Local governments' efficiency and educational results: empirical evidence from Italian primary schools¹

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Abstract: In Italy, the provision of educational ancillary services (like meals and school transportation) is in charge of the municipalities. We investigate whether municipalities differ in their efficiency when providing these services and whether such heterogeneity explains some portion of the variability observed in pupils' test scores. The paper is the first application of a nonparametric order-m model and a two-stage multilevel regression to a unique administrative dataset, made of the entire population of Italian pupils tested in reading and mathematics at grade 5 (academic years 2012/2013 and 2014/2015). Results demonstrate that local governments have different efficiency levels in providing services to schools. The test scores' variability among pupils, however, is not explained by different efficiency levels of local government in producing ancillary services.

JEL codes: I21, H52 Keywords: ancillary services, order-m, multilevel modelling, efficiency

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1. Introduction

Educational institutions are responsible for providing complementary services also known as ancillary or peripheral services, beside the main core of educational services such as teaching staff, schools' books and teaching materials. Ancillary services are defined as: "services provided by educational institutions that are peripheral to the main educational mission, such as school meals and health services, boarding, halls of residence, and transportation to and from school" (OECD 2018). Recently, the effect of ancillary services on pupils' achievement and their role in determining the educational production function (EPF) have arisen debates given the amount of resources that many countries devote to them (Fig. A.1 Appendix A).

Developing reliable measures to investigate the effectiveness of ancillary services provided to pupils is central and critical for evaluating management practices and set up incentives, given the limited amount of resources available. Moreover, the government bodies in charge of providing them may vary in their level of efficiency and in turn affect pupil's performance, to the extent to which the quality and quantity of these services are likely to have an impact of their educational experience.

In Italy, public schools at primary and lower secondary levels are in charge of delivering ancillary services - school meals and transport from and to school - receiving financial transfers from municipalities. This has raised the need for a responsible and efficient use of resources, both by schools and municipalities. If local governments differ in their efficiency for producing such services, this might have an effect on the students' performance. The objective of this study is indeed to investigate whether the heterogeneous efficiency levels across municipalities in the provision of ancillary services, have any effects on pupils' achievements.

Starting from the EPF proposed by Hanushek (1979), this work sheds a light in estimating the impact of inputs – meals and transport to/from school jointly - on the educational outputs measured by reading and mathematics pupils' scores in 15 Italian regions with ordinary statutes. The paper applies the nonparametric technique order-m in the first stage to determine the efficiency of municipalities as decision-making units (DMU). In a second stage, the efficiency scores are covariates in a multilevel model with a set of environmental variables to assess the relationship that these factors may have with student's achievement.

The study answers two research questions:

- Is there variability of the efficiency level among municipalities in providing services to schools?
- Does the variability among municipalities' efficiency in producing ancillary services explain a portion of the variability across pupils' achievements?

This article contributes to the literature in three innovative ways: (i) it is the first work to study the correlation between the spending on ancillary services on pupil's achievement; (ii) it is the first study that applies a partial frontier analysis to evaluate the efficiency of municipalities in providing those services to schools and (iii) it combines for the first time,

two different administrative database to have detailed information at student, school and municipality levels.

The paper relies upon the analysis by Porcelli (2015) who investigates how Italian local authorities spend efficiently their resources, transferred by regions with ordinary status on social care sector. The existence of geographical differences in the level of efficiency as well as in the variability of pupils' test score within the country has been already investigated by Carboni and Russu (2018), Agasisti and Cordero-Ferrera (2013), Agasisti and Vittadini (2012) and Bratti et al. (2007). These studies provide an excellent backdrop for analysing the magnitude and the variability in the use of resources among Italian regions, as well as the impact on the variability of pupils' outcomes across regions.

The paper is organised as follows. Section §2 summarizes the literature on resources and ancillary services while Section §3 provides the background of Italian educational system. Section §4 discusses the methodology, Section §5 presents data while Section §6 reports and discusses the results. Section §7 concludes.

2. Resources, ancillary services and educational results - received literature

The analysis conducted in this work has been informed by three main streams of the academic literature. First of all, it is important to understand how ancillary services influence educational results, within the framework of the EPF (Hanushek 1979). Second, the discussion about how resources can have an impact on the performance of pupils has become an important topic of investigation and rises questions on whether more resources are correlated or not with better students' performance (Hanushek 1981). Third, given the role of local governments in Italy in providing ancillary services to students, it is crucial to investigate the efficiency of local governments in the production of public services.

