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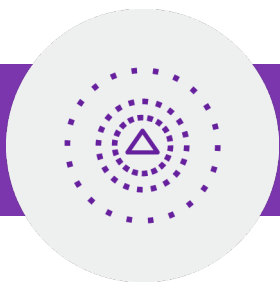
WORKING PAPER NO. 01/2014

Methodological Guideline for Impact Assessment

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1 Introduction

This working paper presents the results of a review of existing scientific literature as well as official reports and policy documents on existing impact measurement methodologies and results. Furthermore, it includes the results from literature and from the focus groups with Third Sector stakeholders in the form of a set of consensus impact indicators, both at the micro (personal) and macro (societal) levels. It is part of the project “The Contribution of the Third Sector to Europe’s Socio-economic Development”. Amongst other goals the project aims at assessing the Impact of the Third Sector beyond mere economic data.

The aim of this working paper is to give an overview of the existing knowledge on impact and to elaborate a consensus-based set of impact indicators within the following theory-based impact domains: well-being and quality of life; innovation; civic engagement, empowerment, advocacy and community building; economy and human resources.

Chapter 2 addresses the question of: What is Impact? On the one hand it is shown in which areas the topic is currently discussed, on the other hand, the term impact is being defined. Chapters 3.1 and 3.2 present reviews of existing literature and official reports and policy documents. Subsequently, a theoretical framework is described in Chapter 4, in order to identify and locate the impacts occurring in the different areas. In Chapter 5 specific methods for measuring impact on different levels are introduced and compared. Finally a consensus-based set of indicators in each of the five impact domains is elaborated in chapter 6. Chapter 6.6 concludes the paper.

2 What is „impact“?

Impact orientation and Social Impact Measurement is frequently discussed within TSOs at the moment. This is on the one hand due to the organisational development of nonprofit organisations and Social Enterprises. On the other hand, public funding is increasingly linked to impact orientation and sound financial management. TSOs as providers of services and public goods are thus more and more often requested to prove their impacts. The proceeding managerialism (Maier et al. 2009) of TSO contributes to the trend of impact measurement too. Inefficiency or a lack of performance oriented controlling are no longer problems for most TSOs. Instead, a new topic is emerging: Effectiveness and impact orientation. After all, TSO want to fulfil a mission, which mostly does not only consist of providing a certain amount of services at low costs. Impact oriented thinking, measuring and possibly controlling touches the core of TSO activities and can thus be seen as the new task for management.

Concerning the impact of the third sector as a whole, little scientific findings exist. There are some studies examining various facets of the impact of the third sector. Because research on third sector organisations and volunteering has been carried out within the borders of particular scientific disciplines to date no united systematic methodological guidelines and empirical analyses of the sector impacts are available.

2.1 Impact measurement – State of the art

Impact measurement as an interdisciplinary topic is discussed within different contexts. Central are the areas of Evaluation Research, Social Accounting, Ecological and Social Impact Assessment, NPO research, Social Entrepreneurship as well as Profit-oriented Entrepreneurship, especially regarding Business Ethics or CSR. Each of these strands and their characteristics is briefly discussed below.

2.1.1. Evaluation Research

Impact measurement has long been discussed within the context of evaluation research. In general, three main types of evaluations can be distinguished: Assessing program theory, assessing program process and measuring program outcomes/impacts (Schober et al. 2013). For impact analyses it is not only important to identify impacts, but also to understand how the respective projects, programs and organisations work. Impacts are often derived from activities and services provided in a logic model. The measurement of impacts may be demanding methodologically, but it is essential in order to determine the success of a program (Rossi et al. 2004).

In a complex social world it is necessary to identify and control various influencing factors within the evaluation. In order to be able to identify the pure impact of the program, the implementation of a control group (i.e. participants of a different program) or a counterfactual (i.e. the program would not exist) in the evaluation design is crucial (Vedung 2000). The remaining accountable effect is called program effect.

During the past 10-15 years, the proof of efficiency and effectiveness of the allocation of sources has gained more and more importance. This has led to the increasing importance of economic evaluation (see Drummond et al. 2005; Yates 2009). Basically, this type of evaluation accounts for costs and expenses. Opportunity costs or costs in the sense of negative monetary effects are taken into account on the outcome side. Nevertheless, economic evaluations are highly underrepresented compared to conventional Performance or Impact Measurement (Yates 2009). A topic frequently discussed in the context of economic evaluations is the question, whether and how social impacts should be discounted (see for instance Arrow et al. 2012; Moore et al. 2013).

2.1.2 Social Accounting

In the domain of accounting and accountability, the topics of ecological and social impact measurement as well as impact-oriented accounting have been discussed for decades (see Berthoin Antal et al. 2002; Bebbington et al. 1999; Mathews 1997; Richmond et al. 2003). It integrates non-monetary impacts in accounting, balancing and calculation of profit. Reporting to stakeholders is central, whereas methodologically correct measurement in the sense of a scientific approach is not in the focus.

Since the first half of the 1990ies an increased interest in Social Accounting approaches can be seen. The starting point was the so called “triple bottom line” (Elkington 2004), which provides a social and ecological measurement of success besides the pure financial one. Subsequently, “triple bottom line” or “sustainability accounting” has gained more and more attention (see Gray and Milne 2004). Generally the term of sustainability has become a keyword. With a special focus on TSOs, the Community Social Return on Investment Model has been developed by Richmond and the Expanded Value Added Statement, which takes social and environmental factors into account (Mook et al. 2007).

The latest and still ongoing phase has started in the first half of the 2000s and has come up with more integrated and standardised approaches. Examples are the Balanced Scorecard (see Kaplan 2001) which is a performance measurement tool and the Global Reporting Initiative (GRI¹) as well as the AA1000 Standards². Due to the high complexity and the accompanying costs, the latter two approaches are rather suitable for large enterprises (see Gibbon and Dey 2011). The goal of GRI and AA1000 is to assess certain impact dimensions on the basis of indicators and to report these to the stakeholders, mostly investors. A social science measurement of impact is not relevant.

For small and medium sized enterprises (SME) and especially TSOs the „Social Accounting and Auditing“ framework for social reporting has been established in the UK (Kay 2012; Pearce 2001; Pearce and Kay 2005). This framework does not provide indicators or topics, but defines a process for establishing “Social Accounts”. This process is based on the goals and values of the organisation as well as indicators for performance and impact measurement and should be carried out cyclically. Whether the focus is set on performance or impacts and how exactly the respective indicators are assessed, is the responsibility of the operating organisation and its stakeholders.

¹ <https://www.globalreporting.org/Information/about-gri/Pages/default.aspx>, (20.8.2014)

² <http://www.accountability.org/about-us/index.html>, (20.8.2014)

2.1.3 Social and Environmental Impact Assessment

Impact measurement has been also discussed within the concept of “Social Impact Assessment” (SIA). The origin of the discussion is the National Environmental Policy Act (NEPA), which came into force in the US in the 1970ies. The law requires federal agencies to provide an environmental impact statement based on social science methods if planned projects seem to have a problematic influence on the environment. In the countries of the European Union, Environmental Impact Assessment has been adopted to national law as a result of the EIA directive 85/337/EEG from 1985.

Initially the environmental impact assessment focussed on the natural environment. Due to the broader understanding of the term “human environment”, the focus changed and social aspects have been included as well. In the international principles set by the International Association for Impact Assessment, SIA is defined as follows: “Social Impact Assessment includes the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable biophysical and human environment” (Vanclay 2003: 5).

The ongoing discussion is dominated by a traditional understanding of SIA in the sense of controlling and fulfilling demands of the law on the one hand and a rather new understanding, which contains a more active supporting of the process and the goal of improving the living situation of people affected on the other hand (Vanclay and Esteves 2011: 3).

2.1.4 NPO research

Within NPO research, there is a longer tradition of dealing with performance and impact measurement. Nevertheless, the difference between performance and impact has not been worked out sufficiently. When assessing success, the focus is mostly on the term of Performance Measurement (Barman 2007; Greiling 2009; Herman and Renz 1999; Kanter and Summers 1987; Paton 2003). Success is not necessarily impact. Criteria of success can be countable and measurable outputs. This refers to the roots of Performance Measurement in traditional KPI-based management information systems of the 1970ies. (Greiling 2009: 94). Primarily finance oriented key indicators with historic focus were thus supplemented by non-financial indicators. Given the dominance of content objectives of a TSO (Horak et al. 2002; Rose-Ackerman 1996; Schwarz 1996) and the wish for a key performance indicator based controlling system, this is only a logic consequence. Success is defined as reaching the organisational goals.

It has been discussed critically, that success and its measurement is socially constructed (Paton 2003) and subject to change over time (Barman 2007). Impacts have to be seen in a bigger perspective and are not necessarily connected to the dimension of success. There is always some impact, but not necessarily success (Schober and Rauscher 2014b).

On a macro level, very little scientific research on the topic exists. The majority of studies concerning the third sector focus on outputs and collect output data, such as the number of volunteers, the contribution to the GDP etc. (see for instance Salamon 2010). But there are some studies, which try to identify the types of impacts of the third sector (Enjolras 2010; Kendall and Knapp 2000). A literature review concerning the impact of the third sector is given in Chapter 3.1.

2.1.5 Social Entrepreneurship

Another strand of discussion concerning impact measurement is the at the moment vastly discussed field of Social Entrepreneurship (see Millner et al. 2013; Repp 2013). Social Impact Investors are careful to account not only for the financial, but also for the societal impact of their investment. Therefore indicator systems similar to conventional for-profit enterprises, which can be included in a reporting system, have been developed. An example for such a system are the “Impact Reporting & Investment Standards” (IRIS³) provided by the Global Impact Investing Network (GIIN). IRIS provides a huge number of indicators for different branches, which are suitable for identifying and measuring performance and impacts and can be chosen for reporting individually.

Another concept linked to Social Entrepreneurship is the concept of “Social Impact Bonds”, where impact measurement becomes the *conditio sine qua non*. The setup implies, that private capital owners invest in social enterprises, which in turn has to provide certain societal relevant services with certain anticipated impacts. Are these impacts achieved, the government replaces the investors’ costs plus a rate of return. The impact investors are thus able to generate profits. The measurement of impacts is crucial within this framework, for otherwise it would not be possible to decide whether public money should be distributed.

2.1.6 Enterprises and impact orientation - Business Ethics – CSR

For a long time, most enterprises have adapted the point of view propagated by Friedman (1970), which implies that maximising profits is the only social responsibility of enterprises. This, however, has changed slightly during the past two decades. The topic of impact has been taken up by companies primary in the context of Corporate Social Responsibility (CSR). In the beginning, the focus was mostly on ecological sustainability and only later the social dimension gained importance. The ISO 26000 (Guidance on Social Responsibility) defines social responsibility as the responsibility of an organisation for the impacts of its decisions and activities on the society and the environment. Ethical behaviour, which contributes to sustainable development, health and well-being, and takes the expectations of stakeholders into account should be integrated in the whole organisation and its relations (Franz et al. 2011: 11). CSR does not necessarily have to be altruistic, it often constitutes a competitive advantage (Porter and Kramer 2006). This is true for clients and customers as well as for investors, who in the sense of an ethic investment insist on sustainable behaviour of enterprises (Sparkes and Cowton 2004).

Other than TSOs or Social Enterprises, who have a social mission, for-profit enterprises do not face the same pressure to legitimate their social impacts. The discourse in regard to content is thus not as well developed and strongly oriented on sustainability key figures and rough stakeholder assessments.

