HOW TO REWARD TRAINING AGENCIES ACCORDING TO THEIR PERFORMANCE? A PROPOSAL FOR ITALIAN REGIONS

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A new model of governance

Where we come from...

Formal accreditation

Call for projects
100% contestable by all agencies

Project proposals from training agencies

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

Where we want to go...

Formal accreditation

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

Calls for projects
- 40% contestable by all agencies
- 40% contestable by not worst agencies
- 20% contestable by best performing agencies
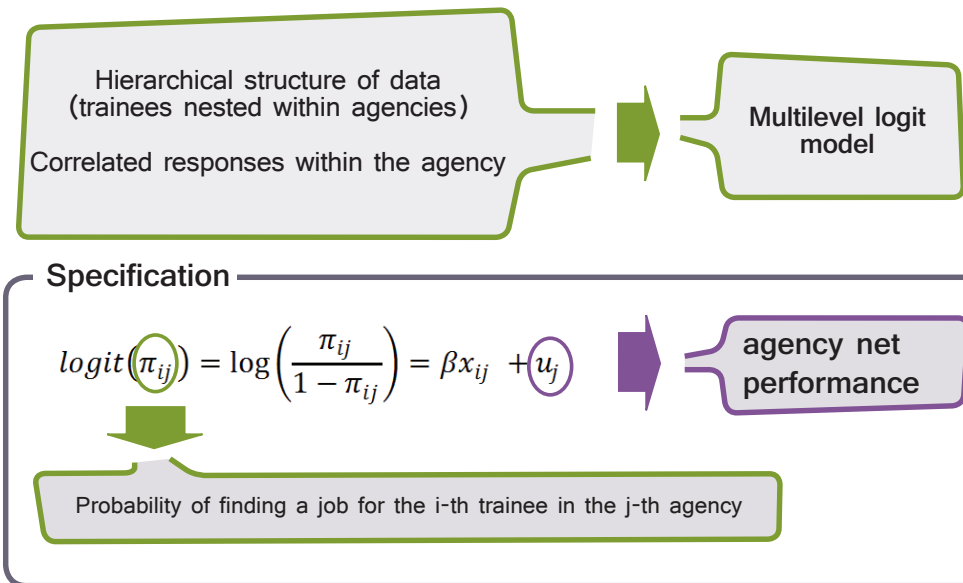
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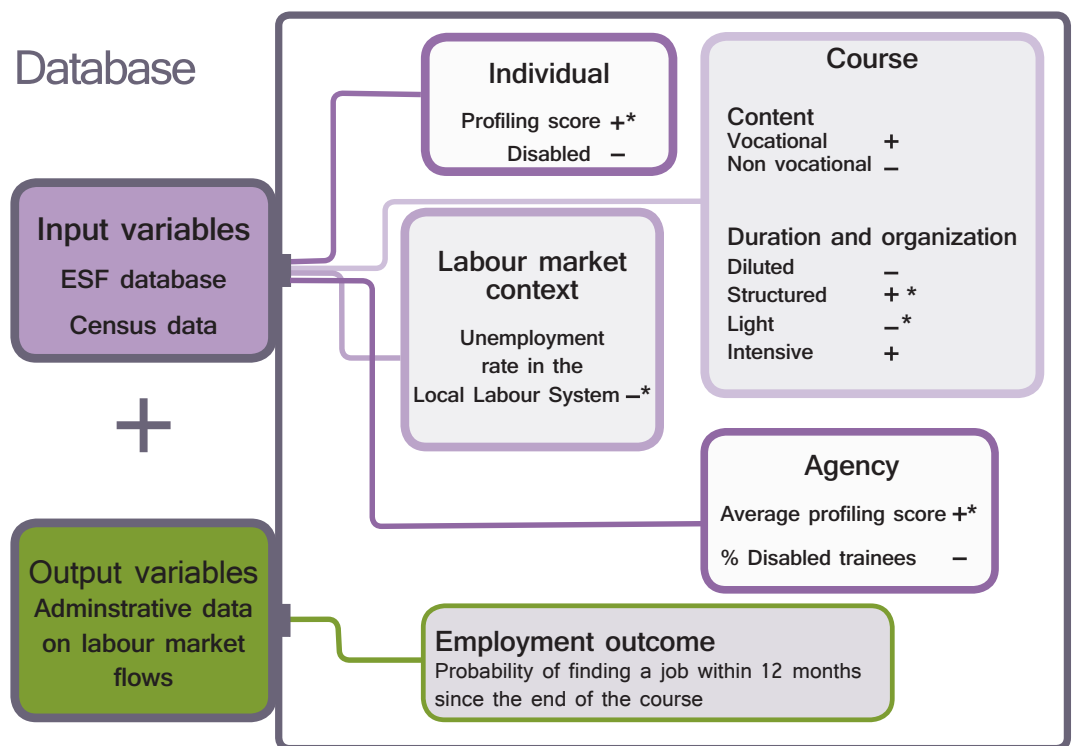
How to do it

