

Personnel, Finances and Organisational Bodies



Personnel Development at the Ifo Institute in 2002

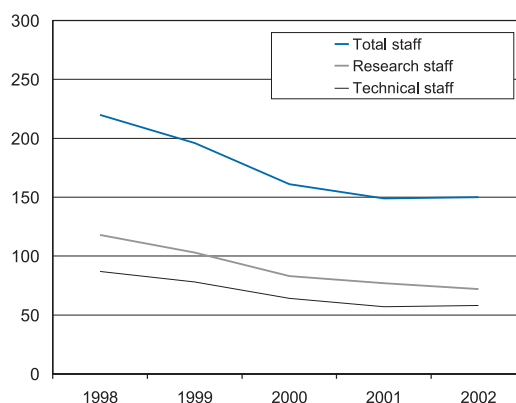
Personnel

Regarding the staff, 2002 was a turnaround year. After years of staff reduction, the size of the staff remained almost constant. There was even a small increase in the total number. Although the number of scholars declined, the rise in the number of Ph. D. students employed more than offset this development. The rise in the number of doctoral candidates from six to ten shows the direction the Institute is taking: A consistent promotion of young economists and thereby a constant regeneration of the staff of scholars. Not to forget: Almost all doctoral candidates are Ph.D. students in the graduate programme of the Economics Faculty at the University of Munich which also serves to intensify the interaction between the university and the Ifo Institute.

Another goal of personnel management is the promotion of the employment of women. The 70 women on the staff account for 46.7% of total Ifo employment. Thus the share of women was raised slightly over 2001 (46.3%). It is of prime importance to raise the share of women scholars. Here the rising trend has continued: Three years ago the women's share was 12.2%; in 2002 the share was raised to 20.7% from 20.5% in 2001. Even if viewed in full time equivalent terms, the figures are only slightly lower: It is women who rather tend to work part-time. On the other hand, by creating these part-time jobs the Institute shows its willingness to promote the employment of women. In 2002, of 48 part-time employees 35 were female. It remains a declared goal of the Ifo Institute to raise the share of women, especially of women scholars and women in leading positions.

The figure of 48 part-time employees corresponds to a share of 32%. This implies a marked increase over last year's share of 21.5%. After all, 16 scholars are on part-time contracts. Last year there were only twelve. Especially with regard to the promotion of women scholars the Ifo Institute will continue to raise the share of part-time employment. The increase in part-time employment has meant that the total number of staff rose only by one person, but that in terms of full time equivalents, the size of the staff declined slightly to 132.29 (2001: 134.62).

Employment during the Past Five Years



In order to promote young economists and rejuvenate the group of scholars, the Ifo Institute pursues the declared goal of increasing the share of employees with temporary contracts – especially in the group of scholars. Only in this way can personnel flexibility and professional mobility be raised. Given the strong staff reduction of recent years and the hiring moratorium, this goal had to be neglected in 2000. But in 2001 the hiring moratorium was already eased. It is the new strategy of the Institute to hire all new scholars only on temporary contracts. The number of temporary contracts was therefore increased by six to a total of 28. This has increased their share to 18.7% (2001: 14.8%). Here, too, a further increase is planned. It is noteworthy that of the 28 people on temporary contracts, 21 are scholars (including the doctoral candidates). A desired side effect of temporary employment contracts is a rejuvenation of the Institute. Thus in 2002 the average age of all Ifo employees fell from 48.46 to 46.78. This rejuvenation took place in the group of scholars as well as that of the technical staff.

By hiring additional doctoral students the Ifo Institute demonstrates that the promotion of scholarly and professional skills of its staff is considered very important. In addition to the ten doctoral students, other members of the staff are working on their doctoral dissertation or post-doctoral thesis with the support of the Ifo Institute.

The promotion of young scholars is also reflected in the employment of interns from a variety of disciplines. In 2002 39 interns had the opportunity of gathering first experiences in empirical economic research.

Number of Staff at Year-end 2001 and 2002

	Total staff		Of which: part-time	
	2002	2001	2002	2001
Scholars	72	77	16	6
Doktorand students	10	6	10	6
Technical staff	58	57	22	20
Trainees	2	2	0	0
Workers	8	7	0	0
Total	150	149	48	32
	Of which: on temporary contracts			
	2002	2001	2002	2001
Scholars	11	12	8	15
Doktorand students	10	6	4	4
Technical staff	5	2	5	5
Trainees	2	2	1	1
Total	28	22	18	25

In addition to the support of dissertations and post-doctoral theses, the granting of time-off for individual professional development and the support of individual continued education outside the Institute, the Ifo Institute also offers continuing education courses in economics and technical areas. These activities are based on a comprehensive, regular survey of the qualification demands of all employees.

