Evaluation of training providers for a new governance of the training system

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Evaluation of training providers for a new governance of the training system

- **Objective**: to provide the policy maker with a tool to reallocate financial resources according to agencies' employment performance

- **Data sources**: administrative data on FSE funded training activities merged with Compulsory Communications System of labour market flows

- **Basic outputs:** ranking of training agencies and consequent new resources reallocation

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Current model

Accreditation:
- formal criteria not concerning employment perfomance
- penalties in case of formal errors and administrative deficiencies

Call for projects

Projects proposals from training agencies

Projects evaluation, **selection** and **financing** by the Regional administration

Proposed model

Formal accreditation

Employment performance evaluation: allocation of agencies into 3 segments (best, medium and worst performers)

Calls for projects by segment:
- 40% contestable by all agencies
- 40% contestable by not worst agencies
- 20% contestable by best performing agencies

Projects proposals from training agencies

Projects evaluation, **selection** and **financing** by the Regional administration

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The proposed model: 3 steps procedure

1. **Profiling of the users:** summarize in a single score the relative distance of each unemployed from the labour market for administrative use

2. **Estimation of a multilevel model:** ranking agencies according to their net performance

3. **Simulation of the new model on the allocation of resources:** winners and losers

Step 1: the profiling system

	Coefficients	Row scores	Standardised scores (0-100)
Woman	-0,023***	0,02	4
30-40 years old	-0,047***	0,05	8
40-50 years old	-0,068***	0,07	12
More than 50 years old	-0,221***	0,22	38
Only compulsory education	-0,059***	0,06	10
Foreigner	-0,038***	0,04	7
No work experience	-0,173***	0,17	30
Duration of unemployment: 6-12 months	-0,078***	0,08	13
Duration of unemployment: 12-24 months	-0,133***	0,13	23
Duration of unemployment: more than 24 months	-0,243***	0,24	42
Constant	0,694***		

Note. *The baseline subject represents the luckiest unemployed, having characteristics favourable to a fast re-employment: he is male, young, Italian, with an education level higher than compulsory education, with work experience and a short duration of unemployment.*

Step 1: the profiling system

Risk group	Score range	Average score	Typical profile
Low risk group	0-16	9	Well equiped young: 25years-old man with secondary education and 8 months unemployment
Medium to low risk group	17-33	25	Woman re-entering the labour market after maternity: woman 35 years-old with tertiary education and 8 months unemployment
Medium to high risk group	34-46	39	Disadvantaged young: 18 years-old foreigner with only compulsory education and no work experience
High risk group	47+	61	Aged man loosing lifetime job: 55 years-old man with only compulsory education and more than 24 months unemployment
All trainees		33	

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Step 2: estimation of agencies's net performance

❑ **Methodology:** multilevel logit model to take into account the hierarchical structure of data ➡️ no independence of observations

❑ **Specification:**

$$logit(\pi_{ij}) = \log\left(\frac{\pi_{ij}}{1 - \pi_{ij}}\right) = \beta x_{ij} + \beta z_{ij} + u_j$$ ➡️ **Net performance**
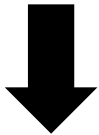
Probability of finding **a job within 12 months** since the end of the course

❑ **Use of multilevel logit model's results:** ranking of agencies according to second level residuals

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Step 2: covariates

Individual characteristics	Course	Labour market context	Agency
Sex	Content (vocational/non vocational)	Employment rate in the Local Labour System	Average profiling score
Age	Duration and organization (diluted, structured, light, intensive)	Year of course end	% disabled
Nationality			% trainees with no work experience
Education			% of Italians
Work experience			% of over50
Duration of unemployment			% of long-term unemployed
Disability			

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Step 2: results of the multilevel logit model

		Empty	Individual	Course +Contest	Agency
INDIVIDUAL VARIABLES			YES	YES	YES
COURSE VARIABLES	Vocational course			0,0243	0,0293
	Diluted			-0,047	-0,0565
	Intensive			-0,00065	0,00417
	Light			-,205***	-,219***
	Structured			,321***	,338***
CONTEXTUAL VARIABLES	Employment rate in Local Labour System			-0,00148	-0,00307
	Ended in 2010			0,0884	0,0884
	Ended in 2011			-,208***	-,204***
	Ended in 2012			-,197***	-,196***
	Ended in 2013			-0,0869	-0,0834
AGENCY VARIABLES	Average profiling score in the agency				-0,00278
	% of disabled in the agency				,0196*
	% of unemployed without work experience in the agency				-0,00145
	% of Italians in the agency				-0,00241
	% of qualified people (secondary or tertiary education) in the agency				0,00108
	% of under30 in the agency				-,00669**
	%of long-term unemployed in the agency				-,00541*
	Constant	-,0744*	,372***	,434**	1,1**
	LR test vs. logistic regression: chibar2(01)	1075,97	668,6	475,74	334,4
	Prob>=chibar2	0	0	0	0
	ICC	9,10%	7,70%	6,90%	6,00%

Step 2: expected probability for different profiles of trainee and training providers

	Average agency (sd=0)	Low performing agency (u=-2*sd)	High performing agency (u=-2*sd)
Well equiped young	67%	45%	83%
Woman re-entering the labour market after maternity	64%	42%	82%
Disadvantaged young	60%	37%	79%
Aged man loosing lifetime job	47%	26%	69%
Baseline subject	*75%*	*55%*	*88%*