2.2 Definition

The popularity of the topic and the above showed discussion in different contexts brings along a variety of terms and a sometimes contradicting understanding of “impact”. Within the framework of

³ <http://iris.thegiin.org>, (20.8.2014)

(Social) Impact Measurement, different terms, such as impact, outcome, effect, social return, social value, performance which are not always clearly distinguished are used (Maas 2008: 75). For the term “impact” alone a lot of different definitions can be found in literature (Latané 1981; Burdge et al. 2004; Clark et al. 2004; Reisman 2004). An important distinction has to be made between impact and outcome, since these terms have to be clearly separated in order to measure impact appropriately. Within the impact debate, however, there is no consensus on this issue. On the one hand, outcome is defined as the effects achieved among the beneficiaries and impact as the overall effects. (Wainright 2002). This is not completely convincing, as it remains unclear how the impacts on other stakeholders apart from the beneficiaries should be referred to. On the other hand, impact is regarded as the long-term outcome or the (partial) achievement of superior societal goals (Riess 2010).

This working paper does not share this points of view. There is increasing consensus, that outcome represents a state, where members of target groups find themselves after the activities are conducted. Here the question arises as to which extent the effects can be attributed to the program, the organisation or the sector itself. Impact therefore only refers to those changes, which can actually be attributed to the activities of the program, the organisation or the sector. We thus share the definition of Clark: „By impact we mean the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway.“ (Clark et al. 2004).

3 Measuring the Impact of the Third sector

3.1 Review of existing literature

In the academic discussion the measurement and evaluation of the impact generated by TSO and social ventures is increasingly gaining importance. However, the trend itself is not new. Already since the 1960s, the topic output and impact measurement has been discussed with increasing intensity in the context of evaluation research (Stufflebeam and Shinkfield 2007). Recently, however, stakeholders in the Third Sector increasingly orient their operations towards a market- and profit-oriented way of thinking. Social entrepreneurs and venture philanthropists, in some cases backed by funding from foundations, are applying more or less known concepts of impact analysis and measurement under their own terms (see also chapter 2.1).

Nevertheless, the question of influence and effects of TSO is regarded as one of the most fundamental ones in the field of nonprofit studies. Even though it is not possible to answer this question definitely and impacts may vary across countries, research on the topic still remains essential (Salamon et al. 2000: 1-2). There has been a trend towards evidence-based policy making in some countries as in the UK, which in turn has created increasing demand for impact data from the third sector. Attempts for measuring impact have also been pushed from within third sector, as an attempt to gain more understanding about resource-allocation and more legitimacy by demonstrating achievements and impacts (Harlock 2013: 3). There is an increasing pressure on nonprofit organisations to measure their impact. Thus, most research findings and studies are at an organisational level. In the last fifteen years a lot of concepts, approaches and methods to capture and measure impacts of third sector organisations or particular programs or projects have been developed (for an overview see Bertelsmann Stiftung & New Philanthropy Capital 2009; Ebrahim and Rangan 2010; Maas and Liket 2011; Mildenerberger et al. 2012). However, these approaches have been often developed for the needs of particular organisations and are seldom directly applicable to others and are not suited for a societal analysis of impacts (c.f. Mildenerberger et al. 2012: 283). Widely accepted reporting standards are still in their infancy (e.g. Achleitner et al. 2009; Roder 2011). A concept that has widely aroused attention is the portrayal of social impact as social return on investment (Schober et al. 2013) which however presents a series of shortcomings (Millner et al. 2012). Some selected methods are presented in chapter 5.

At the macro level there is a lack of empirical and methodological literature on the topic of measuring the impact of the third sector as a whole. This issue and problems arising with it has as well been discussed in some contexts (see for instance Salamon et al. 2000; Harlock 2013; Land 2001). The most important points stated and methods proposed are presented here. It has been argued, that the measurement of impact of the whole sector is a major challenge for different reasons. First of all, the sector is heterogeneous and diverse regarding its roles and functions (Harlock 2013: 6). Constructing a counterfactual, which is essential for impact analysis, is difficult even within for-profit enterprises and even harder when the goals of an organisation are multiple and thus not easily being analysed on an aggregate level, as it is often the case for TSO (DiMaggio 2001: 253-256). Therefore, it is tempting for analysts to pre-define what NPOs should accomplish.

Such pre-definitions can be useful, if criteria are objectively defined and policy implications are reviewed carefully (DiMaggio 2001: 258). If impacts should be monetized, another problem arising is how to put a value on the effects of nonprofit activities. Other than in the for-profit sector, monetary values cannot directly be assessed by looking at prices and thus the willingness to pay. In addition some outcomes are easier to measure and to quantify, which again implies the danger of only focussing on certain kinds of activities when evaluating nonprofit organisations (Weisbrod 2001: 276-277; for an extensive discussion about the merits and limitations of SROI see Maier et al. 2014). One of the biggest problems is the attribution of impacts on macro and micro level to the third sector. The main question is: What is the direction of causality? Does, for example, a strong third sector imply strong communities, or do strong communities generate a strong third sector? Ways to deal with this problem are described in chapter 5.

Several efforts have been made to assess the contribution of the third sector to social, economic and political life. One is captured in the Johns Hopkins Global Civil Society Index (Salamon et al. 2004), which draws on the unique body of empirical data on nonprofit institutions generated by the Johns Hopkins Comparative Nonprofit Sector Project. One of the dimensions of this index measures the “impact” of the nonprofit institutions that are the focus of this project’s work using a set of four proxy indicators, two of them related to the service function of the sector (value added to the economy and share of total employment in key service fields) and two to its expressive and representational role (share of third sector employment devoted to expressive fields and extent of organizational membership). Empirical data of 34 countries are used to measure these dimensions and 17 of these countries are in Europe, though no specific European summaries are developed.

A second effort to assess the impact of the third sector at the societal level can be found in the CIVICUS civil society index work. “Impact” is one of four dimensions that CIVICUS attempts to assess about civil society in its target countries. Five dimensions of impact are used: (1) influencing public policy; (2) holding state and private corporations accountable; (3) responding to social interests (4) empowering citizens; and (5) meeting societal needs. The CIVICUS index utilizes a much looser definition of civil society than the Hopkins index and the one used in this Project. In addition, it relies on the opinions of informed observers in its target countries rather than verified empirical data to generate its index scores, with observers asked to score the various dimensions of the impact of civil society in their country on a 3-point scale.

Some further attempts have been made to develop a methodological framework for impact evaluation of the nonprofit sector. Sokolowski (2014) proposes a model based on the program logic model and SNA (System of National Accounts) input-output-tables in order to measure the benefits of NPO activities on a macro level. The model is mainly based on subsequently tracking and measuring outputs, outcomes and finally impacts. It is stressed that there is a difference between the indicators needed to measure outcomes and impacts. The paper uses SNA tables in order to capture concrete possible outcomes on different levels. Impacts are harder to measure or track. It is proposed to measure them by the estimated money value of direct and consequential benefits of the material output. As estimations should be as objective as possible, market prices should be used whenever suitable (Sokolowski 2014: 4-5). Salamon et al. (2000) suggest six main criteria for effective impact analysis. Accordingly, it has to be: beyond outputs, systematic, more than a mere celebration of positive consequences, theory-based, relative to the impact of other sectors and comparative. Based on these criteria, they developed an approach to the impact analysis portion of the Johns

Hopkins Comparative Nonprofit Sector Project that involved four major steps. 1. Site selection, 2. Identify contributions/vulnerabilities, 3. Validate contributions/vulnerabilities and 4. Measure contributions/vulnerabilities (Salamon et al. 2000: 2-3).

In order to assess impact, it is necessary to establish indicators. Finding such on an aggregate level, however, is difficult, because a consensus on what can be defined as “good” or “bad” for the society would be needed (Land 2001: 60-64). Land (2001) describes a system necessary in order to develop social indicators for measuring nonprofit sector performance. The framework proposed distinguishes between five general types of indicators: input descriptive variables (exogenous variables that can be manipulated in a nonprofit organisation), non-manipulatable exogenous descriptive indicators (exogenous variables that are determined outside the system, e.g. geographical dispersion or the like), output descriptive indicators (endogenous indicators of the quantity and other characteristics of nonprofit organisational products), product or outcome descriptive indicators (endogenous indicators of the benefits of the products for individuals or groups served by the organisation) and analytic indicators (variables and indicators capturing the relationship between the different indicators described) (Land 2001: 67-68). Kendall and Knapp (2000) as well deal with the question of performance measurement of NPOs. They suggest a model which draws on the Production of Welfare Framework and recommend a set of performance indicators for measuring NPO activity. They can be attributed to eight central performance domains: economy, effectiveness, efficiency and equity, which are derived from the model and choice/pluralism, participation, advocacy as well as innovation. Some suggestions for indicators within each domain are made, but it is stressed that they have to be chosen according to the needs of each individual organisation (Kendall and Knapp 2000: 120-121).

This review shows, that the third sector is still in search of adequate metrics in order to measure outcomes and impacts (see Ebrahim and Ragnan 2010: 3).

3.2 Review of official reports and policy documents

After the overview over existing literature, a practical relevance is established by analysing official reports and policy documents of the EU and other international bodies.

The question, how to measure the impact of organisations, enterprises and their activities on the communities in which they operate, has drawn increased attention by international bodies and organisations over the past two decades. The range of approaches, fields addressed and methods suggested is vast. However, the social impact of the third sector as a whole is still a neglected issue. More findings and explicit initiatives can be found rather on the organisational or policy level as well as from a social investment perspective. Some of the most important initiatives, documents and reports related to the field will be discussed below.

The goal of the Social Business Initiative established by the European Union within the framework of the Europe 2020 strategy is to improve the legal framework, the financial conditions as well as the visibility of Social Enterprises (European Commission 2011). This can be regarded as part of the attempt to strengthen the social dimension and putting social policy at the core of EU economic

strategy within the Europe 2020 strategy (European Commission 2013a). The Single Market Act II stresses the importance of developing a methodology for measuring the socio-economic benefits of such enterprises and their impact on the community. An expert group, the GECES sub-group on Impact Measurement, was therefore set up by the European Commission in October 2012 (GECES 2014: 3; European Commission 2012: 19). The group's final report was published in June 2014. The methodology suggested is a five-stage process containing the following steps (GECES 2014: 22-23):

1. Identify objectives: It is important to first identify what is intended to do and how.
2. Identify stakeholders: The relevant stakeholders should be identified as well as their respective level of engagement, control and contribution concerning the objectives defined above.
3. Set relevant measurement: In this step, meaningful indicators for the outcomes should be defined.
4. Measure, validate and value: The central question here is, whether the targeted outcomes are actually achieved. The measurement itself needs to be relevant and transparent to the stakeholders involved and it should always be kept in mind that the impact measured must emerge from the organisational activity and its outcome respectively.
5. Report, learn and improve: By reporting to the appropriate audience, a process of learning and improving both for the social enterprise and the community can be implemented.

This process draws on an earlier publication by the European Venture Philanthropy Association, in which the contents of each single step can be found in more detail (EVPA 2013: 26-86). Both of the reports, however, focus rather on a meso- than on a macro-perspective. Especially the EVPA manual is targeted at venture philanthropy organisations and social investors as well as at social organisations, who are interested in generating a positive impact on society (EVPA 2013: 8).

The EVPA and the GECES Expert group have as well both proposed some explicit methods on how to measure impact for fund managers and investors. These methodologies include among others the Gamma Model developed by Grabenwarter and Liechtenstein, the Implied Impact Model and the Social Stock Exchange (GECES 2014: 46-48; EVPA 2013: 49). The EVPA furthermore suggests to differentiate between qualitative and quantitative methodologies depending on the need of the organisation and the objectives to be measured (EVPA 2013: 67-71). The need for the combination of the two especially in the policy evaluating process also has been stressed elsewhere (see Garbarino and Holland 2009).