2.1 Ancillary services and educational results

The literature regarding the effect of ancillary services on educational attainments is scarce. Several studies have investigated, separately, the impact of transports from and to school and, the effect of school meals on educational results since the Coleman's report (Coleman et al. 1966). The first study that discussed the effect of transport service is by Lu and Tweeten (1973). Based on 27 school districts within Oklahoma State and using an Ordinary Least Squared (OLS) regression, the study concludes that there is a negative correlation between time spent on the bus and test scores. The work was re-analysed by Zoloth (1976), who pointed out the lack of an important predictor on pupils' score: the socio-economic background. The new results show that there is a non-significant impact of the service on pupils' score. Other qualitative studies highlight the negative impact of the time spent on the bus on test scores (Henderson 2009; Spence 2000; Zars 1998).

Scholars have studied with more interest the impact of the school meals on pupils' outcomes with several studies from the US and the UK, but also from other developed and developing countries. In the US, using a sample of California public schools (Anderson et al. 2017) and

school districts in Virginia (Figlio and Winicki 2005) where the nutritional content of the meals at school was increased, these studies show that there is an improvement in students' achievement. Ells et al. (2008) review some studies in the UK proposing further analyses given that literature is scarce and in part, inconclusive. In Denmark, Sørensen et al. (2015) by a randomized-cluster trial in primary schools, they conclude that there is no effect of the change in the nutritional content on pupils' mathematics score. The School Breakfast Program (SBP) in US has led to new studies that show positive effects of the SBP on pupils' scores with an increase in mathematics outcomes around 8 percent (Frisvold 2015; Imberman and Kugler 2014; Leos-Urbel et al. 2013; Kleinman et al. 2002).

It is important to clarify, here, that the contributions mentioned in this section provide a partial ground for our work. They substantially differ from our approach because they focus on specific nutrition interventions and not on the resources invested for providing the service, which is the main objective of our work. We do not have data about the quality of those services but we can provide insights about the efficiency of expenditures and the effects on students' achievement.

2.2 School resources and educational results

Despite decades of research about the relationship between school resources and students' results and the increasing push towards an effective allocation of school resources, the topic is still controversial (Hanushek 1989, Hanushek and Luque 2003, Woessmann 2003; Gundlach et al. 2001). Hanushek (1997) describes three categories of educational resources and relationship with students' output: (i) the real resources of the classroom related to teachers' quantity and quality; (ii) financial resources and (iii) other resources like school facilities. In his review, he highlights that there is small evidence of positive effects on student performance and policies to increase school resources might have limited impact. A meta-analysis for 60 studies by Greenwald et al. (1996) concludes that there are positive effects of resources on pupils' outcomes. Revisiting Hanushek's studies, Card and Krueger (1996) point out the existence of a positive relationship between school resources and student achievement.

It is worth to notice that the bulk of literature on the topic is USA-centred, while few studies run international comparisons. Woessman (2003) analyses 260.000 students in 39 countries and finds that differences in student performance are to be attributed to institutional differences more consistently than to differences in the amount of resources available. In closer connection to the current study, Heinesen (2004) analyses how local public school spending in Denmark is determined by community characteristics, given that school spending represents a considerable proportion of the local authority budgets. The study finds a set of variables significantly affecting the level of expenditure, like private income and indicators of the fraction of pupils from disadvantaged backgrounds. Though, the author acknowledges the lack of data about school quality, like student test scores, that would have enabled to investigate the relationship between the expenditure of local authorities for schools and the level of school quality. This is indeed the focus of the current paper, with a specific application to the expenditure for ancillary services.

2.3 The efficiency of local governments in Italy

Some existing literature analyses the efficiency of Italian local governments to understand differences in the ability of local governments to provide services they are responsible for, in an efficient manner. In the context of this work, it is fundamental to explore whether the efficiency of local governments can be tested as a factor associated with lower/higher academic results of the students, given that the municipalities are responsible for providing the key ancillary services of interest and, we selected some key papers.