- Measurement of each agency net performance
- Ranking and grouping of agencies according to their net performance
- Use of groups for financial resource allocation

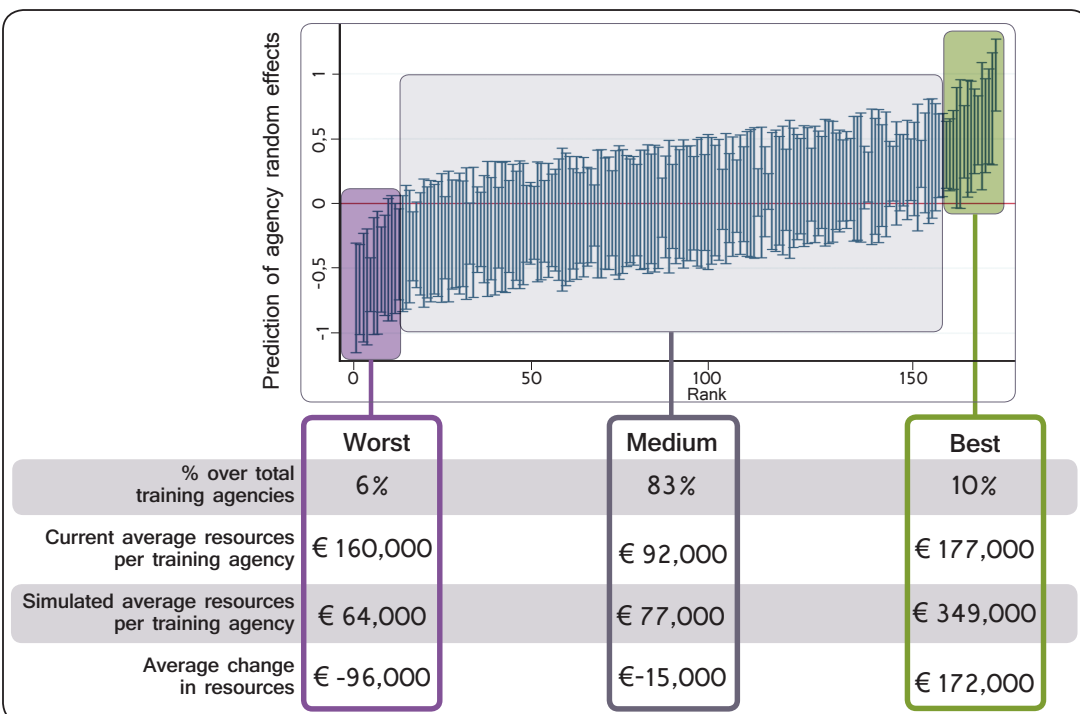## Methodology and data for estimation of performance

Methodology

Hierarchical structure of data (trainees nested within agencies)

Correlated responses within the agency

→ Multilevel logit model

Specification

$$logit(\pi_{ij}) = \log\left(\frac{\pi_{ij}}{1-\pi_{ij}}\right) = \beta x_{ij} + u_j$$ → **agency net performance**

Probability of finding a job for the i-th trainee in the j-th agency

Database

Input variables
ESF database
Census data

Individual
Profiling score +*
Disabled —

Course
Content
Vocational +
Non vocational —

Duration and organization
Diluted —
Structured + *
Light —*
Intensive +

Labour market context
Unemployment rate in the Local Labour System —*

Agency
Average profiling score +*
% Disabled trainees —

+

Output variables
Administrative data on labour market flows

Employment outcome
Probability of finding a job within 12 months since the end of the course

Application of the model

Ranking and grouping of training agencies

	Worst	Medium	Best
% over total training agencies	6%	83%	10%
Current average resources per training agency	€ 160,000	€ 92,000	€ 177,000
Simulated average resources per training agency	€ 64,000	€ 77,000	€ 349,000
Average change in resources	€ -96,000	€-15,000	€ 172,000

The model in practice: a normative approach

Multilevel as a tool to calibrate and validate a normative approach

→

Net performance
=
Current agency employment outcome
—
Expected outcome
(average profiling score)

Advantages
For the policy maker: large freedom of choice in the selection of groups (no statistical constraints)

For the agencies: simple, intuitive, easy to communicate; possibility for the agency to calculate autonomously and ex ante its potential outcome