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Innovative Financing for Educational Equity: The Potential of Social Impact Bonds in Germany

Benedikt Suhr, 55389

Work project carried out under the supervision of:

Prof. António Miguel

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Abstract

This thesis investigates the viability of Social Impact Bonds (SIBs) in funding educational equity initiatives in Germany, with a focus on ArbeiterKind.de, an NGO addressing disparities in educational success between children from worker and academic households. SIBs, emerging in the UK in 2010 as pay-for-success financial tools, link private investment to public goals, funding social interventions with returns contingent on success. This study explores SIBs' adaptability in education, assessing their feasibility and strategic potential for ArbeiterKind.de's specific challenges. Despite SIBs' promises, the thesis questions the suitability of ArbeiterKind.de's intervention model for SIBs, highlighting the complexity of successfully implementing such a financing mechanism.

Keywords

Social Impact Bonds, Social Financing, Educational Disparity, Non-Governmental Organizations

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1. Introduction

Innovative financial mechanisms are increasingly recognized as vital tools in addressing social disparities, particularly in education. This thesis focuses on exploring the potential of Social Impact Bonds (SIBs) as a sustainable and effective financing model for interventions aimed at reducing educational disparities in Germany. Central to this exploration is the case study of ArbeiterKind.de, a German non-governmental organization (NGO) that plays a pivotal role in bridging the educational divide between students from worker¹ and academic² households.

The educational landscape in Germany, characterized by significant disparities influenced by socioeconomic backgrounds, necessitates novel approaches to funding and intervention. Despite increased education spending post the OECD's PISA study revelations (OECD, 2016), children from worker households continue to face considerable barriers in accessing higher education. This not only hampers their academic and professional prospects but also perpetuates socioeconomic divides (Kracke, Buck & Middendorff, 2018; Statistisches Bundesamt, 2022).

ArbeiterKind.de's interventions focus on providing guidance, support, and mentorship to first-generation university students from worker households. While their efforts have reached thousands of students, the challenge lies in ensuring the sustainability and scalability of such interventions. This is where the concept of Social Impact Bonds (SIBs) comes into play. SIBs, as a form of "humanitarian finance" (Andreu, 2018), offer a novel mechanism for funding social interventions. These bonds are not merely financial instruments but represent a shift in approach towards outcome-based social project financing (Holtfort, 2018).

¹ Instead of using the term non-academic household the term worker household will be used to shed a light on the existing socio-economic reality of this children instead of focussing on the part that is missing.

² Academic household is defined as a household where at least one the parents have a university degree.

This thesis aims to dissect the feasibility of applying SIBs to fund initiatives like those of ArbeiterKind.de. It will scrutinize the effectiveness of ArbeiterKind.de's current interventions and the potential for these interventions to be adapted to the SIB model. The thesis will also consider the broader implications of using SIBs in the German educational sector, examining both the advantages and the limitations of such an approach.

In sum, this investigation seeks to contribute to the discourse on innovative financing in education. By combining a critical analysis of ArbeiterKind.de's initiatives with an in-depth examination of SIBs, the thesis aims to offer valuable insights into novel financial approaches for addressing educational equity.

2. Methodology

To understand if a Social Impact Bond is a feasible instrument to finance interventions in Germany that aim to reduce the educational success disparity between children coming from worker households and academic households this thesis will investigate if the current interventions of the non-governmental organization (NGO) ArbeiterKind.de in Germany is a suitable and strategic programme that can be financed using a Social Impact Bond (SIB). The following structure will be used to provide a possible answer: 1) Illustrate the nature of Social Impact Bonds 2) An overview of the current social problem 3) Analysis and performance evaluation of the current interventions from ArbeiterKind.de. The presented research will then be used to explore a potential application of SIBs to finance ArbeiterKind.de's intervention including potential limitation.

3. Social Impact Bond / Literature Review

Governments strive to provide adequate social services, but these often fail to resolve social problems. In cases where government services are insufficient, non-profits and NGOs attempt to fill the gap. Despite these efforts, social inequalities persist due to limited resources, both

financial and personnel, or ineffective resource utilization (Gustafsson-Wright et al., 2015).

This ongoing issue has spurred the need for innovative solutions addressing resource scarcity and inefficiency.

Originating from a novel approach to finance social interventions, the first Social Impact Bond (SIB) emerged in the United Kingdom in 2010³. SIBs, pay-for-success financial instruments, aim to attract socially motivated investors and philanthropists (Barclay, Symons, 2013). SIBs function by forming contracts among commissioners (governmental actors), service providers, and investors. Investments fund social interventions, with successful outcomes yielding compensation and potential financial returns for investors from commissioners (Barclay, Symons, 2013). Conversely, if outcomes fall short, investor repayments diminish or vanish, shifting financial risk to investors as commissioners only pay for successful interventions.

Alongside the three primary parties in a Social Impact Bond (SIB), the population in need plays a crucial yet non-contractual role as recipients of the interventions (Gustafsson-Wright et al., 2015). An intermediary is typically appointed to coordinate SIB aspects, manage capital, structure financial transactions, and oversee service provider performance (Gustafsson-Wright et al., 2015). An independent evaluator is also essential for verifying SIB outcomes (Gustafsson-Wright et al., 2015).

SIBs, with their outcome-based approach, shift focus from outputs to outcomes, offering potential benefits to all parties. Investors like foundations and philanthropists can earn returns, unlike traditional social cause donations. Commissioners get to trial new solutions

³ The first Social Impact Bond was created in 2010 by Social Finance Ltd. in the United Kingdom. It was developed to fund a program aimed at reducing reoffending rates among short-sentence prisoners released from Peterborough Prison. This innovative financial mechanism was designed to attract private investment for public sector projects with measurable social outcomes, whereby returns to investors are contingent on achieving these outcomes.

with reduced initial risk, paying only upon successful outcomes. Service providers, with capital and outcome evaluation requirements, are motivated towards innovation. This, in turn, benefits the needy with improved social interventions. The growing use of SIBs is also expanding the market for intermediaries and independent evaluators, enhancing the social finance sector.

Social Impact Bonds (SIBs) function on four core principles. Firstly, they require significant, *measurable outcomes* linked to long-term individual benefits and backed by evidence, appealing to investors, and aligning with funders' agendas (Gustafsson-Wright et al., 2015).

Secondly, SIBs should have a *realistic timeframe* for achieving these outcomes, considering legal and political factors, and based on robust evidence from past evaluations.

Thirdly, SIBs must be established with *evidence of success*, derived from evaluations of similar interventions, preferably using randomized control trials to ensure evidence reliability (Gustafsson-Wright et al., 2015).

Lastly, SIBs need *supportive legal and political environments*. These conditions should facilitate government payments for outcomes, enable fund allocation to intermediaries, and safeguard investor contracts, thereby fostering capital investment in the impact bond (Gustafsson-Wright et al., 2015).

By 2023, Germany had successfully established and completed three Social Impact Bonds (SIBs) in Osnabrück, Augsburg, and Mannheim, focusing on education (Mannheim), employment and training (Augsburg), and child and family welfare (Osnabrück). While the SIBs in Osnabrück and Augsburg showed favourable results, improving on their predefined outcome metrics, the Mannheim SIB, impacted by the COVID-19 pandemic's effect on the education system, didn't meet its intended outcomes. However, its interventions were

integrated into the city's programs (Benford; Nyssing, 2023). Overall, SIBs in Germany have demonstrated considerable potential across various social issues.

In a Social Impact Bond (SIB), *the goal-oriented nature* allows for the success of interventions to be measured by specific, observable outcomes rather than traditional operational metrics, fostering a more effective and adaptive approach to achieving desired social impacts.

In addition, SIBs have been shown to *enable more economical service delivery* due to their preventive and innovative nature. By avoiding future costs or enabling long-term societal savings, they lead to budget savings for public entities.

SIBs foster new partnerships to address enduring social issues, uniting diverse expertise and resources, in line with collective impact principles for systemic change (Benford; Nyssing, 2023). They aim for lasting positive outcomes, with successful interventions potentially integrated into regular public services for wider application. Even without sufficient impact evidence, valuable insights for future service provisions emerge.

However, establishing SIB partnerships requires substantial initial investment and management, often necessitating specialized intermediary support. Costs include intervention design, contract negotiations, fundraising, and melding new interventions into existing systems. Additional administrative expenses for reporting, impact management, and operational support further increase costs, with intermediaries heavily dependent on civil society actors like foundations due to a lack of a sustainable business model.

The involvement of private funds in public services in Germany faces scepticism, raising concerns about quality control and privatization of state responsibilities. Although SIBs can balance power dynamics to maintain public authority, the financing model, particularly investment returns, is less favoured in Germany than in Anglo-Saxon countries (Benford;

Nyssing, 2023). Germany's strong government and welfare system limit the acceptance of substantial financial returns for private investors in social problem-solving (Rivera-Acevedo, 2015).