Similar several-step, as mentioned above, processes for measuring impact have been suggested by other international organisations as well. The World Business Council for Sustainable Development, for instance, has published a four-step framework methodology as requested by its members for measuring the impact of a business on the community in which it operates. The steps include setting boundaries, measuring impacts, assessing business contribution to the development and prioritising management response (WBCSD 2008: 8-9).

The Network of Networks for Impact Evaluation, initiated by the World Bank, raises similar methodological and conceptual issues, but stresses the need of addressing concrete statistical

problems occurring when conducting evaluation and suggests to use the comparative advantage of a mixed-methods approach (Leeuw and Vaessen 2009). In a World Bank report on the experience with Impact Evaluation, the same issue is addressed and a preference for the triangulation is stated, for qualitative data can provide deeper understanding of an issue whereas the quantitative part can provide a systematic confirmation (World Bank s.a.: 12).

The European Economic and Social Committee welcomes in an own-initiative opinion on Social Impact Measurement the debate but stresses the importance of giving this complex topic more time. The Commission should accordingly initiate data collection and rather raise awareness to the most commonly used principles and methods of measuring the impact of activities than set a strict framework. The focus should thus be on what to measure, not how and even though quantifications are essential when measuring impact, qualitative approaches should be equally important (EESC 2013: 1-2). The EESC gives special attention to the problem of finding appropriate indicators for measuring social impact and notes, that several attempts have been made by various international bodies as well as by the European Commission in order to find such. Neither the methods nor the concrete indicators suggested should raise restrictions on the social enterprises and their activities or trigger problematic incentives (EESC 2013: 3-4).

Most of the indicators developed for social impact and community building, however, rather relate to a policy evaluation or on a level related to society as a whole than to the impact of the third (or any other) sector. Especially notable in this context is the “Better Life Index” developed by the OECD. It has a long tradition of work on indicators of quality of life and measuring well-being has become one of the key priorities of the organisation. The definition of this concept, however, may be challenging for there are so many aspects in people's life which contribute to well-being (OECD 2011: pp. 14-15). The problem of measuring economic success and relative well-being with the GDP has also been recognized by the European Union. The “Beyond GDP” initiative thus aims to develop indicators which are as appealing as the GDP, but give more attention to the environmental and social aspects of progress and development (European Commission 2013b: 4). This initiative also responds to the recommendations made by the important Stiglitz-Sen-Fitoussi report in 2009, which sums up the work of a commission brought into being by the former French president Nicolas Sarkozy in order to identify not only the limits of the GDP but also to consider what kind of information would need to be considered when constructing more extensive indicators of social progress. It is notable, that indicators are a medium of communication and that it is important to find out, why there is often such a discrepancy between the monetary values of common economic indicators used and the perception of the situation by the people (Stiglitz et al. 2009: 7; Minty and Lessaer 2013: 377). Within this process, the European Statistics Office EUROSTAT has developed a set of indicators for sustainable development (EUROSTAT 2014).

Whereas there is still a lack of a concrete framework for measuring the impact of the third sector as a whole, the impact assessment process of policy and initiative proposals by the European Commission is already more elaborated. Concrete guidelines, roadmaps and methodologies on how to assess possible and actual impact have been published (European Commission 2009; ECORYS 2010).

Another related topic intensively discussed by international organisations such as the United Nations and the World Bank is Social Investment. The assessing and measuring of the social impact achieved plays a crucial role within this type of investment. The UN suggests a framework for actions for the

three main stakeholders – investors, governments and corporations – involved (UN 2012). Several international networks on Impact Investment have been established and publications on evaluation and impacts achieved are available (for instance GIIN, see chapter 2.1.5).

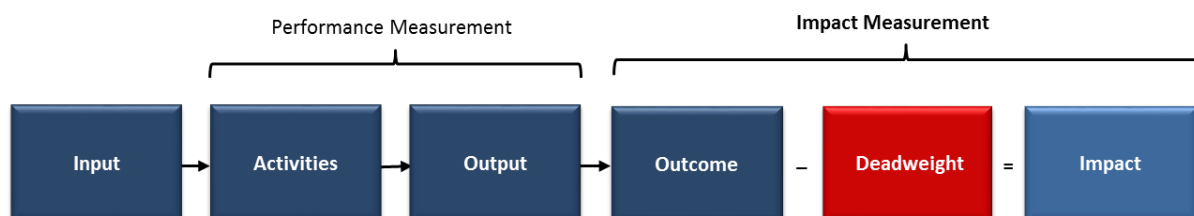
Even though efforts have been made by official bodies to measure the performance of single organisations or the impact of particular investments as well as policies, the broader perspective of the third sector is still limited.

4 Theoretical Framework

There are several existing forms of impact analyses, which all use the term impact quite naturally. But what exactly is understood by impact? Where is the difference to performance? In order to measure the social impact of a project, an organisation or a sector, it is necessary to understand the underlying model. This model is called impact value chain or logic model. The logic model originates from evaluation research and is a graphic presentation of the theoretical functioning of a program, an organisation or a sector in order to assess the intended goals.

The objective is to identify and distinguish the components input, activities, output, outcome and impact. Figure 1 shows the most basic form of the Impact Value Chain or the Logic Model.

Figure 1 - Impact Value Chain/Logic Model:



Input	All resources (financial and human resources, products etc.), invested in the activities of an organisation.
Activities	Specific actions, tasks and work carried out by the organisation to achieve its objectives.
Output	Tangible products and services that result from the organisation's activities that can be measured directly.
Outcome	Specific changes in attitudes, behaviours, knowledge, skills etc. that result from organisation's activities.
Deadweight	The extent to which the outcomes would have happened anyway is called Deadweight and must be subtracted from the outcome so that the impact is left.
Impact	The portion of the total outcome above and beyond would have happened anyway.

When carrying out performance measurement, the activities or the outcome are in the centre of examination. In the case of impact measurement, however, the identification, measurement and possibly valuation of outcomes as well as deadweight is central. The integration into the labour market for instance may be the impact of a TSO. It is, however, not realistic to assume that without this TSO none of the clients would have found a job. A part of them would probably have found work through other organisations or their social network. The portion of the total outcome, which would have happened anyway, is named deadweight and has to be subtracted. What remains is the impact or in other words the effects that can be attributed exclusively to the organisation.

4.1 Impact-Box: Categorising Impacts

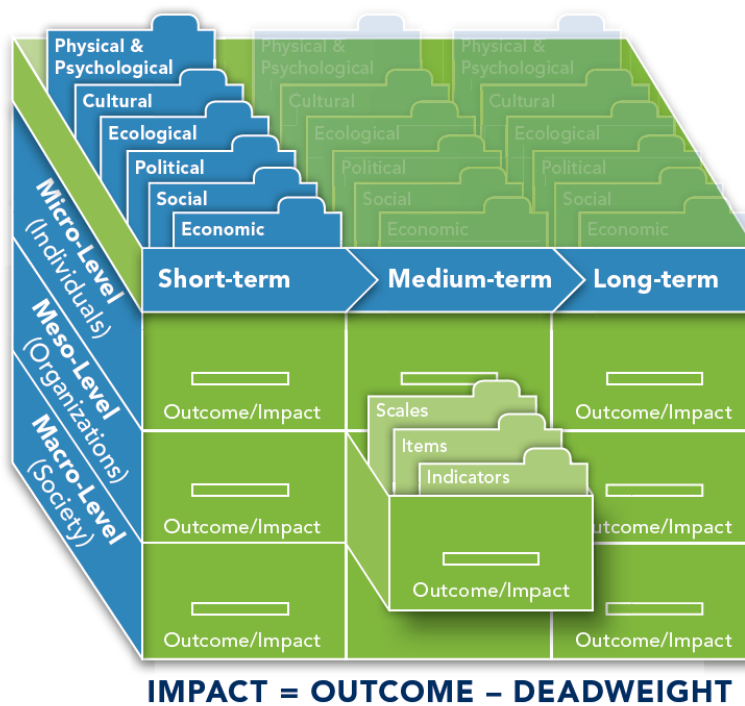
Content-wise, outcome and impact, based on the functions of a TSO, can arise in an economic, social, political or cultural dimension (Kehl et al. 2012). When measuring the impact of a labour market policy project for instance, only the economic dimension might be of interest. Therefore, impacts such as the income from the mediated work, savings for the labour market office, taxes and dues received by the state etc. are considered. New contacts and relationships at the work place would account for the social dimension.

Furthermore, the Impact Box as presented in Figure 2 contains the important ecological dimension as well as the dimension “physical and psychological”. This category includes impacts, which may arise on a psychical or physiological dimension and affect only the individuals. This implies highly personal impacts, such as an improved health status or a higher degree of self-confidence, which can be achieved by the intervention. These impacts can only occur on a micro level, and not on a meso or macro level, which again explains the different colours in the chart. Furthermore, physiological and psychical impacts can again cause impacts in other dimension and on other levels. An individual with increased self-confidence, for instance, may participate in social life more often in the medium-term, which would again be a social impact. In the case of an improved health status, a reduction of public health expenditure might be a medium-term effect, which is an economic impact. The difference between the psychical and the physiological dimension and the social dimension is, that the latter always affects the interaction between two or more individuals, whereas the former is only related to the individual itself. Each of the remaining dimensions, that is the economic, political, ecological and cultural dimension, can either affect the individuals or organisations/groups as well as the society as a whole.

Impacts can also be structurally differentiated: The micro level contains impacts based on individuals, i.e. the beneficiaries of an intervention have an improved health status, a job, better skills or increased self-confidence. The meso level relates to organisations or groups. For instance, an umbrella association develops a manual, which helps the individual organisations to work more efficiently. The focus of the macro level is on the society as a whole and it includes for example impacts like the respect of human rights or environment protection.

In terms of time, interventions may cause short-term impacts immediately after their implementation. These could be for instance job placements for disabled persons lasting longer than a year. There might as well occur medium-term impacts, such as the increased quality of life of the beneficiaries due to the higher stability in their lives. And finally, there are long-term impacts, as for example a higher societal acceptance of disabled people. These impacts are comparably difficult to measure and to value.

Figure 2 – Impact Box:



Source: Schober and Rauscher 2014b: 16

The model provides the possibility to locate specific impacts based on the dimensions, time (short-, medium- and long-term) as well as structure (micro, meso and macro). The single boxes can be seen as drawers. Each drawer contains “register sheets” (economic, social, political, etc.) and each identified impact can be categorized in one or more dimension. An increased health status, for instance, may lead to reduced expenditures for medical care, which is a short-term individual impact on the economic level. The empirical measurement of impact is based on the corresponding indicators, items and scales. Furthermore, impacts can be valued in monetary or non-monetary terms (i.e. quality adjusted life years).