Boetti et al. (2012) investigated how fiscal decentralization is associated with higher levels of efficiency, considering around 260 municipalities in the area of Turin in 2005. They measure the proportion of revenues from local taxes on total current revenues and then, they correlate the indicator with efficiency in providing a set of local public services. The results suggest that fiscal autonomy is associated with lower inefficient spending. Their analysis demonstrates also a high heterogeneity in the level of municipalities' (in)efficiency.

Lo Storto (2013) studies the efficiency of 103 large municipalities in 2011 using as indicators for outputs the urban infrastructure, nursery schools, area extension, and resident population. The results point to demonstrate decreasing returns to scale – a very important finding in the light of the present paper. In a related work, Lo Storto (2016) better evaluates the cost efficiency of 108 major municipalities showing the presence of a trade-off between efficiency and effectiveness, the latter being measured through some indicators of service quality. Settimi et al. (2014) analyse the efficiency of local governments in providing one major service (General Register Office) in 2009 suggesting that efficiency gains are not associated with managing the services. The efficiency estimations are robust using alternative measures and methods corroborating the evidence that the distribution of efficiency scores across local governments is very heterogeneous.

Agasisti et al. (2016) derive indicators of efficiency in producing essential public services for more than 300 municipalities in the Lombardy Region, for the years 2011-2013. The findings reveal how some factors are indeed associated with efficiency – for example, the financial equilibrium, the structure of population by age, scale economies and, strongly reveal that some municipalities are substantially more efficiency than others. D'Inverno et al. (2018) focus on the efficiency of 282 municipalities in the Tuscany region, employing a non-parametric method for year 2011. A set of five services has been considered as output of the local governments' production (including ancillary services for education). The results suggest that changing the composition of expenditure across functions can lead to improvements in global efficiency spending. The study confirms that municipalities in the selected Region also report very different efficiency scores.

From this brief review emerges a clear lack of studies which explore specifically the link between the spending on ancillary services and academic results. Previous evidence demonstrate that local governments are quite heterogeneous in terms of efficiency, so we would like to explore if such heterogeneity has any reflex on the quality of ancillary services and, consequently, on students' academic performance. As evident from this stream of studies, local governments are likely to differ in their efficiency in a substantial way, then some of them can also be more efficient than others in providing ancillary services to schools, something that might affect the performance of students.

3. Background: notes about the Italian educational system and the role of local governments

The Italian educational system, in the period under analysis, is characterised by a strong centralization by the Ministry of Education responsible for hiring teachers and defining curricular programs. School resources are mainly provided by the Ministry of Education, Research and University (MIUR) except for limited funding by regional governments and municipalities. The central government directly provides funding for school functioning and teachers' salaries, while regions and municipalities provide funding for services and assistance for pupils, such as school transportation, textbooks, social and health assistance, canteens, financial aid and building maintenance.

When considering the results of educational activities, despite the centralized educational system, Italy has shown a strong geographical variation in educational achievement, as well as differences in educational resources across regions (Agasisti and Vittadini 2012). In the Italian legislation, ancillary services for primary and secondary education - school meals and transports - are defined as local services on individual demand supplied by the local governments. The services are regulated within the realm of the "right to study"², which specifies how financial resources for these services are to be transferred by the municipalities to the schools. Schools, then, can decide to directly provide the service or outsource it to external providers. The OECD (2015, 2016, 2017, 2018) highlight how, in Italy the level of resources devoted to the ancillary services is below the OECD average (Table 1).

	2012	2013	% change	2014	2015	% change
Italia	420	398	-5.24	407	378	-7.13
OECD average	554	522	-5.78	540	579	7.22

Table 1. Annual expenditure per pupil for ancillary services (€/student)

Source: authors' elaborations on Table 2.1 OECD Education at a Glance (2013, 2014, 2015, 2017). Values expressed in US dollars, purchasing power parity.