4. Social Problem

In 2000, the OECD's PISA Study revealed a sobering reality for Germany, positioning it below the average of the 31 participating countries. This contradicted the previously positive public perception of the German education system (OECD, 2016). As a resource-poor country reliant on a highly educated workforce to drive innovation and maintain economic competitiveness (Romer, 1990), these results spurred the initiation of the “Bildungsoffensive” or education offensive. Since then, Germany has significantly increased its education spending from €79.3 billion in 2000 to €176.6 billion in 2022 (Statistisches Bundesamt, 2022). Subsequent PISA surveys showed improvement, but a persistent issue remained: the considerable impact of socioeconomic background on academic success. In 2020, this impact was even more pronounced in Germany than the OECD average (17.2% compared to 10%) (OECD, 2020). This discrepancy extends into higher education transitions, where students from academic households are 3,3 time more likely to pursue university education than their peers from worker households (Óhidy, 2018).

A stark representation of this divide is seen in the transition from elementary to higher education. Only 46 out of 100 children from worker households make this transition, compared to 87 from academic households (Kracke, Buck, & Middendorff, 2018). Furthermore, while students from academic households comprise only 27.8% of elementary school enrollees, they represent 53% of university enrolments (Stifterverband, 2022). This disparity is also reflected in educational mobility: only 24% of Germans achieve a higher education level than their parents, compared to an OECD average of 41% (OECD, 2018).

The implications of this educational divide extend into the workforce. For instance, average lifetime earnings in Germany vary significantly by educational level: those with an apprenticeship earn 1.690.000€, while university graduates earn 2.520.000€ (IAB, 2022). Additionally, there's a noticeable 17% wage gap for the same occupation between individuals from worker and academic households (Laurison & Friedman, 2016).

Even in employment stability, educational background plays a role. The unemployment rate among academics is notably lower at 2.4%, compared to 3.5% for those with non-academic degrees (Bundesagentur für Arbeit, 2021). As these figures show the challenges for worker household students on the way to academic success need to be addressed. A significant barrier is the lack of access to information and guidance about the university application process and study programs. The German Federal Ministry of Education and Research highlights that students from low-income families often miss the support necessary to navigate higher education paths (BMBF, 2020). This lack of guidance can result in uncertainty and hesitation to embark on an academic journey, further widening the educational gap.

Financial constraints represent another formidable obstacle. The cost of tuition, along with living and other related expenses, can be prohibitively high for students from worker households. The fear of accruing substantial debt can deter these students from pursuing higher education, as indicated in the study by the German Federal Ministry of Education and Research (BMBF, 2020). Even with state support options like Bafög⁴ or study loans, the financial burdens often remain overwhelming. Consequently, students from worker households are more likely to undertake part-time jobs during their studies, which can detract from their academic focus and performance (Staneva, 2017).

⁴ Bafög is a German financial aid program for students, providing grants and interest-free loans based on family income, to support education regardless of economic background.

Moreover, social, and cultural barriers play a critical role. Students from worker households might struggle with a sense of belonging in academic settings due to a lack of role models or mentors who have navigated the path to higher education. This cultural distance from academic and scientific fields can inhibit their access to and participation in higher education, as discussed by Klein-Collins and Yoruk (2021). Such barriers not only affect their decision to enrol in universities but also impact their experiences and successes within these institutions.

In response to these multifaceted challenges, ArbeiterKind.de has emerged as a pivotal organization. Its mission is to increase the number of first-generation university students from worker households in Germany and support them towards successful graduation. The organization's focused efforts on reducing the educational disparities between students from worker and academic households are commendable. ArbeiterKind.de's social interventions form the core of this thesis, providing a foundation for analysing the potential of Social Impact Bonds as an innovative financial instrument in the German educational landscape.

5. Effectiveness Of Social Intervention

To redress the scholastic disparity manifest between students from worker households and those from academic households, Katrin Urbatsch established ArbeiterKind.de in 2008 in Germany. The initiative aspires to bolster the enrolment figures of students from working households in institutions of higher learning throughout the nation. Its quintessential aim is to equip these students with immediate, actionable knowledge, thus enabling informed decision-making concerning tertiary education pursuits. In a concerted operation, the central organization in Berlin collaborates with an array of 80 local groups to orchestrate educational symposiums, offer guidance on academic pathways, and illuminate potential financial aid avenues. The local groups, staffed by volunteers who are themselves mostly first-time students coming from worker, possess an intrinsic understanding of the challenges faced by their peers,

drawing on their individual experiences to illustrate strategies for surmounting academic obstacles. In addition to these efforts, the organization operates an advisory helpline, dispensing crucial counsel to students at critical junctures in their educational journeys.

The 2022 annual dossier of ArbeiterKind.de elucidates a reach of 24,000 individuals via their initiatives, a feat accomplished through 237 school forays, 151 informational kiosks, and 129 workshops with a cumulative participation of 2,072 individuals, in conjunction with 462 helpline consultations (ArbeiterKind.de, 2022). Notwithstanding the extensive reach of their initiatives, ArbeiterKind.de, as characterized by Anne Stalfort—Head of Fundraising—adopts a *modus operandi* close to that of a mass sports organization⁵, prioritizing the expansion of their operational spectrum over the intensification of their interventional depth. This expansive inclination has resulted in a paucity of meticulous surveillance concerning the tangible effects of their interventions on the educational trajectories of the recipients. To rectify this, a concerted effectiveness study was initiated in 2015 in partnership with the DIPF and Freie Universität Berlin, aimed at discerning the tangible influence of ArbeiterKind.de's interventions on the educational acumen about barriers faced by students from worker households in pursuing higher education. The study focused on examining two of the major intervention pillars of the ArbeiterKind.de model. The informational events are conducted by volunteers in school and the informational hotline is operated out of Berlin.

5.1 Effectiveness Of School Events

The investigational findings regarding the local information sessions indicated substantial satisfaction among attendees, particularly students from worker households, who deemed the financial insights about academic funding as significantly beneficial (Daniel, Watermann, & Maaz, 2014). These informative sessions imparted knowledge regarding the financing of

⁵ Anne Stalfort, digital interview, 18.10.2023, transcript in Appendix A

studies that persisted within the collective memory of the audience a year after the intervention (Daniel, Watermann, & Maaz, 2014). Conversely, the increment in self-perceived academic success among students of worker households who participated in the intervention was nominal and not sustained over time, displaying no substantial disparities in comparison to their counterparts who did not partake in the intervention (Daniel, Watermann, & Maaz, 2014). Additionally, the aspiration to undertake a university education did not differ markedly between the two cohorts. Six months following the study, 59% of the intervention group and 57.9% of the control group had embarked on higher education (Daniel, Watermann, & Maaz, 2014). Although the proportion of students from worker households in the control group initiating university studies was 54.5%, reflecting a 9% elevation over the intervention group, this discrepancy could not be definitively ascribed to the intervention.

The analysis of the initiative's school events showed a significant immediate impact on students' understanding of the value of higher education. However, this effect did not persist over time, indicating the challenges in achieving long-lasting change in students' attitudes and behaviours. The research points to a temporary shift in participants' perceptions of career prospects and success in higher education compared to a control group, but these altered perceptions reverted to initial levels in subsequent surveys (Daniel, Watermann, & Maaz, 2014).

In conclusion, while ArbeiterKind.de's short-term impact on improving informational deficits is clear, the study indicates that more sustained and personalized support is needed to effect enduring changes in study-related attitudes and intentions (McGuigan, McNally & Wyness, 2012; Booji; Leuven & Oosterbeek, 2012). The success of interventions is also attributed to the peer-learning approach adopted by ArbeiterKind.de, which leverages the credibility of firsthand student experiences. Yet, the study suggests that ongoing engagement and

individualized support beyond initial school events are crucial for a lasting influence on educational decisions (Briggs & Wilson, 2007; Slack et al., 2014).

5.2 Effectiveness Of Information Hotline

The ArbeiterKind.de information hotline, located in Berlin, serves as a vital initial contact point for information seekers, particularly students transitioning from high school to university. This study highlights its effectiveness as a low-threshold access point for initial inquiries (Daniel, Watermann, & Maaz, 2014). The majority of callers, including students and parents, seek financial advice, with high school students inquiring about state-sponsored student loans for low-income families (BAföG) and university students exploring scholarship opportunities. The primary reason for reaching out to the hotline is the absence of direct contacts in the callers' immediate environment.

ArbeiterKind.de staff effectively provide concrete action steps for callers' queries. In cases of complex issues, callers are referred to local groups or mentors, with a third of them scheduling further interactions. The hotline is highly rated for its helpfulness, with all high school students and most university students (96%) rating it positively. Parental satisfaction is slightly lower, but still significant at 72% approval (Daniel, Watermann, & Maaz, 2014).