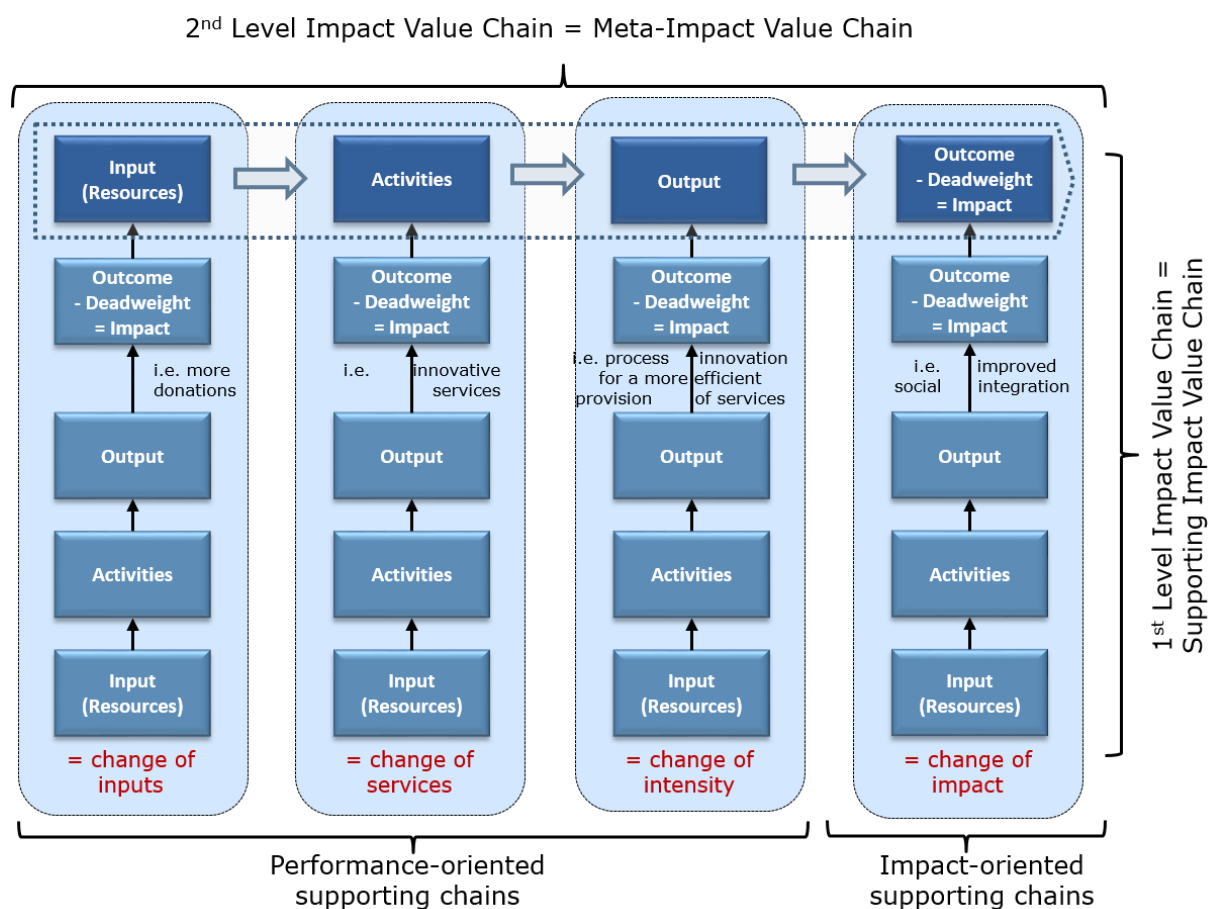
4.2 Two-Level Impact model

The aim of this project is to measure the impact of the third sector in five selected areas. The third sector not only produces fundamental societal impacts in the sense of improved living conditions. Furthermore, various stakeholders produce a set of impacts, which again influence fundamental societal goals indirectly. Therefore, a more complex impact value chain model has to be used (see Figure 3).

Every single action, but also inaction, causes effects (Schober and Rauscher 2014a: 9). These effects may influence two different areas of an impact value chain. Accordingly the model provides two general levels: The supporting impact value chains on the first level, which influence different areas

of the meta-impact value chain on the second level. Effects can be obtained, which change the input, the activities or the output of the meta-impact value chain. These cases represent performance-oriented, supporting impact value chains, as can be seen in **Figure 3**. The impact of these chains thus corresponds to a change in input, performance or intensity of services provided. The activities of these supporting interventions, following the example given in **Figure 3**, do not directly target societal integration but a change in the necessary resources, activities and outputs. This influences indirectly the resulting outcome or impact. The question raised is therefore: Which impact objectives should be achieved? Is it about implementing interventions in order to a) change the input or to b) change the services provided or to c) vary the intensity of one or more services? In these cases, impact objectives of the activities on the first level of the impact value chain are not fundamental societal goals, but performance-supporting or performance-changing goals.

Figure 3 – Two-Level Impact model:



Source: Schober and Rauscher 2014b: 13

Fundraising activities may for instance collect more donations for social integration and thus affect the input of the impact value chain on the second level. With the increased resources, activities can be extended which again may cause fundamental, societal impacts. These impacts affect core goals and values of a society. They are often coded as fundamental societal values and part of the constitutions and fundamental rights catalogues (see Schober and Rauscher 2014b). Furthermore, innovation-promoting measures may lead to new, innovative services in order to improve integration. Efficiency-enhancing measures such as operational optimisation in order to increase

output may contribute to the goals by for instance enabling more people to profit from integration activities. Each of these briefly discussed processes are supporting the overlying process of improving integration.

There may be, however, activities directly aiming at a better integration of the target group(s). This is the case for instance with sub-projects of an integration program or collaboration of different organisations on improvement of integration. The outcome or impact leads here to a change of impact on the meta-level and thus directly to fundamental societal impacts. For example, a program to fight against poverty contains different subprojects. On subproject tries to integrate long-term unemployed persons into the labour market, a second one attempts to arrange accommodation for homeless people and a third one wants to help young people with immigrant backgrounds to reach higher education qualifications. The impact-oriented supporting chain on the 1st level might look like in the case of the project for the integration of long-term job seekers as follows: The input consists of financial resources in the amount of 200,000 euros, which enables different activities, such as job trainings, special qualifications and a psycho-social support. The output includes the number of training and qualifications, the number of counselling sessions, participants and so on. The outcome/impact is the integration of long-term unemployed into the labour market. This outcome/impact in turn contributes to the outcome/impact reduction of poverty on a meta level.

In effect it is an impact model, which distinguishes between a main intervention (impact value chain on the second level = meta level) and supporting interventions (impact value chains on the first level). As Schober and Rauscher (2014b) have shown, this model is intended rather for organisations. In this case, it is located on the meso-level and the impact value chain on the second level refers to the organisation as a whole. The impact value chains on the first level would be single projects or supporting divisions (e.g. fundraising, innovation, IT). It is possible, however, to regard the meta-level on a higher aggregated level. Inputs would then be all available resources of a country or a sector at a given time. Activities would mean all actions in order to produce goods and services. Output could be regarded as the total amount of goods and services produced. This would subsequently lead to fundamental societal changes with the respective impact dimensions (see **Figure 3**).

Every stakeholder within the relevant context contributes with (sub)activities to the emergence of fundamental societal impacts on the meta-level. On the one hand, this may occur when the activities of the organisation or the project themselves aim at fundamental societal impacts. On the other hand it may result from activities, which either due to resources or type and quantity of the service provided contribute later to fundamental societal impacts on the meta-level.

For measuring or assessing effects of the third sector, it has first to be defined which type of outcome/impact or which impact goals are looked at. In the area of innovation for example one effect of the third sector is to offer innovative services for the integration of disadvantaged groups in the society. This is an outcome/impact on the first level, which influences the activities in the impact value chain on the second level. In the area of economic impact, the number of jobs in the third sector is an outcome/impact on the first level, which effects the output of the impact value chain on the second level. If it is about fundamental societal impacts, it is necessary to use indicators corresponding to the dimensions in the impact box. When focussing on performance supporting impacts, indicators on change of inputs, performance or intensity will be relevant. The latter are normally easy to collect and measure and are often already collected. Especially on the input level

when it comes to financial resources, there will be no problems. Even on the activity and output level measuring the impacts is not likely to be problematic. A lot of data is collected within the reporting systems of organisations in the case of the meso level or in national statistics on the societal macro level.

Also unintended effects from the activities of a project, an organization or sector can be integrated into the model. For example, it could be that the increase in life satisfaction of volunteers in the third sector, lead to lower health expenditure of the state. In order to locate the outcome/impact "lower health expenditure" you have to imagine the same model, as shown above, for the state. In this way, cross-connections could be made between the models regarding the impacts.

One of the biggest challenges is the measurement of the so-called *deadweight*. This term denotes those effects, which would have happened anyway. For assessing the actual impact of the third sector, effects achieved by other sectors, such as for-profit organisations, the state or social networks, have to be excluded. In this context, the "*attribution problem*" is of particular importance. Which impacts can attributed to the third sector exclusively? For example, the direction of the causal link between participation in TSOs and micro and macro measurement of trust, civic engagement and political participation remains unclear and is not systematically investigated. The methodological gold standard in order to prove causalities are randomised controlled trials and field experiments. Furthermore, quasi-experiments are suited to provide evidence. These methodological approaches, however, are often not possible due to ethical guidelines for research or limited resources.

Thus, the attribution of impacts on micro and macro level to the third sector must be based on a combination of three different types of approaches.

First, statistical methods such as matching (propensity score index), instrumental variable regression, and differences-in-differences analysis with panel data (Angrist and Pischke 2009) can be mobilized to make a contribution to the identification of causal relationships between participation and volunteering on the one hand, and personal impacts on the other hand. The direction of causality between dependent and independent variables can also be assessed by testing the relationships with existing panel data (The Norwegian Life Course, Ageing and Generation Study (NorLAG) panel in Norway, British Household Panel Survey in the UK, Giving in the Netherlands Panel Survey).

Secondly in the case of national level data, it is possible to link third sector output to potential impacts through macro-level comparisons across countries and categories of third sector organizations (ICNPO or other typologies). This can be achieved by using methods designed to find clusters of countries that can be linked to certain causal combinations, even with a relatively small number of cases (Ragin 2000; Sivesind & Selle, 2009).

Finally, surveys of local associations with time-series data from particular countries represent an important data source to analyse long-term development trends, i.e. changes between categories in the organization population, characteristics of the survivors etc. (Wollebæk, 2009; Wollebæk, Ibsen, & Siisiäinen, 2010).

5 Specific methods for measuring Impact

Due to the timeliness and increasing relevance of the topic in different contexts, there are a lot of different methods for (Social) Impact Measurement. These methods try to register, measure and possibly assess impacts, which are the result of an activity, a project, a program or a policy on relevant target groups (i.e. clients, stakeholder, society etc.). Impacts can be either positive or negative, intended or unintended or a combination of these (Mildenberger et al. 2012). In chapter 2.1, various strands of discussion concerning the topic of Impact Measurement have been discussed. Figure 4 compares selected methods on the basis of central criteria regarding type, extent and content. It is important to note that all of these methods strongly focus on the meso level and are not suitable for measuring impact on a societal level.

The Social Return on Investment Analysis (SROI), which will be described below, can be conducted on an aggregate level to a certain extent. For instance, there are SROI-studies about mobile care services in Vienna (Schober et al. 2012), fire brigades in Upper Austria (Schober et al. 2011) or a new university focus in Norway (Then et al 2012). The services provided or the output data are aggregated over several organisations. This is valid whenever the service is the same or very similar and the intended impacts are supposed to vary only on a small scale.