To fully understand the potential role of ancillary services, it is important also to note how school time is organized in Italy. According to the Law 29/2004, weekly school time at primary level may vary between 27 and 40 hours. The maximum level of weekly hours is 40 hours, also called "full-time" and it is comprehensive of the daily time spent in the school canteen, which then becomes an integral part of the services provided to the students. Families may decide to apply for the school canteen service against payment of a fee depending on their socio-economic level, as private contribution for service delivery, or to take the kids home for lunch. If the socio-economic status (SES) of the family is below a certain threshold set by the municipality, the financial contribution can be waved and is

² Law n. 112/1998

covered by general taxation (i.e. local government's expenditure). For what it concerns the school transport, the legislation provides for a free service to all the pupils whose families apply for it, giving priority to disabled and disadvantaged students. Given that ancillary services are regulated as an essential part of the educational offer, but resources for that are managed by local governments and not by schools, there is a problem of understanding the level of efficiency and in turn effectiveness of this process, a point specifically addressed by the present study. Indeed, by exploring the (heterogeneous) efficiency of local governments' expenditures for the two key services (transports and meals), we would like to understand whether such differences are then reflected on systematic variability in students' test scores.

4. Methodological approach

The methodological approach proposed is developed in two steps. In a first stage, the efficiency score of municipalities in providing ancillary services is estimated by means of an order-m approach. In a second stage, the efficiency scores derived are tested as an explanatory factor for the variability of test scores across municipalities applying a three-level multilevel model.

4.1 The efficiency of municipalities in funding ancillary services for education

To determine the efficiency scores of municipalities in producing ancillary services for education, the efficient production frontier is defined in the input-output space. The frontier can be defined as the locus of the maximal attainable level of outputs for a given level of inputs (maximization of output) *or* the minimum level of inputs for a given level of output (minimization of inputs), based on the sample of decision-making units (DMUs). In this study, the order-*m* approach is the main empirical model adopted, by using one measure of input (expenditure) and two measures of outputs (meals and transport provided) with an input orientation (Cazals et al. 2002).

Order-*m* is a generalization of basic non-parametric methodologies like DEA and FDH³ and it adds a layer of randomness to the computation of efficiency scores. The main idea is to benchmark a DMU against a sample of *m* peers and not against the best-performing observations from the whole population, as in DEA and FDH. It mitigates the impact of (potential) outliers in the observed sample *S* (Cazals et al. 2002). Moreover, it does not use all sample values to define the efficiency score, but it considers repeatedly subsamples of an integer $m \ge 1$ observations randomly drawn from the sample *S*. For each observation, the model is computed as the average value of the efficiency scores θ with $(\hat{\theta}_m^1, ..., \hat{\theta}_m^D)$ defined over the *D* iterations. The generalized model is expressed as following:

$$\varphi_m(y) = \mathbb{E}\left[\min(X_1, \dots, X_m) \mid Y \ge y\right] = \int_0^\infty [1 - \Psi_{x|y}(x|y)]^m dx \tag{1}$$

where the order-*m* estimator $\varphi_m(y)$ consists of two parts: the first equality defines the concept of the benchmark for a unit (x, y) producing a given level y of outputs in the interior

³ Charnes, Cooper and Rhodes (1978); Banker, Charnes and Cooper (1984)

of the support of *Y*, where *m* is i.i.d. random variables $(X_{1,}...,X_{m})$ generated by the conditional *p*-variate distribution function $\Psi_{x|y}(x|y)$.

The order-*m* efficiency score can be defined as $\theta_m(x, y) = \frac{\varphi_m(y)}{\chi}$ that can also have a value greater than 1. As $m \to \infty$, the *m*-frontier approaches the true frontier and the efficiency score approaches to the true efficiency (Tauchmann 2012, Gnewuch and Wohlrabe 2018). Order-*m* consists of four steps: 1) from a set of peer DMUs in the sample *S* that satisfy the condition $Y \ge y$ denoted as B_i , a sample of *m* peer DMUs that is randomly drawn with replacement; 2) a pseudo-FDH efficiency score is calculated, using this artificial reference sample; 3) Steps 1 and 2 are repeated *D* times using the bootstrap technique; 4) order-*m* efficiency is calculated as the average of pseudo-FDH scores:

$$\hat{\theta}_{mi}^{OM} = \frac{1}{D} \sum_{d=1}^{D} \hat{\theta}_{mi}^{\widehat{FDH}_d}$$
(2)

where $\hat{\theta}$ represents the efficiency score for the order-*m* model for the *i* DMU units; *D* represents the parameter for bootstrap. Because of random resampling, during each replication would be possible that the DMU *i* may or may not be a peer for other DMUs. For this work, the baseline model uses m = 100 and bootstrap D = 3000, parameters chosen by consulting the Receiver Operating Characteristic (ROC) curve illustrated in Figure 1, which is a representation of the accuracy of the choice of *m* detected in an elbow at about m = 100, which justifies the choice of the parameter.