The hotline's success mirrors the effectiveness of school events, attributed to the peer-to-peer approach. Student advisors, experienced in university life, resonate well with callers, offering relevant and practical advice. Parents, too, increasingly rely on the hotline for guidance in their children's educational decisions (Dietrich, Kracke, & Nurmi, 2011). The hotline not only offers information but also encourages lasting mentoring relationships by connecting callers with local groups. Its role as a supportive gateway for working-class families seeking educational guidance is particularly noteworthy.

The evaluation of the social interventions conducted by ArbeiterKind.de showed they provide an informational gain for students regarding financing general study questions as well as offer a contact point for a low-threshold initial contact with the information hotline if no local group is available. However, the study also indicates that the long-term effect of the interventions is not significant specifically when it comes to influencing the general study ambition of the reached students. One aspect that the study does not discuss, but which has been highlighted by Anne Stalfort in the conducted interview is, that ArbeiterKind.de is highly dependent on the work of the volunteering students that are conducting the school events and the reoccurring local groups. Mrs Stalfort highlighted that right now, due to the high inflation in Germany and the increasing living standards they see a reduction in the time students are spending on voluntary work, as they need to finance their studies, often doing so by working part-time. These aspects lead to the question of in the future the possibility is to finance the social intervention conducted by ArbeiterKind.de using an SIB and with that also provide a potential stable financing model to scale the scope of the interventions.

6. Feasibility Of A SIB For ArbeiterKind.de

When establishing an SIB to provide financial support to solve a social issue, the above-mentioned four principles (*meaningful and measurable outcome, reasonable time horizon, evidence of success in achieving outcomes and appropriate legal and political conditions*) of an SIB should be applied to conduct if an SIB is a suitable financing model, that can provide benefit for all involved parties.

ArbeiterKind.de's intervention can show a meaningful impact on the individual's life trajectory as well as their long-term benefit. If their intervention is successful and leads to a student from a working household starting a university degree, therefore achieving a higher level of education that correlates with an increase in economic, social and health status as well as a

general increase in their overall quality of life (Edgerton, Roberts, & von Below, 2012). However, while the intervention can have a meaningful impact, based on the current available data the scope of the school event interventions being a single intervention does not provide enough impact on the possible decision-making of the intervention receivers. As a study on the impact of ArbeiterKind.de intervention highlights and studies have shown before, the effect of one-time intervention on the decision-making of the intervention subject is not significant (McGuigan, McNally & Wyness, 2012). This raises the question of whether the intervention of ArbeiterKind.de is an appropriate subject for being supported by an SIB.

Secondly, for a prospective Social Impact Bond (SIB) targeting ArbeiterKind.de, it is imperative to establish a feasible temporal framework. Drawing from the 2015 research conducted by the DIPF and Freie Universität Berlin, the application of SIB principles appears attainable. This study also scrutinized the post-high school educational decisions of students who participated in the intervention.

The positive effect of the social interventions conducted by ArbeiterKind.de have shown to be measurable with a significant improvement in the areas of knowledge accumulation for the receiving participants. Next to ArbeiterKind.de, other interventions from Aurelius Förderwerk or Netzwerk Changen e.G. have shown to have a positive effect on increasing the representation of formerly underrepresented groups at higher education in Germany. While those organisations have not yet been the subject of impact studies, the number of supported pupils and the received prices from various trustworthy organizations and state organs can be seen as proof of concept. All those organisations are being built on leveraging the effect of a peer-to-peer network that allows for a low entrance barrier to the given support.

Lastly, there is general support for the services of ArbeiterKind.de throughout local, state, and national government organizations, which can also be shown in the financial support that

ArbeiterKind.de is receiving from various ministries. As three social impact Bonds have already been established and completed in Germany, the legal conditions for this financial instrument to work are established. However, all the prior SIBs have only operated in a local environment, while the interventions of ArbeiterKind.de are taking place throughout Germany. Furthermore, even though the legal environment is given, the general opinion regarding financing social interventions in Germany with the possibility of receiving a later return for investors is seen in a critical light by the public eye.

In general, an SIB financing the social interventions of ArbeiterKind.de seems possible, however, the lack of significant data regarding the long-term effect of the intervention and the one-time nature of the intervention leaves room for question regarding the adequate use of an SIB as a financial instrument. Considering this context, the subsequent section endeavours to conceptualize a hypothetical model of a Social Impact Bond (SIB). This model is specifically designed to illustrate the potential implementation of ArbeiterKind.de's intervention in a novel region.

6.1 SIB Structure

The envisaged architecture of the proposed Social Impact Bond (SIB) incorporates the conventional array of stakeholder characteristics of such financial instruments. At the core of service delivery is ArbeiterKind.de, complemented by its cadre of dedicated volunteers, who form the backbone of the intervention framework. As the SIB aims to reduce the educational disparity between children from worker households and academic households the role of commissioner is taken over by the State of Germany, in particular by the Ministry of Education of the corresponding state⁶. Phineo⁷, with its seasoned expertise manifested in its involvement

⁶ In Germany the 16 states are majorly responsible for their own educational policy.

⁷ Phineo is a German non-profit organization that specializes in analysing and certifying other non-profits based on impact, sustainability, and transparency. It provides advisory services, conducts research, and fosters

in two of the three extant SIBs in Germany, is poised to assume the role of intermediary. This organization's adeptness in orchestrating the multifaceted interactions requisite for a successful SIB render it an optimal choice.

The investor profile for this SIB is principally oriented towards foundations that prioritize impact in their investment ethos. Prospective investors include the Herbert Quandt Foundation and the Bertelsmann Stiftung, both of which have established precedents in SIB participation within the German context. Additionally, the inclusion of a regionally affiliated social investor is contemplated, contingent upon the geographical focus of the intervention. The selection of an independent evaluator, a critical component for ensuring objectivity and rigour in outcome assessment, remains under consideration. This entity's role will be pivotal in validating the impact and efficacy of the interventions facilitated by ArbeiterKind.de under the auspices of the SIB.

6.2 Target Population

The intervention focuses on students from working-class households transitioning from secondary to tertiary education. In 2021, about 311420 students finished their Abitur⁸ in Germany, with around 46% from worker households, totalling approximately 144,633 nationally⁹ (Kracke, Buck, & Middendorff, 2018; Stifterverband, 2022). However, it's impractical for a Social Impact Bond (SIB) to cover all these students. A more targeted approach is needed, beginning with Mecklenburg-Western Pomerania (MVP), a state with fewer ArbeiterKind.de local groups (four in total). In MVP, 4,533 students completed their

networking within the social sector. Phineo's work significantly contributes to enhancing the effectiveness and accountability of non-profit initiatives in Germany.

⁸ Abitur" is the German secondary education graduation exam, essential for university admission.

⁹ The data for 2021 will be used as a baseline, as the data for 2022 is not yet available with all the relevant information.

Abitur in 2021 (Statistisches Amt Mecklenburg-Vorpommern 2022), suggesting a potential target of about 1,496 students from worker households, based on national averages.

Nevertheless, this number is still too large for an initial SIB trial. MVP has 52 schools offering the Abitur (Allgemein bildende Schulen in Mecklenburg-Vorpommern nach der Organisationsstruktur, Schuljahr: 2023/2024). To ensure effective school events, the intervention will involve 26 schools, half of the total in MVP, encompassing an estimated 2,266 Abitur students. Of these, approximately 748, coming from worker households, will form the initial target group for the SIB.

Based on the nature of the intervention it is advised that participants are enrolled through 4 yearly cohorts. This approach enables innovation and improvement from cohort to cohort and allows for inter-cohort comparability. This will total a target population of 2992.

6.3 Adapted Intervention Model

In assessing ArbeiterKind.de's current interventions, a revised model tailored for a Social Impact Bond (SIB) framework is essential. This model focuses on improving intervention efficacy and measurability, key for SIB success.

The model's initial phase targets worker household's students before their Abitur completion. It involves multiple interventions, recognizing that one-time efforts are insufficient for significant behavioural change (Karmali et al., 2020). This includes diverse school events, regular meetings, and a potential summer school to facilitate university preparation (Miethe et al., 2014), incorporating an effective information hotline and ArbeiterKind.de's online network. A more detailed look on the adapted model can be seen in in *Figure .6 Adapted intervention in Appendix B*. As the information hotline has shown to be very effective it will be included in the adapted intervention model, as well as ArbeiterKind.de's own online network.

The second phase supports these students during university, focusing on degree completion through monthly meetings and continued online support.

Since the completion rate of working-class students closely mirrors that of their academic household peers (74% vs. 82%) (Stifterverband, 2022)., the intervention concentrates on easing the high school to university transition.

To execute this model, ArbeiterKind.de's Berlin team will be joined by a social worker for initial school interventions during the SIB's first four years. Additionally, volunteers leading most interventions will receive an expense allowance.