The *SROI-Analysis* is the most popular approach at the moment. It is also a comparatively widespread and sound analysis. The method tries to measure the social value created by social organisations or projects and to assess it in monetary terms. Besides the financial aspect, social, cultural, political and ecological impacts of various activities are explicitly included in the analysis. These impacts are expressed in monetary terms and contrasted with the amount of invested capital. The result of the analysis is the SROI-value, a highly aggregated ratio, which indicates the monetarily valued social return on every invested Euro. (Schober and Then forthcoming)

The appeal of the SROI-Analysis lies on the one hand in its proximity to Social Accounting approaches (see for instance Daigle et al. 2004; Flockhart 2005; Millar/Hall 2012), such as Social Accounting and Auditing (SAA) approach (Gibbon and Dey 2011) and the logic of calculating a key performance indicator. On the other hand, due to the high degree of monetization there is a clear proximity to the cost-benefit-analyses of economic evaluation. Critics stress the danger of economization of the social, for the method demands the measurement of all impacts as well as expressing them in monetary terms. Frequent individual approaches by analysts, lack of standardization of indicators and valuation methods are problematic. The SROI ratio as a key performance indicator seems to be suitable for benchmarking, such comparisons, however, are permissible only in certain cases and under consideration of the respective approach (Maier et al. 2014).

The *Cost-Benefit-Analysis* (CBA) as a specific form of economic evaluation contrasts the identified costs of an intervention with its quantified and monetised impacts. The valuation in monetary terms can be achieved by using different methods of monetization (see Schober and Rauscher 2014a). Even though there has been an increase in such methods (Yates 2009), they are still rarely carried out. McDaid and Needle (2007), for instance, identified only 5 % of 1.700 studies conducted within the health care sector as belonging to this category.

Various standards of sustainability reporting, such as the *Global Reporting Initiative (GRI)*⁴, try to account for ecological and social performance as well as some impacts. Because of its complexity and the accompanying high costs, this approach is rather suitable for large enterprises/organisations (Gibbon and Dey 2011). The various indicator sets of the GRI have little in common with impacts in the given sense (see section 2.2). The goal is to assess certain impact dimensions on the basis of indicators and to report these to the stakeholders, who are mostly investors. A social scientific measurement of impact is not relevant.

Furthermore, professional Rating Agencies, such as oekom AG⁵ or Robeco Sustainable Asset Management (RobecoSAM⁶) have been established in order to rate enterprises regarding their sustainability. The „oekom corporate rating“ consists of 200 social, cultural and ecological criteria, which are rated by oekom-employees on the basis of freely accessible information or self-assessment by enterprises. The result is an aggregated rating in the categories A+ to D-. It is clear, however, that this method is meant for profit-oriented enterprises and their financial investors and analysts. The benchmark is the central point of interest rather than a comprehensive social scientific impact assessment.

For the still small, but growing community of Impact Investors, the *Impact Reporting & Investment Standards (IRIS)*⁷ have been developed. It constitutes a catalogue of key figures assessing the social, ecological and financial success of an organisation or an enterprise. The IRIS are carried out by the Global Impact Investing Network (GIIN⁸), a NPO with the goal of supporting Impact Investing regarding its efficiency and dissemination. Basically, the analysed project or organisation is classified by a reporting structure, which covers the following topics:

- Organisation Description
- Product Description
- Financial Performance
- Operational Impact
- Product Impact

The *Social Reporting Standard (SRS)*⁹ is also attributable to the reporting approaches. In general, it provides a framework for consistent reporting. The report template gives a uniform structure and outline of topics. The concrete arrangement of the sections is the task of the respective Social Entrepreneurs, NPOs or other organisations with social business objectives. The aim is to make different organisations comparable on the basis of homogenous reports.

The *Social Accounting and Auditing* approach as well provides a framework, which does not describe contents and indicators, but rather defines a process for establishing “Social Accounts”. The approach is based on the goals and values of the organisation and self- or stakeholder established

⁴ <https://www.globalreporting.org/Pages/default.aspx> (17.9.2014)

⁵ <http://www.oekom-research.com/> (16.9.2014)

⁶ <http://www.sustainability-indices.com/index.jsp> (17.9.2014)

⁷ <http://iris.thegiin.org/> (17.9.2014)

⁸ <http://www.thegiin.org/cgi-bin/iowa/home/index.html> (17.9.2014)

⁹ <http://www.social-reporting-standard.de/> (16.9.2014)

indicators for performance and impact measurement and should be conducted cyclically. If the focus is on performance or impacts and how exactly the qualitative and quantitative indicators are collected, is subject to the executing organisation. The process rather enforces empowerment and organisational learning than reporting to dominant stakeholder groups. The instrument is especially suitable for SMEs and NPOs.

The *Logical Framework Approach* has been established in the 1960ies by USAID and often been adapted since then. It can be described as a well-established standard instrument in the field of development cooperation. It is a systematic planning process for goal oriented planning of a project or program and its monitoring- and evaluation system. Based on a situation- and problem analysis, the planned impact of a project is presented in form of a simple, linear impact model (Logic Model). This again is the foundation for the planning of the monitoring and evaluation system, which records the outputs and impacts of the project by means of qualitative and quantitative indicators. Finally, the impact of the project and the monitoring and evaluation system are summed up in a standardised table (Logframe). This approach is accordingly rather a support for performance- and impact-oriented planning and evaluation of projects than an actual impact measurement method.

Another well-established method is the so-called *Outcome Mapping*¹⁰. It contains a system for documenting the progress of a project or program and a structured planning process. Central is a change of human behaviour. Contrary to classic impact measurement methods, the focus is not on the performance of a project and its effects. It concentrates on changes in behaviour (called “Outcomes”) of direct partners, with whom the project works (the so-called “Boundary Partners”). Outcome Mapping is a qualitative, participative approach and has been developed for internal learning and self-evaluation.

Within Social Entrepreneurship, a lot of different approaches claiming to assess societal impacts exist. It would be beyond the scope of this Working Paper to give an entire overview over all of these approaches. Therefore, two of them will be discussed representatively: BACO (Best Available Charitable Option) by Acumen Fund and SIMPLE (Social IMPact measurement for Local Economies) by Social Enterprise London.

*BACO*¹¹ is an example for a decision-supporting tool as it can be used by foundations. The aim is to compare a project to the best existing alternative regarding its impacts. The calculation cumulates in a key figure (BACO-ration), which contrasts the costs of one unit of social impact of the two alternatives. Mostly, this is a simple input-output-ration. The logic of comparing works out well whenever only one impact dimension is examined or both alternatives generate the same impact by using different inputs. Given this, the analysis is only limited applicably and comparably narrow.

*SIMPLE*¹² is an example for a management tool, which connects the strategic alignment of a project or organisation with impacts in order to point out societal impacts. In order to do so, five steps are necessary. First, in a kind of strategic analysis factors possibly developing a societal impact are

¹⁰ http://www.zewo.ch/impact/de/wirkungsmessung/hilfsmittel/outcome_mapping (19.9. 2014)

¹¹ <http://acumen.org/idea/the-best-available-charitable-option/> (19.9.2014)

¹² <http://www.proveandimprove.org/tools/SIMPLE.php> (17.9.2014) or <http://www.socialimpactscotland.org.uk/understanding-social-impact/methods-and-tools/social-impact-measurement-for-local-economies-simple/> (17.9.2014)

identified. They are then presented attached to daily activities. With indicators, these impacts should be monitored continuously, which is mostly only possible for short-term impacts. The results are then reported to all important stakeholder groups. The process as a whole and the data collection should be implemented in the ongoing operations of the organisation for controlling purposes. SIMPLE is an approach which can be adapted to concrete circumstances quite easily.

A comparison of the presented methods for impact analysis shows considerable differences. Measurement in the understanding of social sciences is only conducted by SROI, CBA, Logical Framework and possibly SIMPLE. All of the other methods focus on an analysis by experts or stakeholders, where the measurement of impact is not central. Regarding the valuation of impacts in monetary terms (monetization) it can be seen, that only SROI and CBA make use of this concept. What would have happened anyway without the organisation (deadweight) is taken into account by the SROI-Analysis only, and with restrictions as well by CBA and Logical Framework.

Another heterogeneity can be found in the amount of impact dimensions taken into account. The SROI-Analysis is again characterised by a wide range. For most of the other methods, it depends on the concrete arrangement or is restricted to a smaller or medium amount of dimensions. It is also variable whether the analysis can be conducted internally or externally. It is obvious that the more complex methods requiring social scientific know-how are rather conducted externally.

The financial input is taken into account by the vast majority of the discussed methods in some way. This is not surprising, as this is easily collectable and accessible data. A reference to impacts, however, is only carried out by SROI and CBA. BACO provides an input-output-ratio.

The different stakeholders are only taken into account broadly by the SROI-Analysis and the Logic Framework. All of the other methods provide some options or do not take them into account, as this is the case mainly with reporting approaches.

Summing up, the comparison of the described methods shows, that the SROI-Analysis is a broad and sound analysis. From the conceptual point of view, it can be seen as a variation of the conventional Cost-Benefit-Analysis, which already exist longer than SROI-Analyses. Furthermore, SROI strongly relate to the tradition of evaluation. Because of the logic of computing a key performance indicator, it is as well compatible with accounting approaches in the tradition of social and environmental accounting.

Figure 4 - Comparison of methods for impact analysis

	SROI	CBA	IRIS	Oekom-Rating	GRI	SRS	SAA	Outcome Mapping	Logical Framework	BACO	SIMPLE
Category	Economic evaluation	Economic evaluation	Rating	Rating	Reporting	Reporting	Analysis and reporting	Evaluation Impact analysis	Evaluation Impact analysis	Decision support	Impact concept
Focus on Measurement or Analysis?	Measurement and analysis	Measurement and analysis	Analysis	Analysis	Analysis	Analysis	Analysis	Analysis	Measurement and analysis	Analysis	Measurement and analysis
Monetization	Yes	Yes	No	No	No	No	No	No	No	No	No
Deadweight taken into account	Yes	Partly	No	No	No	No	Limited	No	Partly	No	To be decided individually
Extent to which impact dimensions are taken into account	High	Medium	Small	Medium	Small	Depending on the project	Depending on the concrete arrangement	Small	Depending on the concrete arrangement	Small	Medium
Social scientific methodology	Yes	Yes	No	No	No	No specification – only reporting framework	Depending on the concrete arrangement	No	Yes	No	Yes

	SROI	CBA	IRIS	Oekom-Rating	GRI	SRS	SAA	Outcome Mapping	Logical Framework	BACO	SIMPLE
Input taken into account	Yes	Yes	Yes, financial input	Yes	Yes, in the sense of reporting	Yes, in the sense of reporting	No	No	Yes, in the sense of an impact value chain	Yes, financial input	Not necessarily
Are impacts based on inputs? (Economic perspective)	Yes	Yes	No	No	No	No	No	No	No	Yes (but sometimes only output)	Not necessarily
Underlying impact value chain?	Yes	Yes (implicit)	No	No	No	No	Not necessarily	No	Yes	No	Yes (implicit)
Primary purpose of the method	Legitimation ; insight; comparison;	Legitimation ; insight	Comparison ; reporting; legitimization	Comparison ; reporting; legitimization	Comparison ; reporting; legitimization	Reporting; comparison;	Legitimation; reporting	Dialogue; insight; management	Dialogue; insight; management	Decision support (ex-ante) control (ex-post)	insight; management
Applicable as controlling tool (KPI)? Integrated in ongoing operations?	Limited	No	Yes, based on single indicators/KPI	Yes, based on single indicators/KPI	Yes, based on single indicators/KPI	No	Limited	Yes	Limited	No	Yes
Internally/Externally applicable?	Externally	Externally	Internally	Externally	Internally	Internally	Internally	Internally	Internally and	Internally	Internally

	SROI	CBA	IRIS	Oekom-Rating	GRI	SRS	SAA	Outcome Mapping	Logical Framework	BACO	SIMPLE
									Externally		
Degree of social scientific know-how required	High	High	Low	None	None	None	Small to medium, depending on the method	Low	High	Low to none	Depending on the project - Medium to high
Extent to which are stakeholders taken into account?	High	Medium	Little	Little	Little	No specification – only reporting framework	High	Medium (only defined project partners)	High	Little	Depending on the project, mostly medium

Source: own research

6 „Consensus-based set of indicators“

As we have already discussed, it is quite challenging to measure the impact of the third sector. Some studies cast light on the effects of certain types of third sector organizations or on a limited range of impacts but there are no empirical analyses of the impact of the whole third sector available. In a first step, therefore, the main indicators in the five areas in question have to be identified. The following chapter provides an overview of the indicators used in notable studies in these five areas of impact.