Notes: authors' elaboration using R software. On the y axis: percentage of super-efficiency units. On the x axis: value of *m* (parameter of interest).

The values of m which correspond to the desired degree of robustness, i.e. the percentage of high performers of the population we want to exclude in our more realistic benchmarking comparison that in the sample is robust at around 2 percent. We have also investigated the model with other values for m = 20, 50, 150 and 200. Average efficiency values are reported in Table A.3 in Appendix A (results are not presented in the main article but are available upon request).

4.2 Exploring the determinants of the pupils' results: multilevel modelling

The difference in the variability of pupil achievement among municipalities is conducted by estimating the EPF that takes the generally acceptable form since Hanushek (1979):

$$y_{ijmt} = f(\boldsymbol{X}_{ijmt}, \boldsymbol{S}_{mt}, \boldsymbol{M}_{jt})$$
(3)

where for the *i*th pupil, y represents the outcome of the educational process measured by the test score in reading and mathematics at school-unit j, municipality m at time t; X is a vector of pupils characteristics; S is a vector of the school-unit characteristics; M is a vector for resources transferred by municipalities to school to provide ancillary services. We are interested in the correlation between S and pupils' outcome y where, S is included into the model by how schools use, in efficient way, those resources.

Multilevel modelling is used for studying the factors associated with pupils' test scores, given the nested structure of the database with pupils nested within school-unit $(plesso)^4$ and school-units nested within municipalities. This paper adopts a three-level multilevel approach with random intercept (Snijders and Bosker 2012; Goldstein 2011; Bryk and Raudenbush 1992) with pupils are at Level 1, school-unit at Level 2 and municipalities at Level 3. The aim is to estimate the relationship between a response variable and a set of explanatory variables nested at different levels. The econometric model is specified as follows:

$$y_{ijm} = \beta_0 + \beta_1 \boldsymbol{X}_{ijm} + \phi \boldsymbol{S}_{mt} + \gamma \boldsymbol{M}_t + \boldsymbol{v}_k + \boldsymbol{u}_{jk} + \boldsymbol{e}_{ijk} \tag{4}$$

where y_{ijk} is the observed score for pupil *i*th in school-unit *j* and municipality *m*. The first part of the model $\beta_0 + \beta_1 X_{ijm} + \phi S_{mt} + \gamma M_t$ represents the fixed part and it specifies the relationship between the mean of *y* and the explanatory variables. The random part is expressed by $v_k + u_{jk} + e_{ijk}$ while the variance components identified by σ_v^2 , σ_u^2 , and σ_e^2 measure how the variation is distributed between the three different levels.

5. Data

To assess the impact of municipalities' resources for ancillary services on pupil achievement, the paper combines two sources of data in a novel way, analysing all students and all municipalities located in all the 15 Italian regions with ordinary statutes. The novel empirical application takes advantage from the use of two sources of data combined through the municipality cadastral code where the school is located, which enriches administrative data on standardised tests with information at municipality level. The first database is provided by INVALSI, which is an institutional entity under the supervision of the Italian Ministry of Education, University and Research and yearly assesses skills of Italian pupils at given grades. Data used in the study refers to the results in the standardised tests taken at grade 5 in reading and mathematics scores by all Italian pupils in the academic years 2012/2013 and

⁴ A plesso is each of the units of school buildings belonging to a comprehensive institute. Given that schools can be composed of buildings located across different municipalities, we consider the plesso-level in order to disentangle the cross-municipalities effect.

2014/2015. Data about achievement are enriched with detailed information about the student, the family context and a number of school characteristics, collected by questionnaires filled by students, parents, school principals and secretaries.