6.4 Intervention Cost

The modification of the intervention model, encompassing the introduction of novel interventions and the recruitment of personnel to execute these tasks, may lead to an escalation in associated costs. This prospective increase in expenditure is comprehensively illustrated in Figure 1 " *Intervention Cost*", which presents a cumulative total of €798,574, inclusive of inflation, over eight years. A more intricate dissection of these costs is delineated in Figure 5, " *Yearly Intervention Cost per Cost Point*," located in Appendix B.

Cost description		Total	Share
Intervention Costs	EUR	688,340	91%
Personnel	EUR	517,520	68%
Allowance cost coverage	EUR	162,300	21%
Online Network	EUR	6,520	1%
Media	EUR	2,000	0%
Management & General (10% of costs)	EUR	68,834	9%
Share M&G of intervention costs	%	10%	
Total costs without inflation	EUR	757,174	
Total costs with inflation (2%)	EUR	798,574	

Figure 1. Intervention Cost

6.5 Outcome Metric

In the context of evaluating the efficacy of a Social Impact Bond (SIB) designed to support ArbeiterKind.de's interventions in MVP, the selection of appropriate outcome metrics is pivotal. As outlined in the methodology and consistent with the project's goals, two primary outcome metrics have been identified:

1. Percentage of Students from worker households who decide to study after finishing high school. This metric is crucial in measuring the immediate impact of ArbeiterKind.de's interventions. The intervention's primary objective is to facilitate and encourage students from worker households to pursue higher education. The attainment of higher education is closely linked to enhanced socioeconomic status and quality of life (Edgerton, Roberts, & von Below, 2012). Tracking the increased percentage of these students who enrol in higher education institutions post-high school will provide a direct measure of the intervention's success in bridging the educational gap. The % of worker-household students that started a study increased from 2014 to 2018 by 5%, from 21% to 27% (Stifterverband, 2022, increasing the baseline of 28.57% a yearly increase of 9% with the dedicated intervention will be expected.

2. Number of students from worker households who finish their bachelor's degree. While increasing the number of students from worker households itself will lead to an increase in academic people with a worker background, increasing the rate of worker household students successfully finishing their bachelor studies will boost the number even further. Furthermore, this will allow for continued academic advancement. The % of worker-household students that finished a bachelor's increased from 2014 to 2018 by 5%, from 71% to 76% (Stifterverband, 2022), increasing the baseline of 76% a yearly increase of 4% with the dedicated intervention will be expected. This number is chosen to approach the percentage of academic household students that finish a bachelor's (82%) (Stifterverband, 2022). Both selected outcome metrics

will be measured in the percental change throughout the SIB compared to the pre-defined baseline.

6.6. Payment Mechanism

In an SIB, once the predefined outcome metric has been achieved, the social investors, that financed the social intervention in the beginning are getting reimbursed by the commissioner, in this case, the state of Mecklenburg-Vorpommern. Based on the degree of achieved outcome metrics, the investors are only reimbursed for the initially provided capital or receive a potential interest on top of the outcome metric that has been achieved to prior defined degrees.

6.6.1 Public Sector Value

Attaining an academic degree has been associated with an enhanced quality of life, a multifaceted construct often defined by personal experiences, levels of happiness, and the quality of emotionally significant social connections (Astahna, 2009). While it's acknowledged that the subjective nature of quality of life complicates the task of quantifying its monetary value, for a Social Impact Bond, it's pertinent to consider potential fiscal savings.

Therefore, the potential savings for the German state based on the lower unemployment rate of academics in comparison to workers will be used. In 2021, Germany's unemployment rate for individuals with an academic degree was 2.4%, compared to 3.5% for those with finished professional training. The overall unemployment rate in Germany for the same year stood at 5.7 % (Statistisches Bundesamt, 2022). Unemployment incurs substantial costs for the state, which in 2021 amounted to €68 billion (Hausner et al., 2023). These costs comprise direct expenses of €39 billion for transfer payments and insurance, and €28.4 billion in lost state revenue (Hausner, Weber, & Yilmaz, 2022)). Given the total of 2.613,489 million unemployed individuals in Germany, this equates to an average annual cost of €25,981 per unemployed

person. This will be used to estimate the potential public sector savings if the SIB is implemented.

Public Sector Value	
Total Public Saving	€2,943,153.01
Total Intervention Cost	€798,574.28
Investor surplus	€84,371.62
Total Net Saving	€ 2,060,207.10
Net saving per Student	€688.62

Figure 2. Public Sector Value

Considering the projected enhancement in transition and graduation rates among students from working-class households after the intervention, the Social Impact Bond (SIB) could potentially realize cost savings amounting to €2,943,153.01. This estimation is predicated on the increased likelihood of obtaining academic degrees by high school students from worker household backgrounds post-intervention, coupled with the relatively lower unemployment rates among academics in Germany. Over an average professional lifespan of 39.3 years in Germany (Eurostat 2023), and after accounting for the intervention costs of €798,574.28, an estimated lifetime saving of €688.62 per student within the targeted population is anticipated.

6.6.2 Investment Structure

Timing and Investor Capital Requirement. The SIB will require an upfront investment to cover the initial costs of the intervention. The initial capital should be provided at the beginning of the project and continued to be provided before the start of a new cohort.

Working Capital Contingency. To address risks and challenges, a working capital contingency will be included in the SIB, equivalent to six months of operational costs. This financial buffer will be returned to investors at the SIB's conclusion if unused.

Cash Flow Delay. Anticipated cash flow delays stem from payments by the public sector (commissioner) being dependent on achieving predefined outcomes. This includes time for

outcome measurement and verification. A recommended three-month lag between outcome measurement and payment processing is advised to manage this process.

Repayment to Investors. The repayment model is tied to the achievement of specified educational outcomes, with the total amount contingent on the level of success. The structure will have clear benchmarks for success, and investor payments will be proportional to the degree of outcome achievement.

The SIB aims to provide a modest return on investment, suitable for its social purpose and mindful of public perception in Germany (Benford & Nyssing, 2023). Its interest rate balances attractiveness to social investors with ethical considerations of financing social interventions, ensuring investors are compensated for successful outcomes and aligning financial incentives with social impact objectives.

7. Business Case

Following the presented suggested intervention scope and the associated cost combined with the potential public sector value, the following financial outline lays the foundation for the successful implementation of the SIB. If the set goal of increasing the outcome metrics one and two has been achieved with 100%, while costing €798,574.28 for conducted interventions, the SIB will reward the investors with a repayment of € 882,945.90 and a potential IRR of **1.91%**. Therefore, the potential net saving as illustrated in *Figure 2.* ”

Public Sector Value” accumulate to **€2,427,880.23**. In total 30% of the potential savings will be repaid to the investors. A more detailed look can be seen in *Figure 7. “Financial Statement”* located in *Appendix B*.

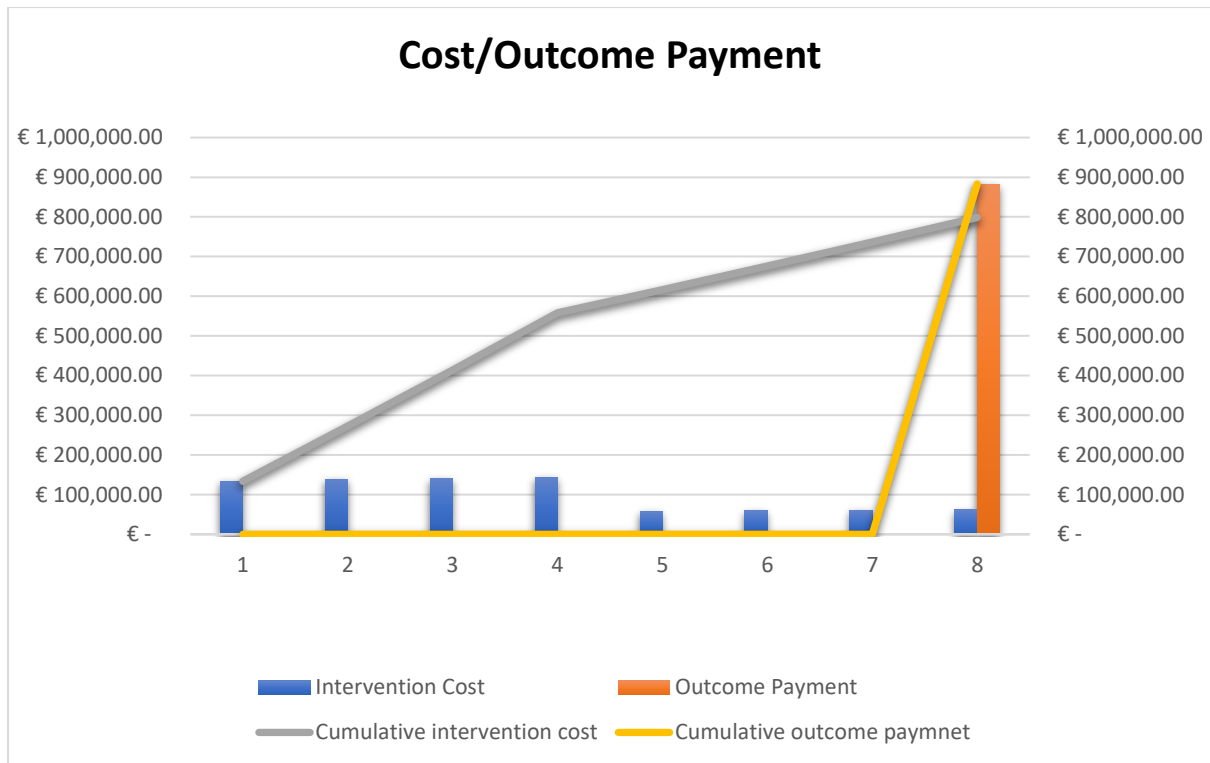


Figure 3. Cost/Outcome Calculation

8. Sensitivity Analysis

The proposed business case for the Social Impact Bond (SIB) relies on assumptions and estimates made earlier in the thesis, which may vary during implementation. To enable informed decision-making by investors and other SIB participants, and to prepare for unforeseen events, various scenarios were analysed. These include a base case, along with optimistic and pessimistic variants. The subsequent figure illustrates the financial impact of these scenarios.