Regarding the areas of well-being, economic impacts and human resource impacts there is quite broad consensus for indicators in research. Thus, different approaches and methods use or suggest similar indicators. Not all of them, however, are related or relatable to the third sector. Whereas economic impacts focus rather on a macro level and are measured with indicators on an aggregated level, human resource impacts arise mainly on an individual level. As will be stated below, a lot of effort has been put in measuring well-being of societies and individuals beyond GDP and there is thus a large set of different indicators relating to different levels and different fields.

The attribution to the third sector is even more problematic when regarding indicators for innovation. The measurement of innovation and innovation activities has a long tradition within for-profit enterprises. Here, indicators for innovation are typically set up and collected for whole industries or even on the national level. In comparison, the third sector and its innovation potential has been neglected so far, although social innovation is being discussed intensively in the context of social entrepreneurship at the moment. The indicators suggested below thus draw rather on those used by national accounts and for-profit enterprises.

In the area of civic engagement and advocacy there are a lot of different approaches to the respective concepts. The question of how the particular terms can be defined and what is to be understood when talking about citizenship, empowerment, advocacy and the like is still the topic of a controversial discussion. As there is no consensus on this level yet, there is also no consensus-based set of indicators for measuring the impact in these fields.

6.1 Well-being and quality of life

Third sector organizations have long been associated with the provision of human services that contribute to well-being and the quality of life. In fact, this role of the sector is a principal focus of what has long been the dominant economic theory of the third sector, which views the existence



of this sector as resulting from a demand for services that neither the market nor government can provide due to inherent failures of these alternative institutions—i.e., the “free rider” problem in the case of markets and the need for majority support in the case of governments (Hansmann 1980; Weisbrod 1977). This kind of impact has received new attention, however, as a consequence of the already mentioned Stiglitz report commissioned by French President Sarkozy (Stiglitz et al. 2009). This report emphasized the need to “shift emphasis from measuring economic production to measuring people’s well-being,” and called attention particularly to the role that third sector institutions play as *providers of collective and individual services* such as security, health, education, culture and recreation as well as civic engagement and social capital. But well-being involves more than concrete services. It also includes subjective factors, such as *feelings of security, sense of well-being, confidence, and a sense of belonging* (Cummins 2000), all of which have also been associated with third sector organizations. Impact assessment related to well-being and life-quality must therefore be concerned with both of these dimensions.

There is no consensus on which variables determine well-being, but as Fujiwara (2011) notes, the main determinants, which can be found in the literature include the following areas: *Income, age, gender, marital status, educational status, employment status, health status, social status, religious affiliation, housing and environmental conditions and crime levels in the vicinity, number of children and other dependents* (including caring duties), *geographic region, non-market good being valued and personality traits* (such as extroversion) (Fujiwara 2011: 41).

As already noted above, especially the OECD has made efforts to measure, quantify and sustain well-being. In fact, this has become one of the key priorities of the organisation over the last decades. In its project “Better Life Index”, which has been launched on the occasion of the OECDs 50th anniversary, suggests a large set of indicators for well-being. The project recognizes the fact, that GDP alone is not a sufficient measure for wealth or well-being. On the contrary, some activities included in the GDP such as transport can actually reduce people’s well-being. The framework, on which the Better Life Index draws, focuses on three main dimensions of the complex concept of well-being: *material living conditions, quality of life and sustainability*. The emphasis is on households and individuals and their well-being outcomes, rather than drivers of well-being. It furthermore considers both objective and subjective aspects of well-being and takes a closer look on its distribution among individuals. The following dimensions are considered in the report “How’s Life?” as published on the results of the project by the OECD in 2011: *Income and wealth, jobs and earnings and housing as dimensions of material living conditions and health status, work life balance, education and skills, civic engagement and governance, social connections, environmental quality, personal security as well as subjective well-being and aspects of quality of life* (OECD 2011: 16-19).

Each of these dimensions is complex and diverse in itself. There is a vast literature on the topic of *subjective well-being*, mostly within an economic context. Dolan, Peasgood and Whyte (2007) deliver a sound state of the art and find 19 different methods of measurement. Most of them



propose a very simple way to assess SWB, on the basis of one to three questions (Dolan et al. 2007). *Health status*, which might be an important aspect of well-being influenced by the activities of nonprofit organisations, affects in turn many of the other dimensions: A good health status improves the chances of having a job and thus adequate income, social connections and status. As many aspects of health status are difficult to define and even more difficult to measure, the OECD report has chosen outcome indicators closely related to those proposed by the Framework on Health Statistics developed by the UN Statistical Commission. They include *life expectancy at birth, infant mortality rate, self-reported health status, self-reported longstanding illness, self-reported limitations in daily activities and overweight and obesity*. Data exists for all of this indicators in most OECD countries. However, the measurement methods for the self-reported information differ and strictly harmonised data only exists for European countries. They are thus considered as secondary indicators only (OECD 2011: 105-108).

On the European level, the project “Beyond GDP” invoked by the European Commission has similar aims. As mentioned above, EUROSTAT has developed several indicators on sustainable development within this framework. They include socioeconomic development, sustainable production and consumption, social inclusion, demographic changes, public health, climate change and energy, sustainable transport, natural resources, global partnership and global government. Not all of them are explicitly related to the concept of well-being, but some are similar to the ones proposed by the OECD and some are more concerned with the sustainability dimension of growth and development. *Public health* again focuses on two sub-dimensions, *health and health inequalities and dimensions of health respectively*. To the former, data providing information on *life expectancy, healthy life years and suicide rates* is attached. The latter includes *information on urban population exposed to air pollution or noise, serious accidents at work and production of toxic chemicals* (EUROSTAT 2014).

A project related to the Beyond GDP initiative is the Social Progress Index, which was built in order to “provide a robust, holistic and innovative measurement tool to guide countries’ choices to enable greater social progress and foster research and knowledge-sharing on the policies and investments that will best achieve that goal”. Besides Basic Human Needs and Opportunity, it also contains a dimension called Foundations of Well-Being, which again is built on the following four sub-dimensions: Access to basic knowledge, access to information and communication, health and wellness and ecosystem sustainability. The dimension of health is measured by similar indicators as proposed by the OECD or EUROSTAT. The main indicators listed are *life expectancy, non-communicable disease deaths between the ages of 30 and 70, obesity rate, outdoor air pollution attributable deaths and the suicide rate* (Social Progress Imperative 2014). The importance of well-being for policy makers is also reflected by the development of the Happy Planet Index (HPI) for sustainable well-being. It considers three main areas: *Life expectancy, experienced well-being and the ecological footprint* (NEF 2012: 11).



Apart from these large scale projects by international bodies and organisations, attempts have been made to find indicators for well-being in order to enable organisations to measure their impact on the concept. One such attempt is a project by the New Philanthropy Capital on mapping outcomes for social investment. Personal and social well-being has been identified as one of the 13 key areas which should be influenced by social organisations. The following four key outcomes concerning well-being are defined by the NPC: *Improved feelings of self, improved relationships with families and friends, improved perception of and connectedness to the community and improved overall life satisfaction*. The influence of certain projects and organisations on these outcomes can be measured by output indicators, such as the number of people reporting improved feelings of self-worth after taking part in a programme (NPC 2013). Our project partners from Croatia have suggested a similar approach in order to measure impact on well-being and the quality of life, i.e. by counting the number of people reporting satisfaction with the social services provided or improvement of their quality of life.

The Urban Institute, in collaboration with the Center for What Works, has tried to identify a set of common outcomes and outcome indicators in order to measure the performance of nonprofit organisations. Within this project, 14 separate programme areas have been selected, including health risk reduction, which is again related to well-being (The Urban Institute 2006: 4).

6.2 Innovation

Measuring innovation and its contribution to growth as well as deriving policy implications from this process has been on the agenda of various international organisations and bodies such as the EU and the OECD for a couple of years now. It has often been argued that the understanding of innovation has to go beyond spending on R&D or counting scientific publications on certain topics.

The OECD has published a manual on Measuring Innovation along with its Innovation Strategy in 2010, stressing the importance of innovation in the post-crisis economy and recording the fact it is no longer only carried out in research laboratories or universities, but in fact more and more becoming a domain of civil society and individuals as well (OECD 2010a: 3). Accordingly, there are four areas important for innovation: *Empowering people to innovate*, which is captured by *educational and human resources related indicators*, *unleashing innovation in firms*, measured by indicators concerning the *entry and exit of firms*, *policy environment* as well as the existence and activities of *young, innovative firms*; *investing in innovation*, where the importance of *government funding* is stressed and the ability to *reap returns from innovation*, where measurement is approached through the *quantity of scientific collaborations*, *knowledge clusters*, *science and industry linkages* and the like. The OECD as well stresses the importance of innovation when



addressing global challenges, such as health and suggests to include indicators like *expenditures on health* and *health-related innovations* (OECD 2010b).

The European Union has developed the Innovation Union Scoreboard, a complex index consisting of several indicators. They are divided into the three main areas of *enablers*, *firm activities* and *outputs*, where each again contains certain innovation dimensions which again are measured using concrete indicators. The innovation dimensions of enablers are *human resources*, *open, excellent and attractive research systems* and *finance and support*. Indicators used are i.e. the *percentage of doctorate holders* of the population, the amount of *international scientific co-publications* or the *percentage of GDP spent on R&D*. Firm activities include the dimensions of *firm investments in both R&D and non R&D-innovation expenditure*, *linkages and entrepreneurship* and *intellectual assets*, such as the amount of *patent applications*, *community designs* or *trademarks*. Within in the last dimension, outputs, the *amount of and the employment generated by innovators* as well as *general economic effects* are measured (European Commission 2014: 10).

These international methods as well as national surveys focus on the macro and meso level, such as expenditure on R&D, HR indicators or the impact of innovation on GDP-growth, on the one hand and on firms and for-profit enterprises and their degree of and contribution to innovation on the other hand (see for instance Polt et al 2014: pp. 49-50). Little attention has been paid to the question, in which ways the third sector can be a source or a driver of innovation. One such attempt has been made by Greffe (2003), who has stressed that third sector organizations are spaces of freedom and unforced activities, where volunteers and professionals in partnership with other stakeholders, are in position to respond creatively to new challenges, to develop new forms of organisation and interactions, and respond to social demands that are traditionally not addressed by the market or existing institutions. Indeed, TSOs are in a position to generate both types of social innovations that he identifies—macrosocial innovations such as new forms of social organisation or networked approaches to addressing public problems, as well as micro-social innovations such as new services that the market does not supply, as well as attention to economic or social values that market production fails to value (such as social integration, well-being, sustainable development) (Greffe 2003: 194-200). For the latter, he also suggests different kinds of indicators in order to see whether or not the *innovation conducted by the third sector differs from other sectors*, to measure the *volume of services provided*, the *number of jobs created* and the *production of values or social capital* as well as the *diversity of funding sources* and thus how likely the organisation is to survive a sharp decline in one of the sources (Greffe 2003: 206-209).