In addition, the database on standard and historical expenditures and on the level of services (school meals and pupils transported) for municipalities is provided by SOSE (*Soluzioni per il Sistema Economico S.p.a.*).⁵ SOSE, since 2011, elaborates econometric models for the evaluation of the standard expenditure needs (SEN) of Italian local governments (see Porcelli, 2015) and, since 2015 publishes online on the web portal OpenCivitas all the raw data in opendata format.⁶

Ancillary education services absorb, on average, 13% of total standard expenditure needs corresponding, in terms of current expenditure, to 706.82 euros per capita. This amount, multiplied by the target resident population of over 5.7 million children between 3 and 14, generates a total current expenditure of 4039 million euros (2013 data). Education ancillary services provided by Italian municipalities and analysed for the evaluation of standard expenditure needs, are characterized by a multitude of activities such as: the maintenance of the school buildings, the provision of school meals, pupils' transportation, the assistance of pupils with special needs, etc.

As reported in Table 2, those services can be divided into two groups: mandatory services, where the municipality has only minimal discretionarily in setting the quantity to provide, and discretionary services where, instead, the local administration can decide autonomously the level of service.

	National average (2013)
Mandatory services	
School surface sq. meter per resident age 3-14	12.71
Private school pupils per 100 residents age 3-14	10.12
Municipal school pupils per 100 residents age 3-14	2.20
Municipal school pupils with special needs per 100 municipal school pupils	2.58
Transported pupils with special needs per 100 residents age 3-14	0.23
Discretionary services	
Transported pupils per 100 residents age 3-14	10.54
Pupils with school meal service per 100 residents age 3-14	24.07

Table 2 – Ancillary education services

Source: Authors' elaborations on OPENCIVITAS data.

⁵ SOSE S.p.A. is a company owned both by the Italian Ministry of Economy and Finance and Bank of Italy and elaborates and implements a system for the evaluation of Standard Expenditure Needs, real financial needs of a local municipality based on its territorial characteristics and the socio-demographic aspects of the resident population of Italian local governments, to guarantee that resources are distributed in an equitable and transparent way.

 $^{^{6}}$ At the end of 2013, the Italian government, with the scientific support of SOSE SpA, produced the first wave of the assessment of Standard Expenditure Needs (SEN) for all the municipalities located in normal statute regions. This marked the beginning of a radical reform of intergovernmental relations in Italy, taking the first and necessary step towards the construction of a new and more efficient mechanism for the distribution of equalization grants to finance the essential functions of municipalities. In 2016 a new wave of standard expenditure needs was released updating the methodology and reducing the final number of variables involved in the computation.

From the OpenCivitas database, we decided to extract information regarding the local governments' expenditure and the level of services related to the two discretionary services: school meals and school transport. Information on the level of services and the amount of current expenditure have been collected for 2010 and 2013 to coordinate them with students' test scores data that, at the beginning of the research activity, where available up to 2014/2015 academic year.

In particular, given that the investments in ancillary services might have effect on later years, we consider (at least) a 2-years lag for data about municipality expenditures. Given that the relationship between the resources and the amount of ancillary services provided by the local government may be influenced by the average level of a wealth across municipalities, we also merged the data with the average income level per municipality, provided by Sole 24Ore⁷.

The efficiency score estimated by a bootstrap order-m approach is obtained by the package *frontiles* in R (<u>http://www.r-project.org</u>). The model is run at municipality-level, with efficiency scores varying between 0 and 1. The closer to 1 is the efficiency score, the more efficient is the DMU. As an input, we consider the yearly expenditure for ancillary services, while outputs are the number of served students by the school canteen and transportation services. A limitation in the database with respect to the inputs, is the lack of a quality indicator which might be included in the estimation, and that can partially explain the differences in efficiency levels (if the production of different quality requires higher costs which are not captured by quantities).

The initial database consisted approximately of 400,000 observations nested into 5,500 municipalities in which is located at least one school-unit, for both of academic years 2012/2013 and 2014/2015. The dataset has been cleaned for missing values and the final dataset contains 320,000 observations within approximately 4,500 municipalities, for 2012/2013 and 2014/2015.

The outputs used are reading and mathematics scores administered by INVALSI and expressed as net scores and scores are standardized with mean equals to 200 and standard deviation of 100. We focus on grade 5, the last year of primary school in Italy. Additional covariates at student, school and municipality level are listed in Table 3, while descriptive statistics are provided in Table A.1 and A.2 of the Annex A.