Outcome Metric Success Rate: Investor repayment is heavily dependent on the performance of the outcome metric, so any changes to this predefined metric significantly impact potential reimbursements.

Adjustment in Payout Rate: The payout rate, initially set at 30% based on lifetime public sector savings, significantly affects the potential investor payout and the corresponding Internal Rate of Return (IRR).

Variation in Intervention Cost: Since the intervention costs mainly consist of personnel expenses, both increases and decreases are anticipated and included in the sensitivity analysis.

		Success Rate (%)				
		7.6%	10.0%	13.36%	17.5%	20.0%
Absolut Payout in Y8	€	538,623	674,766	882,946	1,160,684	1,321,247.00
IRR	%	-7.45%	3.19%	1.91%	7.14%	9.64%
		Payout Rate (%)				
		20%	25%	30%	35%	40%
Absolut Payout in Y4	€	588,631	735,788	882,946	1,030,104	1,177,261
IRR	%	-5.78%	-1.55%	1.91%	4.85%	7.41%
		Total Intervention Costs (€)				
		↓20%	↓10%	↓↑ 0	↑ 10%	↑ 20%
Intervention cost		638,859	718,717	798,574	878,432	958,289
IRR	%	6.17%	3.92%	1.91%	0.10%	-1.55%

Figure 4. Sensitivity Analysis

9. Limitations

As volunteers predominately carry out the intervention by ArbeiterKind.de and are heavily reliant on an existing and supporting network, it is questionable if the new thought of interventions can be carried out in the planned form and have the desired effect, especially in MVP, where the network of local groups is not as strong as in other states. While ArbeiterKind.de's one-time school interventions positively impact knowledge gain, they fall short of effecting long-term behavioural changes. This gap might be addressed through a closer peer-to-peer approach; however, ArbeiterKind.de positions itself as a broad-reaching organization, prioritizing wide influence over intensive impact on a select group of students. Consequently, the suitability of ArbeiterKind.de's current intervention model for a potential Social Impact Bond (SIB) is debatable.

Moreover, the application of SIBs as a financial instrument in Germany is limited, with only three previous implementations. There's a general scepticism in Germany regarding the

financing of social interventions through private capital with potential financial returns. This scepticism could hinder the practical implementation of SIBs, making them less attractive to potential investors.

10. Conclusion

This thesis has examined Social Impact Bonds (SIBs) as a novel approach for funding educational equity initiatives in Germany, focusing on the case study of ArbeiterKind.de.

Key findings indicate that while an SIB might offer a potential avenue for funding the NGO in the future, the question remains concerning the actual implementation of an SIB. While ArbeiterKind.de is addressing educational disparities based on the socioeconomic background of students as highlighted in the Limitations chapter it is questionable if their current intervention model is suitable for a Social Impact Bond. In the model being used to calculate the feasibility of the SIB a multitude of assumptions have been formed that allowed to finance the intervention using an SIB in theory but rendering a practical implementation nearly impossible.

However, this does not mean that interventions conducted by ArbeiterKind.de do not have sufficient value for society. It only means that a potential financing of the NGO using an SIB including the model and assumptions used in this case is rather unlikely. As ArbeiterKind.de has shown in the last 15 years, they were able to allocate enough financial resources as well as other support up to the highest level of the German state. As mentioned by Anne Stalfort in the conducted interview, ArbeiterKind.de is working where the German state is failing by encouraging and enabling. Therefore, even if ArbeiterKind.de might not be financed through an SIB, their mission should continue to be supported and in a utopian future the work from ArbeiterKind.de is no longer needed as there will be true equality for everyone.

Appendix A - Interview transcript

Interview transcript, Interview conducted with Anne-Stahlfort - Head of Fundraising at ArbeiterKind.de, conducted on 18.10.2023.

Anne Stalfort 00:00

to the best of my knowledge and then you have to see if you can do anything with it. If I don't understand your questions, I'll let you know. Hi, problem. Thank you very much, definitely already allowed.

Benedikt Suhr 00:13

Exactly, one of the very first questions I actually have now, I have already looked at it a bit, also through an annual report and through your balance sheets, a bit the breakdown of how your current financing is composed, especially in the area of public funds that you receive, for example, so the funds come from more, his ministries of education, but also from the Federal Ministry of Education and at the same time we also have private or corporate donors, so a bit the breakdown that would be interesting for me to know for you.

Anne Stalfort 00:45

Mhm, exactly. Wait, let me check, my colleague Wolf, I'm still in a call here for another half an hour, does that bother you? Otherwise we can go somewhere else? Okay, good, exactly. So what you have probably seen, Arbeiterkind, so it has been around for 15 years, is a GGmbH, currently has a budget of plus-minus 2 million euros.

Anne Stalfort 01:08

The larger half of that is public grants, the smaller half is private donations, fees for services, federal mix, exactly. This also has the background that we work as a civil society actor in the transition from school to university, so we actually help the universities to enable an equal access to themselves, so as a civil society actor we actually fulfill part of the public educational mission.

Anne Stalfort 01:40

And that is of course also the reason why we receive public funding. Because it is also seen that way, because in a different world, the universities in the area would go and tell their own story, exactly.

Anne Stalfort 01:57

So that is basically the reason why we receive public funding. Apply for funding and also receive it, that we also help fulfill a public task as a social actor.

Anne Stalfort 02:08

On the other hand, we have private sponsors, individuals and organizations, because this offer of identity, being a first-generation academic, appeals to many people who also say, I think it's great that it exists.

Anne Stalfort 02:24

Thanks to you, I realized that I am one. I want to support that through time, knowledge or money. So these are our three major areas of participation, to engage voluntarily.

Anne Stalfort 02:35

So we are a nationwide volunteer organization. That's why I would say the first thing we raise is always time, because Arbeit der Kind lives and encourages this voluntary work and without it, it wouldn't work at all.

Anne Stalfort 02:49

And there is also the possibility to contribute with knowledge, contacts, opening doors, advocacy and donations. Exactly, that is the smaller half and it arises from this character, which, I would say, is once a social movement, but also an organization that offers an identity.

Benedikt Suhr 03:11

When you say that the smaller half consists of private donors and companies, especially with companies, if you say, okay, there are three pillars, time, knowledge, money, is it then pure donations from companies or are there other things that companies do?

Anne Stalfort 03:27

So corporate support plays a totally subordinate role for us, because we are there, I would say, in this whole big area of CSR, which is very fancy and is worked on by many people, it is not particularly important for us.

Anne Stalfort 03:43

I actually think it is totally overrated, because companies are not, in their self-conception, funding institutions. And so we naturally offer companies that we are happy to support them in becoming a better workplace for first-generation academics.

Anne Stalfort 03:59

So I would say, if a law firm now contacts us and says, we have noticed that only academics work for us and we don't think that's good. Many would say, we also think that's great.

Anne Stalfort 04:10

That has always been the case, and that's how it will stay. Then we are happy to help, just like a company or a university, we actually do it more with universities, so that a company can become a more attractive workplace or a more attractive career option for talents from non-academic families.

Anne Stalfort 04:29

So if there is the will and also the realization that this form of diversity would also benefit the company. Or if companies say, we want to do something with diversity, I don't know, we can't create gender diversity anyway, because we are in the tech field.

Anne Stalfort 04:46

We have considered that we could better serve social background. But companies are, as far as our financing strategy is concerned, what these 2 million are concerned, completely unrelated

or insignificant, because they simply are not funders, because they are not funders according to their

Anne Stalfort 05:03

So we rather react to offers that we receive. We don't actively go out at all. Yes, in the past, I would always consider, when I say, okay, don't actively go out at the moment, to also do this and approach active companies to continue depositing donation money?

Anne Stalfort 05:20

Well, because we don't, because that is actually where I would say, where I understood it with the Social Impact Spons, where it also crunches for me. So we, so Gemeinschaft and Änderung, all have a business model and a philosophy.

