring assistance.

Taking all this together shows that a concentration on good quality measurement may lead to a better feeling in performing economic measurement and to acting in the political field in a secure manner. On the other hand, it leads to a narrowing of the welfare to be delivered because data meeting scientific standards cannot be achieved everywhere with a reasonable effort. The protagonists in Hamburg are still on their way to finding a final solution to deal with these questions. They have already clearly identified that about 20% of their work may be described with “good data” – but the other 80% are important as well concerning the social values being produced in terms of prevention.

For the time being, major results of the project, besides the discussion concerning measurement qualities, may be summarized as follows:

- A regional market could be established on the basis of shared outcomes, a good culture of collaboration and the foregoing detailed analysis of the situation of addiction support in Hamburg
- Economic measurement of project-based outcomes was made possible on the basis of shared values
- Bargaining worked as an underlying method of economic measurement as soon as both contract partners put the desired outcome and its ratio to the input at the forefront of bargaining
- Economic measurement by bargaining relied on the presence of specialist knowledge concerning the item concerned
- Economic measurement is possible without the precise description of indicators and relies on trust in the binding force of shared outcomes and target numbers
- The established procedures still have to be stabilized by finding an adequate way of measuring or at least making the achieved outcomes plausible
- Security in decisions relied on shared values and taking these into account in a systematic way. The consultant helped in realizing the economic measurement by neutrality and strict outcome-orientation in moderating the bargaining process. In addition this role lies in showing different forms of dealing with numbers

- Concerning the outcomes achieved, it can already be stated that access to youths is much better nowadays. The quality of collaboration between addiction support and youth support has increased a lot, to some extent due to the development of shared values and outcome goals in the project.

## 5 Conclusions and open questions

By putting the experiences in both projects together and using the analytical framework presented in the beginning, some conclusions may be drawn:

- Regional markets where welfare – expressed in terms of outcome – is traded can be effectively established with positive effects concerning the common good
- Performing economic measurement works well with those performing the measurement having agreed on shared values and outcome objectives beforehand and being intrinsically motivated in achieving outcomes
- Instruments and procedures forcing the protagonists to think and judge in terms of outcome-input ratios are of high relevance for the performance of economic measurement of outcomes, since this is a completely new task to perform in developing the welfare state
- Measurement and control of outcomes helps regional markets to persist, since it gives the protagonists additional security concerning their past decisions
- The development of societal networks with shared values and an adequate amount of trust among the protagonists is essential to build up this kind of market since these networks give security to their stakeholders in performing the economic measurement of outcomes and entering unknown territories as well (Schröder, 2010). The presence of experts with experience adds to this security.

Referring to the overlying question concerning the relationship of values and measurement, it may be concluded as a thesis:

- Shared values and outcome objectives are much more important than outcome figures produced by unambiguous and reproducible techniques and measurement. Thus, measurement should not be the starting point of decisions since measurement may even be misleading: “Things measured best may not necessarily be the best things!”

Among the many open questions, two important aspects concerning the further development of welfare states should be addressed:

- (How) can trading of outcomes be established in consumer markets with the citizen acting as consumer? Are outcome comparison lists together with the public communication of outcome objectives the right way to establish shared values in such markets? How can we enable consumers to bargain over outcomes? How deeply shared should values and outcome objectives be to make such markets work? How much administrative regulation concerning outcomes is necessary in such consumer-oriented outcome-markets?
- Countries tend to compare welfare systems by comparing numbers. As currently seen in the European Union with the Open Method of Coordination, these comparisons lead to the well-known effect that only countable things count (European Commission for Employment, Social Affairs and Equal Opportunities, 2010). How can values be established in such management systems as a correction to or even improvement on the initial point for comparisons leading to learning and innovation?

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