⁷ http://www.infodata.ilsole24ore.com

	Variables	Definition
Student level	Test score r	Reading test score
~~~~~~	Test score m	Mathematics test score
	Gender	Student's gender: Girl (dummy)
	Early enrolment student	Student's enrolment status: early (dummy)
	Late enrolment student	Student's enrolment status: late (dummy)
	Immigrant first gener.	Student's immigrant status: 1 st generation
	8 8	(dummy)
	Immigrant second gener.	Student's immigration status: 2 st generation
		(dummy)
	Highest education father	Educational level father (dummy)
	Highest education mother	Educational level mother (dummy)
	ESCS	Economic, social and cultural status (index)
	Centre	Geographical macro-area: centre (dummy)
	South	Geographical macro-area: south (dummy)
School-unit level	Percentage student girl	Girls at school-unit (%)
	Percentage immigrant first	Student's immigrant status: 1 st generation (%)
	Percentage immigrant second	Student's immigrant status: 2 st generation (%)
	Percentage 27 hours	Hours spent at school (%)
	Percentage 28_30 hours	Hours spent at school (%)
	Percentage 31_39 hours	Hours spent at school (%)
	Percentage 40 hours	Hours spent at school – full time (%)
	Percentage early enrolment	Student's enrolment status: early (%)
	Percentage late enrolment	Student's enrolment status: late (%)
	Percentage highest education father	Highest educational level father (%)
	Percentage highest education	Student's enrolment status: late (%)
	mother	
	ESCS school-unit	Economic, social and cultural status (index)
Municipality level	Efficiency	Efficiency scores from order-m
	Meals	School meals
	Transport	Transport from/to school
Controls	GDP_municipality	Average GDP for municipality

Table 3. Variables and definitions

Source: Authors' elaborations on INVALSI-SOSE data.

## 6. Results from the empirical analysis

## 6.1 Analysis of the efficiency of municipalities in providing ancillary services to school

The estimated values of local governments' efficiency scores show two different paths: the average efficiency scores decrease between the two academic years (2012/13 and 2014/15) meaning that, on average, more municipalities moved away from the production-possibility frontier becoming less efficient. Moreover, it might be useful to see in Table 4 that the share of efficient DMUs, i.e. DMUs with efficiency values equal 1 ( $\theta = 1$ ), shows an increasing

trend with a higher share of efficient municipalities in 2014/15 compared to 2012/13. We notice how the average level of efficiency is quite low in both cohorts (0.47 and 0.30, respectively), so large improvements towards more efficient use of resources are possible. As a result, this evidence shows a clear increase in inequality among municipalities, since polarization in the two extremes of the distribution of efficiency score increased over time.

	2012/2013	2014/2015
m=100		
Average efficiency score	0.47	0.30
% obs ( $\theta = 1$ )	0.32	0.11
% obs $(\theta > 1)$	2.16	1.35

Table 4. Order-*m* efficiency scores of local governments, overall analysis

*Notes*: Average efficiency score using m=100 and with bootstrap D = 3000. Theta indicates the efficiency score derived by the model. Shares of efficient municipalities ( $\theta = 1$ ) and super-efficient ( $\theta > 1$ ) are presented in rows 2-3.

Source: INVALSI-SOSE dataset. Author's elaborations.

The analysis of the efficiency scores can be reported by geographical macroareas (Northern Italy, Central and Southern) to investigate where efficient or inefficient DMUs are located. Table 5 presents the levels of efficiency across macroareas for both subjects and academic years. The pattern that emerges is counterintuitive: Northern regions show lower efficiency values (0.24-0.41) compared to regions in the Southern area (0.42-0.54). This phenomenon has a potential explanation: higher levels of efficiency for any given level of output quantity. As mentioned, higher expenditures might also be associated to higher levels of quality.