Anne Stalfort 05:37

And since we are from Arbeiterkind, we are a private organization, but we help fulfill the public education mission. And that's why it would be stupid if we were to say that we don't want any public funding anymore, or we don't advocate for it, or we say that 20 percent is enough.

Anne Stalfort 05:58

So I think it's, I have to say, now completely understandable and legitimate and also right that Arbeiterkind gets half, maybe even the larger half, of its income from public funds, because we fulfill a public mission.

Anne Stalfort 06:12

We don't have to be completely publicly funded now, because we are also private and have the freedom to do a bit of what we want, that would be nonsense again, we are not an authority.

Anne Stalfort 06:21

And the other half, maybe the smaller half, will eventually become a bit larger, but we have to get the other part from private sponsors, because we are a private organization, that would be stupid again.

Anne Stalfort 06:35

And since we are a community of those affected, I would say, we have more in common with, I don't know, the German Cancer Aid or something, it would be stupid if we were to say that this community should not financially support us.

Anne Stalfort 06:51

And as a company, we are not so involved, so it is simply not a natural sponsor for us. That's why it is also subordinate. And companies are also not active in the transition from university to school.

Anne Stalfort 07:04

Companies are in a completely different segment, because we are now 15 years old, when you as a non-academic child enter the profession, you often lack the network that you would have needed when you started studying, especially if you studied humanities or something.

Anne Stalfort 07:23

And we have received career entry mentoring. That's why we developed it over time, because we realized that there is this transition from school to university, there are support programs in university to take advantage of all opportunities, to apply for scholarships and to do study abroad and all the great things.

Anne Stalfort 07:39

And then there is a special challenge for non-academic children when entering the profession. And not for everyone, but for many and in our career entry mentoring program. Companies can also get involved in this.

Anne Stalfort 07:52

The companies that also find that they are really missing out if they don't get the potentials from non-academic families because they don't apply to them. But the impulse is not, we want to help privileged people get a chance, but the impulse is, we are missing out on the best people in our headhunting because we don't address a certain group and always assume, for example, that everyone must be able to speak perfect English, which is often not the case for non-academic children because they didn't have this upbringing and so on.

Anne Stalfort 08:29

And if a company says that if people cannot speak perfect English, then we do not even read the application, then they might miss out on some great people who just need to be invested in for one or two years, then they will be completely fluent.

Anne Stalfort 08:38

But that is how it is, those are companies that have completely different intentions. And that is why those companies are not really interesting for us, because their basic philosophy is not supportive in the world, not involved in transition schools or universities.

Anne Stalfort 09:00

And our primary supporters - communities, whether with time or knowledge or even money, will always be the ministries of education of the federal states, because we help universities guarantee equal access to opportunities, and private individuals with their organizations, because we offer this participation community.

Anne Stalfort 09:22

Are you also the first in your family? Then get involved with us with what you have and can. Okay, okay, in any case, I would like to thank you very much for that.

Benedikt Suhr 09:35

Then a bit of a question about social intervention. I have also read your numbers from the annual report, the number of students reached in the last year.

Benedikt Suhr 09:45

And here there are about 24,000 supported students in the year 2022. A question that came to my mind is, when you say that you evaluate your success at Arbeiterkind, is it mainly about how many people you have reached, or is it also about wanting to measure and understand how many people you have practically helped to decide, because of Arbeiterkind?

Anne Stalfort 10:08

And I am a first-generation university student or because of the opportunities provided by Arbeiterkind, I realized that I can also study. Yes, so I have to say, we do not evaluate our success at all.

Anne Stalfort 10:17

Sometimes we are forced by private impact measurement agencies as part of funding agreements to develop certain key performance indicators or such things that we have to measure, but that is not our desire at all.

Anne Stalfort 10:31

That is also not feasible for a voluntary movement. I always say, Arbeiterkind is a mass sports program. If we were a highly selective individual sports program, we would award 120 scholarships to talented working-class students every year.

Anne Stalfort 10:48

From grade 9 onwards, and we would monitor these 120 people, the decisions they make and the achievements they make in the next ten years, whether they actually decide to pursue a university education, whether they successfully complete it, whether they find a job where they are adequately paid, and so on.

Anne Stalfort 11:02

With these highly selective programs that closely accompany a small number of people over a long period of time, you can measure and evaluate very well. But in the entire mass sports and prevention field or minimal intervention field, you cannot do that.

Anne Stalfort 11:19

We are a nightmare for any impact measurement agency. Of course, we have to serve it to a certain extent because that is how the times are. But that is not a natural concern for arbeiterkind.de, because we see our impact in completely different things.

Anne Stalfort 11:38

For example, we see it in the fact that there have been about 80 Arbeiterkind groups for the past 15 years, where new volunteers always join, even though we actually have a generational change every three years.

Anne Stalfort 11:50

We see it in the huge demand, that people personally go to the group meetings through all the channels available, call the info hotline, send an email inquiry, call the office to ask about school visits.

Anne Stalfort 12:04

This demand is continuously present and increasing. So we measure our success in completely different things, also in the fact that the term "working-class child" instead of this term "non-academic child" has gradually seeped into the media.

Anne Stalfort 12:20

And hopefully we contribute to the idea that being a non-academic child, that is, a non-academic child who has studied, is an achievement, a first-generation student as a pioneer act, as an achievement that can also be included in a resume and not as something that is a deficiency with which one starts and carries with them throughout their life.

Anne Stalfort 12:38

So as a community, we see our impact in completely different things than what you see in the numbers in the annual report, because these numbers are a kind of lowest common denominator between an impact measurement claim that we perceive and that we also want to satisfy by annoying our volunteers twice a year to fill out an activity survey.

Anne Stalfort 13:05

These numbers only come about because we bother the volunteers and tell them that they have to report to us every six months about what they have actually done. So that is not how we measure our impact, it only fits with the small, highly selective programs.

Anne Stalfort 13:26

You can evaluate those and they don't really fit with us. It's the same with all broad prevention programs, talent promotion, it's always like... minimal interventions carried out by volunteers...

Anne Stalfort 13:44

...that cannot be closely monitored and where the people who participate, the beneficiaries of our services, do not have to sign up on a participant list with their data at any time.

Anne Stalfort 13:53

So that six months later or six years later we can ask again. Classic questions that we always get are like how many of the people you support have actually started studying and what grade did they complete it with. We cannot answer that at all based on our way of working. If we could, we would have completely different funding prospects with these metric-oriented stories. But that's just not who we are. Okay, then actually a topic that you already briefly mentioned. I don't even know what the situation is here in terms of broad sports offerings.

Benedikt Suhr 14:28

How do you decide, currently there are 80 groups spread out across Germany? How do you decide whether new locations should be opened? Is it practically dependent on whether volunteers in a city decide for themselves?

Benedikt Suhr 14:40

Or do you also say, for example, we have little coverage in Weißigost-Friesland. Let's open a location in East Friesland because it's especially nice there.

Anne Stalfort 14:51

Exactly. That is actually the case. So it's both. The question is, what can be done by volunteers? Where can the full-time staff also contribute? We have about 30 full-time staff members. Where can we also do something full-time? The volunteer groups usually arise from the will of the engaged people on-site, and those are almost always university towns because that's where the first-generation students come together and say, hey, we really need to do something together.

Anne Stalfort 15:15

We also have some groups that are not in university towns. But that is the exception. The second possibility, for example, if we realize that in East Friesland, there are geographically remote regions in Germany where there is no nearby university.

Anne Stalfort 15:31

So you drive 40 kilometers to the nearest study advisory, to the information day, and you don't even encounter any students in everyday life. And usually, no groups of children of workers are formed there either. And that's why we as a full-time team sometimes go there and do such tours.

Anne Stalfort 15:46

For example, we have already done an East Frisia tour. So, two full-time employees and five volunteers drive around for three days with two cars and visit schools in East Frisia and career information centers and everything that exists at the interface of school, training or studies.

Anne Stalfort 16:02

We also do that, but the groups always arise from the volunteer commitment on site. And we try to support that by saying, hey, if you want to meet sometime, we'll join you.

Anne Stalfort 16:13

There is a bit of guidance on how such a volunteer group can function well. If there is a dispute, we are happy to sit down with you. If you need a bit of money, you can also get that.

Anne Stalfort 16:23

If you need further training, you can also get that. If you need proper money somehow, you can also get that. If you need stuff, you can also get that. Okay. If you now say, hey, in such non-university regions, what are your plans to strengthen this in the future or are there any general plans that you, as Arbeiterkind, have to go even more into broad sports, as you already do?

Anne Stalfort 16:48

Yes, so the plan is actually more to make more out of Arbeiterkind. What we have actually been doing for 15 years, because this method works extremely well, that you have the role models that you don't have in a family, you can find them at Arbeiterkind and as comprehensively as possible.