Part of the qualification programme is the continuing education of the scholars. A proven instrument to improve one's own professional knowledge is to teach at institutions of higher learning, especially universities with which the Ifo Institute has co-operation contracts. Ifo staff can already show a long list of teaching contracts. In addition, all economists are encouraged to attend courses and lectures at the University of Munich to keep up-to-date. This also reflects the intensified cooperation with the University from which the Institute hopes to enrich the in-house economic discussions. An important contribution to these is made by the lunchtime seminars which are by now a permanent weekly fixture. They serve to discuss current

research and new developments in the field. Speakers and participants are primarily members of the Ifo staff and the University of Munich. Another contribution to the enlivenment of economic discussions in-house and especially in the public at large are the Munich Seminars which are organised by CESifo in cooperation with the *Süddeutsche Zeitung*. Well-known scholars are invited in irregular intervals to present papers to an audience consisting of Ifo scholars, students and faculty of the University of Munich and invited guests.

Financial Development at the Ifo Institute 2002

As an acknowledgement and incentive for work of special scholarly quality, the Association of Friends of the Ifo Institute decided to award a prize to scholars of the Ifo Institute who have attracted attention by publishing papers of extraordinary quality. This prize was awarded for the first in 2002. It was awarded to Robert Fenge for his paper "How much fiscal equalization? A constitutional approach" (co-author: Jakob von Weizsäcker), published in the Journal of Institutional and Theoretical Economics.

In parallel, the Executive Board of the Ifo Institute decided to award a prize to extraordinary work in commissioned research. This prize was awarded for the first time at the 2001 Annual Meeting. In 2002 the first prize was awarded to Wolfgang Ochel and Rigmar Osterkamp for the creation and continued expansion of DICE, the Database of Institutional Comparison in Europe. The second prize went to Hans-Günther Vieweg and Herbert Hofmann for the research project "Mechanical engineering in SMEs in Germany – Opportunities and risks in times of globalisation and the New Economy".

Finances

The Ifo Institute is a non-profit organisation whose charter states that its work should benefit the general public; it does not primarily pursue activities for its own financial gain. The Ifo Institutes' goal is to provide services and research as public goods rather than to earn money. This also applies to commissioned research whose findings are also made public and which strengthen the basis of the Institute's work. That is why the Ifo Institute has geared its finances toward achieving a balanced cost and earnings structure in the long term, making possible a high service and research output. Sufficient research reserves serve to offset income fluctuations and to allow a flexible reaction to special demands.

The period 2000 – 2002 was characterised by massive structural adjustment measures which were necessary to cope with the drastic reduction of public funds and to put the Institute back on a solid financial footing. In 2002 a positive annual operating balance was achieved for the third year in a row and the Institute's net worth was increased once more. The goal of financial consolidation has been achieved.

Summary of Major Developments

In 2002 the Ifo Institute achieved a surplus which, at euro 29,000, is considerably lower than in 2001 (EUR 497,000). The size of the annual surplus is strongly affected by neutral results and those unrelated to the accounting period. After having still been positive (EUR 205,000) in the previous year, in 2002 the neutral expenses and those unrelated to the accounting period exceeded the corresponding income by euro 270,000. This was caused especially by value adjustments and repayments of public funds not expended in previous years.

If only current operations are considered, the results have improved over 2001, rising from EUR 280,000 to EUR 363,000. This was caused by expenses declining more than income. Income was affected primarily by the decline of public financial support and earmarked funds supporting self-defined research projects of the Institute. Value added in the area of commissioned research, which results from earnings on paid research and changes in stocks of yet non-invoiced work, remained at the previous year's level.

The reduction of expenses is primarily due to the renewed decline in personnel costs and other operating expenses. Earnings in the area of contract research could only be kept at the previous year's level by increasingly subcontracting to third parties. This has the consequence that expenses for services purchased rose markedly above those in 2001.

Net Worth and Finances

The annual surplus of EUR 129,000 together with the accumulated income (EUR 493,000) form the research reserves which reached EUR 622,000 on 31 December 2002. Voluntary payments beyond the obligatory membership fee amounted to EUR 32,000. They will be added to the earmarked reserves according to Art. 4, Sec 2 of the Institute's charter, which now total EUR 674,000. This results in a rise in the Institute's total assets to EUR 6.757 million as of 31 December 2002.

The balance-sheet total increased sharply by EUR 869,000 in 2002, to EUR 6.757 million. On the assets

side this is primarily due to the increase in liquid funds and on the liabilities side it is due to the increases in reserves and down-payments received.

Net worth, especially the coverage of fixed assets by equity, has improved further in 2002, amounting to 206%. At EUR 1.654 million, down-payments received for commissioned research exceed the figure of not yet invoiced contracts (EUR 1.197 million) by EUR 457,000. Total current assets of EUR 6.128 million, comprising only short-term assets, are financed at 89% (2001: 90%) by outside funds in the amount of EUR 5.461 million.