More general, social economy literature has also stressed third sector entities, in their case mutuals, cooperatives, and social enterprises, as significant sources of social innovation and social change, contributing to labour market integration, fighting social exclusion and poverty, creating



social capital, and developing new services and ways to address unmet social need (Chaves and Monzón, 2012; J. Defourny and Develtere, 1999; Julià and Chaves, 2012; Nicholls, 2004).

6.3 Civic engagement, empowerment, advocacy, community building

A third perspective on the role and impact of the third sector emphasizes the role that third-sector organizations play as arenas for civic and political participation and as schools for democracy (Almond and Verba 1963; Tocqueville 2000 [1835]). Closely related to this line of thinking is the emphasis recently placed on the third sector as a major contributor to social capital, to those bonds of trust and reciprocity without which neither democracy nor markets can operate (Putnam 1993, 2000). Howard and Gilbert (2008), for example, find empirical support for the Tocquevillian argument according to which those persons with greater levels of involvement in voluntary organizations also engage in more political acts, have higher life satisfaction and are more trusting of others than those who do not. Third sector organizations also play a central political role by channelling, articulating and advocating individuals' and groups' interests and values (Habermas 1998) and by participating in policy networks (Rhodes 1997) or advocacy coalitions (Sabatier 1998).

A particular focus of attention has been the impact of participation in third sector organizations on civic participation. Such organizations are seen in this literature as crucial "mobilizing agencies" engaging and motivating citizens (Rosenstone and Hansen 2003). Voluntary associations are also seen from this perspective as major contributors to social capital, to the norms of reciprocity and trust thought to be crucial for democracy and a thriving market economy (Castiglione et al. 2008; Putnam 1993, 2000; Sivesind et al. 2012). However, the direction of the causal link between participation in third sector organizations and micro or macro measurement of trust, civic engagement and political participation remains unclear and not systematically investigated.

Within European policy making, the term of Active Citizenship has been widely used. It contains central themes such as community, political life and democratic values and emphasises the importance of participation in civil society (Hoskins and Mascherini 2008: 464). The following measureable concepts have been identified in order to assess Active Citizenship by applying the Active Citizenship Composite Indicator: *Protest and social change*, *community life*, *representative democracy* and *democratic values*. Each of these concepts can be measured by a number of indicators (Mascherini et al. 2009: 12). The first two relate to activities conducted by individuals. Protest and social change is referring to rather unconventional forms of participation with a political perspective, such as demonstrations. Community life contains institutionalised forms of



activities within smaller groups and communities. Both of them can be measured and quantified, i.e. by counting the number of individuals involved in the respective kind of activity. Representative democracy attempts to measure the extent of engagement within the political process, whereas democratic values emphasises the value-dimension of this form of participation (Hoskins and Mascherini 2008: 465-466).

The above cited study by Howard & Gilbert (2008) differentiates between extents of participation. Based on the European Social Survey (ESS), they construct the categories of *inactive*, *passive*, *active* and *super-active membership or participation* in civil society organisations and find a positive correlation with life satisfaction, political action and trust. Passive membership includes for instance donating, active membership means volunteering or participating, whereas super-active implies a high level of commitment to and activity in the organisation (Howard and Gilbert 2008: 17-20). Similar distinctions of the extent of participation can also be found in other surveys, such as the German Freiwilligensurvey (see Alsche et al. 2009: 21). The UK Citizenship Survey looks at four key areas of citizenship: *Community action*, *community spirit*, *harassment and discrimination* and *violent extremism*. *Participation* is one of the indicators of community action and divided in three main strands: *civic activism*, which implies involvement in decision-making processes, *civic consultation* and *civic participation*, which covers all wider forms of engagement, such as protesting, signing a petition and the like. These dimensions are measured by the number of people engaged in the respective form of participation. Further indicators are the subjective feeling of the possibility of *influencing decisions* on a community or higher level as well as the level of *trust in institutions*. Community spirit is measured by questions concerning *cohesion*, *belonging*, *meaningful interaction* with people from different backgrounds, *satisfaction with local area*, *attitudes towards immigration* and *fear of crime*. In the two remaining fields, harassment and discriminations and violent extremism, questions concern experiences with and attitudes towards them (Communities and Local Governments 2011). The above mentioned ESS 2002 contains a set of question concerning the *field and frequency of engagement and participation*, questions concerning *trust* as well as opinion questions on what it takes in order to be a “good citizen”.

The connection between volunteering and other forms of participation and engagement and *social trust* has been examined by some studies. Sivesind et al find a positive correlation between volunteering and trust depending on the institutional context of a country (Sivesind et al. 2012). Various positive impacts of volunteering on the volunteers themselves as well as on the communities they live in have been pointed out elsewhere (see for instance Ockenden 2007) and will as well be discussed in chapter 6.5 of this paper.

Another effort to assess the impact of the third sector at a societal level can be found in the CIVICUS Civil Society Index (CSI) work. The CSI is a participatory needs assessment and action-planning tool for civil society and “Impact” is one of the dimensions it attempts to assess. Over the past 10 years the CSI has been implemented in more than 75 countries. Based on these



findings CIVICUS recognises that many civil society organisations have changed and that there is the need to adapt measurement tools more to local contexts. This is why they developed a new civil society rapid assessment (CSI-RA) tool in order to better capture the needs, strengths and challenges of civil society. (www.civicus.org) One of the dimensions of CSI-RA is “citizens participation and activism”, which includes the following four sub-dimensions and six categories: 1. *Nature and characteristics of civic engagement (categories: extent of engagement, depth of engagement, motivation for engagement)*, 2. *Trust within society (category: trust groups)*, 3. *Impact of civil society (category: CSOs and community's impact)*, 4. *Activism and ITCs (category: activism and new technologies)*. Each category contains 6-15 specific indicators CIVICUS 2012).

Choosing indicators for *advocacy*, however, is even more challenging. The Urban Institute suggests an outcome sequence map, where the end outcomes of a certain advocacy campaign or attempt have to be chosen accordingly to the concrete purpose. Examples given are the *number of people targeted with information* on a certain issue, the *number of organisations involved in meetings, coalitions and campaigns*, whether there is a *favourable legislative or governmental action* as well as the concrete *number of regulations changed* in favour of the issue (The Urban Institute s.a.).

6.4 Economic Impacts

A fourth line of thinking about third sector organizations goes beyond their social and political impacts to emphasize that third sector organizations are often important economic actors in their own right. This point has long been a central assertion of students of cooperatives and mutual (Chaves and Monzón 2012; Monzón and Chaves, 2008a). But it was also a central focus and conclusion of the Johns Hopkins Comparative Nonprofit Sector Project, which focused on a component of the third sector— the nonprofit associations—that is not often identified as having a significant economic footprint and demonstrated that in fact this set of institutions engages the largest, or second largest, workforce of any other industry in a number of European countries, especially when the full-time-equivalent work of volunteers is included (Salamon 2010; Salamon et al. 1999; Salamon et al. 2004).

Whenever speaking of the economic impact of nonprofit organisations, it is pointed out that they *contribute to GDP and employment* on a large scale (see among others Monzon and Chaves 2008: 569). The John Hopkins Project estimates, that operating expenditures of NPOs amount for 5 percent of the GDP on average for the 42 countries included in the dataset. The *source of funding* plays a crucial role in this context as well. More than half of the income of the organisations examined by the project is generated via fees and similar sources, whereas only roughly one third is derived from public funding. Philanthropy accounts for the rest. Another important field often



mentioned is the structure and amount of employment by nonprofit organisations. Indicators examined in this context are for instance the *nonprofit organisations workforce as a share of the economically active population*, the *hours worked* within the sector or the *ratio of paid workers to volunteers* (Salamon 2010: 187-189; CIVICUS 2012). Volunteers in general are an important resource for nonprofit organisations. Several surveys on volunteering exist on a national level and it is often said that nonprofit organisations would likely not be able to exist without their volunteers (von Schnurbein 2012: 44-45). Indicators relating to the structure of paid as well as volunteer employment, such as the *amount of volunteer hours worked* in organisations can also be found in the Impact Reporting and Investment Standards (IRIS). In the UK for instance there are reliable data sources for most of these quantitative economic impact indicators: The UK NCVO Civil Society Almanac gives detailed account on income, work force and volunteering of British third sector organisations (NCVO 2014). Within the Charity Register Statistics, details about gross income of registered charity organisations can be found. It is furthermore important to mention that the third sector is developing very dynamically, as can be measured by looking at the *NPO sector growth relatively to GDP growth* (Salamon 2010: 201).

The economic importance of the third sector has also been acknowledged by international organisations in the last decades. The United Nations has developed a manual on including nonprofit organisations into the *system of national accounts* (UN 2003). The International Labour Organisation (ILO) is still undergoing a process on how to best measure and evaluate *volunteer work and its impacts*. In its recently published manual, the organisation not only stresses the importance of volunteer work in economic terms but also the necessity to make it visible through comparable, reliable feasible, efficient and effective measurement (see ILO 2011).

The economic impacts of the third sector potentially go well beyond these direct outputs, however. Numerous scholars have noted the contribution that a vital third sector can make to work integration of disadvantaged workers (Davister, Defourny and Grégoire), to urban regeneration (Jacobs, 1961), and to local development in general (OECD, 2007). Especially the ability of third sector organisations to *link economic and social goals*, by for instance creating jobs for people who otherwise have difficulties in finding work has often been accentuated in the literature (see for instance Greffe 2007: 98).

6.5 Human resource impacts

A final important perspective on the impacts of the third sector relate to the impacts these organizations have not on the society at large but on those who work in third sector organizations. This set of impacts has been emphasized most explicitly by students of



volunteering, but it applies as well to paid personnel. Thus, for example, Rochester et al. (2010) emphasize the benefits accruing to volunteers in terms of increased satisfaction, personal achievement, social networks and relations, skills, competences, personal development, enhanced employability, improved mental and physical health and well-being. Similarly, Wilson (2000) identifies four areas where research has pointed to positive consequences of volunteer work for the volunteer: citizenship (volunteers are more politically active and trusting than non-volunteers), antisocial behaviour (being a volunteer keeps young people out of trouble), health and wellbeing (volunteers enjoy better health in old age, have better self-esteem and self-confidence, and higher levels of life satisfaction), and socioeconomic achievement. Additionally, third sector organizations offer a space for work integration for individuals excluded from the labour market and provide job experience to young people, to individuals with disability, and to the long-term unemployed.

The positive effects of volunteering on various aspects of people's lives have for instance been pointed out by Ockenden 2007. Besides the impact on communities and social security, he stresses the importance of volunteering for *social inclusion*, *quality of life* and health as well as the *life-long learning* process of individuals. Accordingly, participating and working voluntarily in a third sector organisation does not only *improve skills and employability*, but also enhances their social network, provides the possibility for *social and economic support*, *empowerment* and *integration*. It furthermore has positive impacts on their physical and mental health status (Ockenden 2007: 19-30). Studies from the US as well have found positive impacts of volunteering on *health status*, *mortality rates* and *mental well-being*. Also, volunteers tend to have a higher level of overall *life satisfaction* than others (National Community Service 2007).

Equally important are the positive effects of third sector organisations on their paid workers. It has been shown that the employees of third sector organisations often express a higher work satisfaction and are more intrinsically motivated than for-profit employees (Benz 2005; Borzaga and Tortia 2006).