Anne Stalfort 17:07

And since we can do this so incredibly cheaply through the volunteers, it is clear that this is something that runs in and around the university locations. If we now say, for once, we also do broad sports with full-time employees, then that is very limited, because for example, to say we are doing it systematically.

Anne Stalfort 17:27

SWR 2020 Tour, Tour, Tour in geographically remote regions from universities, which we have also all identified, these white spots. The Arbeiterkinder group is far away and the nearest university is also far away.

Anne Stalfort 17:39

Then we would go in there with a lot of full-time power and reach relatively few students and above all, we would not be able to provide proper follow-up support, because the idea is always, for example, if you make a group in Stade and you go to the Stader schools, then you can tell the students, and if you still have questions, we meet every first Thursday of the month in the café at such and such time, come by.

Anne Stalfort 18:00

And this offer, here we are, we will tell you something about studying and afterwards you can always find us and come if you want, because we are the community and we are also there and approachable and low-threshold on site.

Anne Stalfort 18:15

We cannot do that if we travel around as full-time employees, then we can only say, yes, you can call the info hotline, you can find us on Instagram, you can write an email, so everything that is not a personal encounter, we can offer that, but Arbeiterkind lives from the personal encounter on site and that is why it is also, well, there is already too much of just traveling through the country.

Benedikt Suhr 18:40

In our opinion. Okay, understandable, I can definitely understand that. I also recommend going in the same direction a bit, where do you notice that Arbeiterkind is reaching its limits, where do you notice, hey, we would like to do more, but we simply cannot do more in this area.

Anne Stalfort 19:01

Yes, it's not necessarily a question of more money for working-class children, so the problems we see could also be very limited, we couldn't solve them if a financier were to say, we will give you five million euros every year, that wouldn't reach 50,000 students because, well, a much bigger problem right now is inflation and price increases, students have a lot of worries and need more, and also have less time for volunteering, they're just stressed. That limits our work because it reduces the freedom of students to volunteer, especially in our target group, because almost all of our volunteers are first-generation students, that's what makes the program charming. And if they now have two part-time jobs instead of one, then they have less time for arbeiterkind.de. So that's a big problem, you could say that the possibilities for funding studies have not necessarily become easier. So 40 percent of the people who would be eligible for benefits still don't apply. Because they still remember from before that you would end up heavily in debt and have to pay it all back, and it still hasn't spread that you only have to pay back a small part. Scholarships, there are still many people who don't apply for scholarships because they think that with a grade of two on their diploma, they won't get one, or if they didn't go to a gymnasium, they will never get a scholarship anyway. And all these myths, well, they make our work more difficult, but they are more like societal conditions that we have to deal with or, let's say, the big screw that we successfully turn is being proud of one's own

achievements and worrying less about whether, for example, if you fail an exam as a working-class child, that's proof for many that they are too stupid for university, especially in subjects like law. And those are the things. Of course, money is always nice, with money we can finance more full-time positions, that's also what we usually use it for, because otherwise, the cost of labor is almost nothing. We can also develop an app, which we are currently doing, but all of that is accompanied by music. So better conditions for student volunteering would really help us.

Benedikt Suhr 21:28

So, just touched on the aspect of this societal problem or the perception of studying, scholarships, and BAföG financing, do you see yourselves as the main responsibility as *arbeiterkind.de*, or do you see other public actors as being responsible, who should definitely intervene here and maybe haven't done so yet, as they should?

Anne Stalfort 21:53

Actually, I don't see us as being responsible for that at all, we only help, we only provide individual support on-site, we are not a political lobbying organization. It's something we do on the side, it always runs like that, and of course the system changes, encouraging and supporting individual people. But we would find it nice if the organizations that also have the understanding that they are supposed to do politics would have a stronger insight that Germany is far from being over-academized, so that it should be about all students making well-informed decisions about their educational path. If they want to do vocational training, then they should do vocational training. If they want to study, then they should study. It's about making well-informed decisions. And we are far from that. It still heavily depends on the family background. These are things where we think it would be nice if other actors would also contribute. If entrepreneurs, employers, and associations were to say, yes, *arbeiterkind.de* is taking away our apprentices, but those were also the apprentices who used to be first-generation students from working-class families who then did a banking apprenticeship. Yes, exactly. And then if they were to say, we need to take care of the 15 percent of school dropouts in Berlin who have no diploma, maybe they would like to do an apprenticeship with us. That such things would change. And a lot is changing. So there has already been some progress. But we are not primarily a political lobbying organization. It happens by encouraging people. Exactly. But it's not our mission. Our mission is to support individuals who are the first in their family to study or are already studying. I actually have two short questions left.

Benedikt Suhr 24:00

One was actually about financing through the Social Impact Fund. You already mentioned it and also criticized the concept of Social Impact Funds. It might be good for other organizations. I can't judge that. Have you ever considered or played with the concept yourself in the past, whether it would make sense for you?

Anne Stalfort 24:12

No, we never really thought about it because, well, maybe also because we don't know much about it.

Anne Stalfort 24:26

Because no one approached us. So with us it is actually like this, we always speak quite openly. With all the people who say, I think work is going well. And I would like to do something with you together.

Anne Stalfort 24:41

And if someone were to come up to us and say, yes, you have become a bit famous in Germany now and no longer completely unknown. And you have been around for 15 years, you have received a number of awards and quality seals.

Anne Stalfort 24:53

We would definitely think about it and have a serious discussion if someone were to suggest a different form of financing to us. But since we are not, so to speak, focused so much on this growth.

Anne Stalfort 25:07

So becoming bigger at any cost, growing. So we are focused on sustainability and stability, especially in volunteering. For example, if we were to do everything full-time, it would be clear that with twice as many full-time employees, we would reach twice as many students.

Anne Stalfort 25:28

But since our volunteer community is the basis of everything, we always have to consider whether growth for us also means that the volunteers feel seen, supported, and confirmed in their commitment and that there are always new volunteers coming.

Benedikt Suhr 25:49

Okay. And this is one last question. You have also heard about the new Startchance program of the federal government, which is practically starting next year, I believe. Just a little question about how you feel about it, because it is not directly in the area of Arbeiterkind, but it is practically also a...

Benedikt Suhr 26:10

a public program that will be financed for 20 years, which practically goes in a similar direction, whether you see it more as reinforcement of your previous work or whether you also see it critically.

Anne Stalfort 26:22

I have to be honest with you, we have not dealt with that at all, because we have only found that it is not in our area. And then we say, everything that is done is nice. For example, when the state of North Rhine-Westphalia founded the Talentscouts with several million and a big fuss a few years ago, I don't know if you heard about it.

Anne Stalfort 26:45

Talentscouts who go to schools, so it is scouted full-time. That was of course something that we followed with great interest and with whom we also work together and where the Ministry of Science of North Rhine-Westphalia supports us and also said, you have to do something together now.

Anne Stalfort 27:04

But otherwise, if it does not, let's say, if it does not have a direct overlap with what we do, then we are happy about everything that happens, but we also only follow it on the sidelines.

Anne Stalfort 27:16

And we also have no opinion on it, I would say. There are probably some people on our team who have a private opinion on it, but as Arbeiterkind DE, we don't have to have that.

Anne Stalfort 27:27

So my colleague was at some NDR radio show last night and had to say something about child poverty. We can always do that somehow, but it is not our job to comment on other educational programs.

Benedikt Suhr 27:43

Then maybe this is also the very last question, when you say, other educational programs, there are other organizations besides Arbeiterkind that are active in this area. Do you have any cooperation with other organizations? And what does it look like with you?

Anne Stalfort 27:58

So we are already the only ones, so in what we do, we are the only ones, so this peer-to-peer mentoring, during the transition from school to child poverty.

Anne Stalfort 28:11

First-generation academics nationwide, we are the only ones doing that. So we also have a unique selling point there and, yeah, we always want to do more of the same. The other organizations that do something similar, for example, the talent promotion foundations with study scholarships, the talent scouts who are the first to promote the groups, so the many local groups from first-generation academics on specific topics.

Anne Stalfort 28:41

Associations of students with a migration background or women or LGBT, so everything that goes in the direction of empowering-mentoring-studies. We always have a lot to do with them on a local level because the volunteers also know each other and sometimes organize events together.

Anne Stalfort 28:56

If this is desired at the state level, also by the state ministries, then we also get involved. And I would say we all know each other in this field. Actually, that is... And often it is also the case that we refer to each other.

Anne Stalfort 29:11

So the full-time advisors, everything that goes towards student advising, the academic international office, psychosocial counseling for students at universities, they refer to Arbeiterkind when they feel that someone actually needs a community and not just a counseling session.

Anne Stalfort 29:28

And of course, we also refer to the full-time advisory centers when we say that it is now technically so specific that we cannot provide it on a voluntary basis. Now it really is a question that you should ask someone at the BAföG office.