Liquidity was again ample in the reporting year. The increase in liquid funds is attributable primarily to the rise in reserves and down-payments received as well as the decline of claims and other assets.

Additions to fixed assets comprise software and hardware, machinery and equipment as well as down-payments made on fixed assets. After deducting retired fixed assets and depreciation, total fixed assets increased from EUR 612,000 to EUR 629,000.

**Ifo Balance Sheet of 2002 in thousand EUR
(short version)**

	31/12/2002	31/12/2001
Assets		
Fixed assets	629	612
<i>Current assets</i>		
Stocks	1,232	1,456
Claims	928	1,312
Liquid funds	3,968	2,508
Total assets	6,757	5,888
Net worth and liabilities		
<i>Equity</i>		
Earmarked funds	674	642
Accumulated income	493	-4
Annual surplus	129	497
<i>Short-term outside funds</i>		
Reserves	2,404	1,815
Liabilities vis-à-vis banks	18	22
Down-payments received	2,654	2,365
Other liabilities	385	551
Total equity and liabilities	6,757	5,888

Income

The overall balanced income situation is due to the result from current operations which rose by EUR 83,000 to EUR 363,000. This positive development was caused by expenses falling more than income.

The reduced income is due, for one, to declining public financial support. This decline results primarily from decreasing funds for the social plan which the Ifo Institute has been receiving for overcoming the financial consequences of massive staff reduction. Then, too, the Ifo Institute received less earmarked financial support, at EUR 168,000, than in 2001. This concerns project-related funding for the support of self-defined research projects of the Institute. The size of this financial support granted, for example, by the German Research Association (DFG) or the big research foundations, is always subject to large fluctuations.

In order to assess the development of commissioned research, the income from completed research projects and the change in stocks of not yet invoiced research must be considered together. In 2002 earnings rose by EUR 486,000 over 2001, whereas the stocks of non-invoiced commissioned research declined by exactly the same amount during the period under consideration. Thus the level of income from commissioned research was maintained. Good news is also the rise of income from publications and data bank services in the amount of EUR 127,000.

With respect to expenses arising from current operations, the further marked decline in personnel expenses is noteworthy. They decreased by EUR 367,000 to EUR 8.288 million. This development reflects the reduction and rejuvenation of the staff. The average number of employees fell by 21 persons.

The staff reduction, however, also necessitated an increase in subcontracting in order to match the previous year's level of commissioned research. This caused an increase in expenses for material and services purchased by EUR 301,000.

A noticeable reduction was further achieved in other operating expenses. They fell by EUR 258,000 com-

pared to 2001. This decline was significantly due to reduced expenses for renovation of Ifo buildings that were shifted into 2003.

The operating income of EUR 363,000 is reduced by the neutral earnings and those unrelated to the accounting period. On the one hand, neutral earnings resulting from the use or liquidation, respectively, of reserves fell markedly compared to the previous year. On the other hand, value adjustments and repayments of public funds previously granted but not spent meant that neutral expenses rose significantly. On balance, neutral expenses or those in other accounting periods exceeded income by EUR 270,000. A small offset was achieved by the positive financial results in the amount of EUR 36,000. The annual surplus, which will go into research reserves, thus amounts to EUR 129,000.

**Profit and Loss Statement for 2002 in thousand EUR
(short version)**

	31/12/2002	31/12/2001
Public financial support	7,556	7,708
Earmarked financial support	725	893
Obligatory membership fees	156	165
Income from publications and data bank services	451	324
Income from commissioned research	4,426	3,940
Change in stocks of non-invoiced services	-219	267
Operating income	13,095	13,297
Expenses for material and purchased services	1,611	1,310
Personnel expenses	8,288	8,655
Ordinary depreciation	125	86
Other operating expenses minus income	2,708	2,966
Operating expenses	12,732	13,017
Operating profit	363	280
Financial and neutral results as well as those unrelated to accounting period	-234	217
Profit for the years	129	497

Basic funding of the Ifo Institute is provided by public financial support, especially institutional support, that the Institute receives as one of the Blue List Institutions

in the framework of research support shared by the Federal Government and the states (Art. 91b GG). In addition, the operation of the Ifo Dresden Branch is supported separately by the State of Saxony. After deducting extraordinary depreciation of EUR 73,000, public financial support declined to EUR 7.556 million.

Institutional support granted by the Bavarian Ministry of Economic Affairs, Transport and Technology and the Federal Ministry of Economics and Labour amounted to EUR 6.819 million and was to be used for current operations (EUR 5.772 million) and investments and maintenance (EUR 1.047 million). EUR 6.194 million was earmarked for the budget proper and EUR 625,000 for the social plan. Institutional support for the Ifo Dresden Branch provided by the State of Saxony Ministry of Economics and Labour amounted to EUR 810,000.

The financial statements were audited and certified by PwC Deutsche Revision AG, Certified Public Accountants, Munich.

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(from July 1, 2003)