Job satisfaction is a concept widely used by international or national surveys related to development and well-being. An important remark made by some theorists is that this concept contains two different dimensions. Accordingly, there is an *intrinsic* and an *extrinsic dimension* to job satisfaction. The former depends on *relations with supervisors*, the *ability to use initiative* and other qualitative aspects of work, the latter relies on situational factors, such as *payment*, *working hours*, *job security* and the like (European Foundation for the Improvement of Living and Working Conditions 2007: 4). Some studies and surveys go without this distinction whereas others provide an even more detailed one. Suggestions made for categories and their respective indicators concerning job satisfaction are presented in the following.

Generally, job satisfaction is often measured by directly questioning respondents, whether they are satisfied with their present job offering categories from "very satisfied" to "dissatisfied/not at



all satisfied". The US-American National Longitudinal Study of Youth asks the interviews, how they feel about their job or employer (Benz 2005: 161; OECD 2009: 122; European Commission 2012b). Additional indicators used by the OECD for work satisfaction are the attitudes of workers towards their *hours of work, payment, job security* (OECD 2009: 122), which again relate to the above mentioned extrinsic dimension, as well as factors regarding the intrinsic dimension, such as *future prospects/career perspectives, job content* and *interpersonal relationships* (Clark 1998: 3). These indicators, however, have been developed for a general level and are not third-sector specific. There are some studies explicitly relating to job satisfaction and motivation within the third sector. The indicators they adapt and the most important findings are discussed below.

Tortia (2008) exploits data collected among about 200 Italian social service providers, most of them being nonprofit organisations, on the work satisfaction of their employees. He distinguishes between *material* and *immaterial sources of satisfaction*. Items for material job satisfaction contain all of the above already mentioned indicators plus *working environment*. Indicators for immaterial job satisfaction are again *relationships with superiors* as well as *colleagues and volunteers, professional development, decision making authority, recognition of one's contribution, variety and creativity* on the job and the *usefulness* of the job for beneficiaries. He finds that the latter reach higher scores among the questioned employees (Torita 2008: 2084-2085). Benz (2005) on the basis of British and US-American survey data finds a generally higher level of job satisfaction among persons working in nonprofit firms than those working in the for-profit sector, but stresses the restriction that this might be an industry specific effect to some extent, because NPOs often seem to operate in areas with overall higher job satisfaction (Benz 2005: 163-169).

Borzaga and Tortia (2006), using the same dataset as Tortia (2008), differentiate not only between motivation and satisfaction of workers, but they also divide the motivations and incentives concerning work in an organisational and an individual perspective. The main fields of the individual's, thus worker's, perspective are *intrinsic aspects*, including the *opportunity for self-fulfilment* and a *contribution to society*; *extrinsic aspects* such as whether work is regarded as a *necessity*, a *hobby* or a way to gain *recognition*; *economic aspects* covering whether the prime goal is to *earn a living*, to *earn as much as possible* or to *support the family* and *relational aspects*, or whether the job is seen as an opportunity to form new *relationships*. The authors show that the intrinsic aspects are significantly higher than the extrinsic ones for nonprofit workers (Borzaga and Tortia: 236-240).

Explanations offered for the higher level of motivation of nonprofit employees are, among others, higher pro-social motivation (Benz 2005) and a higher level of wage equity and thus perceived fairness within nonprofit organisations (Leete 2000; Tortia 2008).

The above mentioned CIVICUS project as well has suggested indicators for measuring human resources in the context of the degree of institutionalisation of an organisation. They include



among others the *share of volunteers* compared to paid staff, the *turnover time*, whether it is *prestigious* to work in the third sector, whether there are *internship opportunities* and opportunities for *trainings* and other forms of *professional development* (CIVICUS 2012). Within this project it has been suggested by the Croatian partners to measure human resource impacts i.e. by counting the *number of people enrolled in training programs* in third sector organisations.

6.6 Perspective of Stakeholders

In 7 target countries so far stakeholder-meetings were conducted. This report is thus based on input from national meetings in Austria, Norway, France, Croatia, Poland, United Kingdom and Germany. Also input from free contributions on line registered as “web” for country were collected. Mainly experts from umbrella organizations, the media and academia participated. Purposes of the meetings were to give stakeholders the information needed to raise awareness of TSI as a cross-EU research effort; to gather their insights on which “domains” should be explored, and how this should be done, in assessing the third sector’s impact; and to facilitate a discussion of how the third sector’s impact is shaped by current national situations.

Generally, stakeholders are aware that fundamental, long term impact measurement is highly demanding, in terms of resources and in theoretical terms. Thus, although the existing body of evidence is often patchy and insufficiently outcome focussed, drawing together this material systematically would still be a crucial and necessary first step in developing knowledge in this area. This effort will sharpen our understanding of where gaps in knowledge are most severe, and facilitate discussion of future priorities; and it could also be the case that available measures could, in some circumstances, act as defensible proxies for impact. Further, the question was raised, if there are specifics that go along only with non-profit-„production“. It was also discussed, if this is a necessary criteria or if it is enough to name and show the impacts of the Third Sector organizations.

Quality of Life & Wellbeing and Civic Engagement, Empowerment, Advocacy & Community Building having been stressed as the priorities across different countries from the stakeholder meetings. Thus, with the other dimensions being seen as important too, stakeholders developed the idea that Quality of life& Well being and Civic engagement domains were primary, embodying impacts which may be more existential for the sector than other dimensions.

Giving the fact that the Third Sector is mostly dominated by social service organizations, it is specifically interesting, that impacts regarding the field of influence on culture, political climate, empowerment, open-mindedness etc. were dominating the discussions. Thus, general participation is the most important factor in all countries. The stakeholders saw main impact reached by different forms of advocacy and political work. Thus, crucial impacts expected from the Third Sector were raising consciousness, empowerment, engagement, self-determination as



well as influencing policy framework, the recognition of stigmatised groups and the protection & strengthening disadvantaged people. The dimension of impacts of the Third Sector on Quality of Life & Wellbeing are seen as the second important area, here strong interconnections with economic and human resources impacts are seen. Corresponding well to our literature-report, stakeholders name very few impacts or ideas for impact measurement concerning innovation.

Stakeholders have also stressed further impacts, especially environmental impacts, securing social peace, bridging between economic and social sphere, watchdog-function, knowledge transfer between organizations for enhancing effectiveness cultural enrichment. They suggest research to move towards the adoption of indicators and metrics of impact (or proxies for impact) which were nuanced enough to capture the longer term, intangible and relational aspects of third sector action which can be seen in connection to “educational power/importance” and “talking about transformation” that has emerged also other in countries and domains.



7 Conclusion

In this working paper, methodological guidelines for impact assessment have been developed. It has been shown in which areas and under which various aspects impact is currently debated. Furthermore, the term “impact” itself has been defined and the difference to “outcome” has been emphasized. It is crucial for all types of impact measurement to consider effects, which would have happened anyway. For the further proceedings of this project, this implies that the following question has to be assessed: Which impacts can be attributed exclusively to the third sector? For this purpose, different methodological approaches are proposed in the paper. An important part is therefore also the review of existing literature as well as official reports and policy documents, which provide an overview over the current status of the topic impact measurement and indicators concerning the third sector. It can be shown that there are concepts for impact measurement in different areas, which can partly be taken into account for this project. However, they rather provide a framework than concrete methodological approaches. Above all, there is a lack of specific indicators, which could be applied for impact measurement.

The described theoretical framework provides the basis for the further methodological proceeding on measuring the impact of the third sector. Starting point for this is the Impact Value Chain, which is a logical comparison of the components of a program or an organisation, namely input, activities, output, outcome and impact. On this basis, the two-level impact model has been used, which can be applied on measuring impact on a macro-level. Impact does not only mean effects in the sense of fundamental societal impacts but also every consequence of an activity. Nevertheless the third sector produces a set of impacts, which again influence these fundamental societal goals indirectly. The model thus provides two general levels: The supporting impact value chains on the first level, which influence different parts of the meta-impact value chain on the second level. For measuring or assessing effects of the third sector, it has therefore first to be defined which type of outcome/impact or which impact goals are involved. Referring to the theory-based areas of impacts, this implies the following: If the third sector provides activities or services, which contribute to the improvement of the beneficiaries’ health status, the well-being of these individuals is directly influenced. This is a fundamental societal impact on the meta-level. In the area of innovation, however, activities that aim to establish innovative services can be undertaken. This kind of impacts influences the activities on the second level of the impact value chain and thus only indirectly influence the enhancement of well-being. Many effects in the field of economic impact, as e.g. “contribution to GDP and employment”, alter the input on the second level of the impact value chain. The positive effects of volunteering, on the other hand, e.g. higher social inclusion, influence the outcome or impact of the meta-impact value chain and provide thus fundamental societal impacts. Each of the impacts generated by the third sector can thus be located within the model. Thereby it can be seen, which types of impacts and which impact goals on a meta level are addressed.



Furthermore, the so-called Impact Box is presented. This instrument helps to cluster and locate effects. Impacts in the sense of fundamental societal impacts can be considered within three different domains: time, structure and topic. In the further proceeding of this project, it can be assessed in which area the third sector generates a particularly large number of impacts (e.g. short-term, on the micro-level in the social domain). It can be furthermore decided, whether in fact all impacts should be measured or whether there should be rather a focus on a certain area.

Apart of the theoretical framework, the paper gives an overview over selected methods for impact measurement. These methods are described and compared to each other regarding relevant criteria. It becomes apparent, that there are no specific methods for impact measurement on the macro level. Accordingly there is a strong need to further development in research on this topic.

Finally, within the five theory-based areas of impact, relevant indicators for measuring the impact of the third sector have been identified based on literature and central studies and expanded by suggestions of some project partners. It can be seen, that in the areas of well-being, economic impacts and human resource impacts, there is a broader consensus for indicators in research than in the areas innovation and civic engagement. Additionally stakeholder-meetings in seven countries were performed. Stakeholders confirmed our selection of areas of impact, with specific priority being given to both Quality of Life & Wellbeing and Civic Engagement, Empowerment, Advocacy & Community Building.

In general it is quite challenging to identify appropriate indicators because no empirical analyses of the impact of the whole third sector are available. This means that there is a big demand for further research. We recommend to select single indicators on the basis dimension of indicators collected in Chapter 6 for the course of the project. Nevertheless, even on the basis of in-depth-literature analyses, the selection of indicators as well as the assessment of impact are quite challenging for some reasons. Concerning indicators, many of them are belonging to more than one dimensions of impact. More important, for some of the specific functions and forms of impact of the Third Sector, indicators are hardly to be found whereas it is much easier to design indicators for pure economic measurement. Thus, it is to be kept in mind, not to neglect those forms of impact, that are hardly to be measured, like for instance, changing people's attitudes or enforcing trust in society. Furthermore, concerning impact measurement, we have a severe problem of assessing causalities, the deadweight, long-term and unintended effects. We suggest, very much in agreement of the outcomes of the stakeholder-groups, for the further research of the project to concentrate deliberately on specific forms of impact of the Third Sector, i.e. on advocacy, contributions to social change, trust, social capital and so on.

Further steps of the project will be an in-depth analysis of existing data sources for methodological purposes and a first estimation of TSO's impact in Europe in comparative terms. This will consist in analysing existing data sources in order to 1. elaborate a set of methodological



guidelines for further development of the measurement of TSOs impacts; and 2. to provide a first comparative assessment of Third Sector's impacts across Europe and to explain observed differences.

Additionally, the analysis of existing micro-data at the individual and organizational levels (for the European countries where these data are available) will give a basis for outlining the development trends of the European Third Sector over time.



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