Anne Stalfort 29:40

And then we say, let's go to the BAföG office hours with you because you can't get there alone or have had bad experiences. Or they don't respond? Yes, exactly. Or, for example, the talent promotion foundations, these 13 that exist, like Konrad Adenauer, Bill, Pippa Poh, we also know them all.

Anne Stalfort 29:55

We are also in various working groups. We have even partially trained workers so that they don't quickly reject the application from Arbeiterkind because it looks different.

Anne Stalfort 30:06

So we are also, so we are in touch with all of them. We have been around for too long for that. That's how it should be. We already do that. And because we always do it differently, through volunteering and such, there is this familiarity.

Benedikt Suhr 30:25

I believe, I believe that people know each other in this field. First of all, thank you very much for taking the time and answering my questions. Yes, the last question would be, as you have already said, if anyone has ever approached you with the idea of defining it through the Social Impact Bond.

Benedikt Suhr 30:42

That the topic of my master's thesis is to completely exclude you, whether that really makes sense, whether it makes more sense or not. I haven't come to any conclusions yet, but I still have some time.

Benedikt Suhr 30:51

That's why the question is whether it would still be possible to come back to you in the next month or next weeks when the whole thing has taken on more form, to see if that could also contribute to your opinion and discuss my approach again.

Anne Stalfort 31:05

Yes, of course, I am also a professional brainstormer, right? I find that very interesting. I also know that there are different business models for different types of organizations. And as a first-generation academic for ten years, I am well versed in our business model here.

Anne Stalfort 31:22

I was with an international fellowship organization for ten years before. So few people who are already great are further promoted. So there could have been completely different things to do, and we did completely different things in fundraising there.

Anne Stalfort 31:35

So I am interested in the topic. I also think it's great that now through you, I can learn something new or sharpen my own attitude a bit. So we can talk about it again.

Anne Stalfort 31:45

I'm here, so I find it interesting. I'm here. Or even if you think that something I say is somehow totally strange or something. I'm here, I like to talk about it.

Anne Stalfort 32:00

Yes. A half an hour is always possible, I can always squeeze it in somehow. Okay. Not right now, but that's also because we have been pushed back a bit. And I have to do something else now, where I have to think about it shortly beforehand.

Benedikt Suhr 32:16

I will write to you then if another question comes to mind. I would also like to say thank you again and definitely have a nice rest of the day. Very gladly.

Appendix B – Supplementary Figures

Figure 5. Yearly intervention cost per cost point.

Cost description		1	2	3	4	5	6	7	8	Total
Personel	EUR	83,986	83,986	83,986	83,986	45,394	45,394	45,394	45,394	517,520
Allowance cost coverage	EUR	35,900	38,000	38,000	38,000	3,100	3,100	3,100	3,100	162,300
Online Network	EUR	1,380	1,380	1,380	1,380	250	250	250	250	6,520
Media	EUR	250	250	250	250	250	250	250	250	2,000
Management & General (10% of costs)	EUR	12,152	12,362	12,362	12,362	4,899	4,899	4,899	4,899	68,834
Share M&G	%	10%	10%	10%	10%	10%	10%	10%	10%	1
TOTAL COSTS	EUR	133,668	135,978	135,978	135,978	53,893	53,893	53,893	53,893	757,174
TOTAL COSTS with inflation	EUR	133,668	138,697	141,471	144,301	58,336	59,503	60,693	61,907	798,574

Figure .6 Adapted intervention for ArbeiterKind.de

Adapted intervention for ArbeiterKind.de						
	Pillars	Main topics	Years			Outcom e metrics
Years			1 Only school	2-4 School and Uni	5-8 Only University	
Focus			First year of Intervention, pure focus on school interventions	Continuous school intervention and start of university intervention	Stop of school intervention and pure uni interventions	
Interventi on	School	Informationa l gain	1. School information session conducted by social worker in all of the participating school at the beginning of the final year(focus on financial possibilites	1. School information session conducted by social worker in all of the participating school at the beginning of the final year(focus on financial possibilites	x	1. Increase of working household student starting to study compared to baseline
		Creating role models	2. School information session conducted by the social worker in all particiapating schools later in the final year(focus on application process)	2. School information session conducted by the social worker in all particiapating schools later in the final year(focus on application process)	x	
		Support in application questions				

			Monthly online session orchestrated by the social worker for support on application process. Hand out of information material and referring to online network and informational hotline By-monthly school meeting on a volunteer base for specific university questions	Monthly online session orchestrated by the social worker for support on application process. Hand out of information material and referring to online network and informational hotline By-monthly school meeting on a volunteer base for specific university questions	x	
		Referring to further informational material			x	
		Promotion of motivated students			x	
	University	Informational gain	x	Monthly conducted meetings in all university cities of MVP	Monthly conducted meetings in all university cities of MVP	2. Increase of working household students finishing bachelor degree to baseline
		Support in financing matters	x	Info session on potential financing through scholarships and support in applying for these	Info session on potential financing through scholarships and support in applying for these	
		Continuous support	x			
	Online Network	Connecting worker households students	Usage of specific social network for worker household students to connect and enabling the to learn from peers	Usage of specific social network for worker household students to connect and enabling the to learn from peers	Usage of specific social network for worker household students to connect and enabling the to learn from peers	1. Increase of working household student starting to study compared to baseline
		Offer additional information material	Online available informational material regarding worker household specific topics	Online available informational material regarding worker household specific topics	Online available informational material regarding worker household specific topics	2. Increase of working household students finishing bachelor degree to baseline
		Informing about local and state events	Announcement of online and local conducted by	Announcement of online and local conducted by	Announcement of online and local conducted by	

			ArbeiterKind. de	ArbeiterKind. de	ArbeiterKind. de	
	Informational hotline	Quick and personal support Creating a personalized plan	Available quick support by calling and being connected to a central help hotline Referral to local group meetings and local mentors	Available quick support by calling and being connected to a central help hotline Referral to local group meetings and local mentors	Available quick support by calling and being connected to a central help hotline Referral to local group meetings and local mentors	1. Increase of working household student starting to study compared to baseline 2. Increase of working household students finishing bachelor degree to baseline
	Recurring meetings	Personal encouraging meetings Support in application questions	Monthly meetings conducted by students in 5 biggest cities of MVP to offer personal support for students	Monthly meetings conducted by students in 5 biggest cities of MVP to offer personal support for students		1. Increase of working household student starting to study compared to baseline
	Summer school	Simulating university Encouraging students	Simulation of university for motivated worker household students	Simulation of university for motivated worker household students	x	1. Increase of working household student starting to study compared to baseline

Figure 7. Financial Statement

Year		0	1	2	3	4	5	6	7	8
Income statement		0	1	2	3	4	5	6	7	8
Revenue (outcome payments)	EUR	0	0	0	0	0	0	0	0	882,946
Cumulative revenue	EUR	0	0	0	0	0	0	0	0	882,946
Delivery cost	EUR	-133,668	-138,697	-141,471	-144,301	-58,336	-59,503	-60,693	-61,907	0
Cumulative delivery costs	EUR	0	-133,668	-272,365	-413,836	-558,136	-616,472	-675,975	-736,668	-798,574
Profit	EUR	-133,668	-138,697	-141,471	-144,301	-58,336	-59,503	-60,693	-61,907	882,946
Cumulative project surplus	EUR	-133,668	-272,365	-413,836	-558,136	-616,472	-675,975	-736,668	-798,574	84,372
Cash flow statement		0	1	2	3	4	5	6	7	8
Cash revenue	EUR	0	0	0	0	0	0	0	0	882,946
Cash delivery costs	EUR	-133,668	-138,697	-141,471	-144,301	-58,336	-59,503	-60,693	-61,907	0
Operating cash flow	EUR	-133,668	-138,697	-141,471	-144,301	-58,336	-59,503	-60,693	-61,907	882,946
Investment	EUR	133,668	138,697	141,471	144,301	58,336	59,503	60,693	61,907	0
Payout	EUR	0	0	0	0	0	0	0	0	-882,946
Financing cash flow	EUR	133,668	138,697	141,471	144,301	58,336	59,503	60,693	61,907	-882,946
Net cash flow	EUR	0	0	0	0	0	0	0	0	0
<i>Cash balance - start of the period</i>	<i>EUR</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Operating cash flow	EUR	-133,668	-138,697	-141,471	-144,301	-58,336	-59,503	-60,693	-61,907	882,946
Financing cash flow	EUR	133,668	138,697	141,471	144,301	58,336	59,503	60,693	61,907	-882,946
<i>Cash balance - end of the period</i>	<i>EUR</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Investor IRR Calculation		0	1	2	3	4	5	6	7	8
Investor cash flow	EUR	-133,668	-138,697	-141,471	-144,301	-58,336	-59,503	-60,693	-61,907	882,946
Cumulative investor cash flow	EUR	-133,668	-272,365	-413,836	-558,136	-616,472	-675,975	-736,668	-798,574	84,372
Investor IRR	%		1.91%							

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