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Step 2: ranking of training providers according to net performance
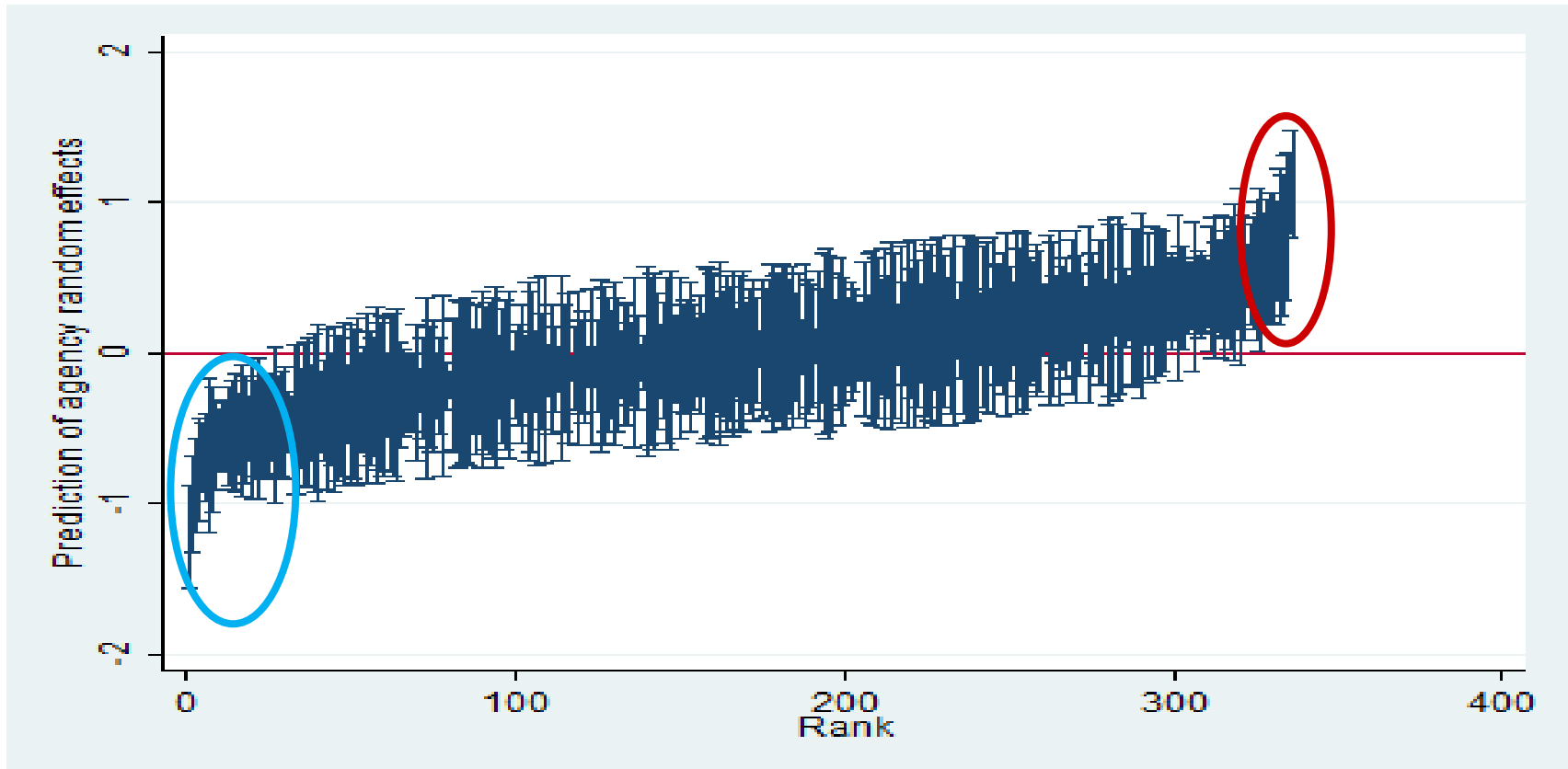
Selection of three segments of agencies:
- the best performers (42)
- the medium-performers (249)
- the worst performers (46)

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Step 3: simulation of new resources allocation

	All	Not worst	Best
% resources	40%	40%	20%
Total reserved amount	€ 27millions	€ 27 millions	€ 13millions
Number of obs.	337	290	45
Individual average amount	€ 81 Th.	€ 94 Th.	€ 300 Th.
Individual cumulated amount	**€ 81 Th.**	**€ 175 Th.**	**€ 478 Th.**

+ 81% resources to best performers
-63% resources to worst performers

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Conclusions

❑ A governance structure based on evaluation of training providers in order to improve the overall effectiveness of the system

❑ The proposed methodology, although based on clear and transparent criteria, leaves room for political choices in more than one aspect.

   ❑ Methodology for the estimation the **profiling score**

   ❑ Choice of the **outcome variable**

   ❑ Choice of **covariates** included in the multilevel model

   ❑ Choice of the **thresholds** for the identification of best and worst performers and the creation of the segments of agencies (different models for the classification of u)

   ❑ Definition of **quotas** reserved to each segment