		2012/2013			2014/2015	
Macroareas	Mean	Min	Max	Mean	Min	Max
North	0.41	0.13	1.57	0.24	0.05	1.54
Centre	0.41	0.16	1.45	0.21	0.06	1.30
South	0.54	0.14	1.47	0.42	0.06	1.60

Table 5: Order-*m* efficiency scores of local governments, by geographical macroarea

*Notes*: author's elaborations based on m = 100

Source: INVALSI-SOSE dataset

## 6.2 Analysis of the determinants of the pupils' results: multilevel modelling

Results from the three-level multilevel modelling for the academic year 2012/13 and 2014/15 are presented in Table 6, providing an answer to the second research question. The multilevel model estimates how much of the variance of students' test scores is attributable to structural differences between school-units and municipalities focusing on the statistical differences in test scores. The model includes pupils, schools and municipalities' level for reading and mathematics for the academic year 2012/13 (columns 6.1 and 6.2) and for academic year 2014/15 (columns 6.3 and 6.4). We control for geographical fixed effect areas (to keep structural unobservable differences into account) and the average income levels within municipalities (GDP mean).

VARIABLES	(6.1)	(6.2)	(63)	(6.4)
Conder (girl=1)	6 926***	6 407***	2 722***	6 220***
Gender (gin=1)	(0.127)	-0.49/****	$5.755^{++++}$	-0.529
Early approximant (was-1)	(0.127) 1.028*	(0.120)	(0.130)	(0.120) 1 627**
Early enrollient (yes=1)	$-1.028^{+}$	(0.517)	-2.491	-1.05/***
$\mathbf{I}$ at a annulment (wag-1)	(0.018)	(0.013)	(0.000)	(0.055)
Late enrollient (yes=1)	-14.800****	-9.780	-14.393	-11.555
Einst immigrant status (uss-1)	(0.423)	(0.410)	(0.458)	(0.437)
First miningrant status (yes=1)	-17.012	-11.341	-13.310***	-0.302
Second immigrant status (use_1)	(0.302)	(0.557)	(0.393)	(0.377)
Second minigrant status (yes=1)	-13.032****	-10.400****	-11.010	-7.901
Highest adjustion father (MA degree $-1$ )	(0.203)	(0.201)	(0.202)	(0.233)
Highest education fatter (MA degree $-1$ )	2.004	2.934	(0.242)	2.037
Highest education mother (MA degree $-1$ )	(0.237)	(0.230)	(0.242) 5 276***	(0.230)
Tinghest education motier (WA degree =1)	(0.241)	4.132	(0.224)	(0.210)
FSCS	(0.241) 8 715***	(0.240) 8 200***	(0.224) 0.024***	(0.219) 8 767***
ESCS	(0.084)	(0.085)	(0.005)	(0.094)
% girls	(0.084)	(0.085)	(0.093)	(0.094)
% gills	(0.004)	$(0.028)^{-1}$	(0.007)	(0.012)
% First immigrant status	(0.012)	(0.014)	(0.013)	(0.015)
% First miningrant status	-0.034	$-0.080^{-1}$	-0.020	-0.123
% Second immigrant status	(0.027)	(0.033)	(0.033)	(0.033)
% Second miningrant status	(0.017)	-0.011	-0.041	$-0.037^{\circ}$
0/ 27 hours	(0.017)	(0.021)	(0.021)	(0.020)
% 27 Hours	(0.006)	(0.027)	(0.008)	-0.013
% 28 30 hours	(0.000)	(0.007)	0.013	(0.013)
% 28_30 Hours	(0.007)	(0.024	(0.004)	-0.003
% 31 30 hours	(0.007)	(0.000)	0.011***	(0.004)
% 31_39 Hours	(0.012)	(0.010)	(0.004)	-0.003
% 10 hours	0.008	0.036***	(0.004)	0.004)
70 40 Hours	(0.004)	(0.007)	(0.024)	-0.094
% early enrolment	0.053	0.146***	0.005	0.011
70 carry enronnent	-0.053	-0.140	(0.005)	-0.011
% late approlment	(0.042) 0 111***	0.122***	0 171***	(0.047) 0 1/0***
	-0.111	-0.123	-0.171	-0.149
% highest education father	0.000	(0.042)	(0.040)	0.040)
70 mgnest education father	(0.000)	(0.021)	(0.023)	(0.024)
% highest education mother	-0.023	(0.027)	0.023)	(0.024)
% ingliest education moulei	(0.021)	(0.025)	(0.021)	(0.002)
FSCS school-unit	-0 590	-1 897***	-2 422***	-1 955***
Lises senoor unit	(0.441)	(0 540)	(0.560)	(0.581)
Efficiency score	-0.260	-0.453	-1 698	0 154
Efficiency score	(0.756)	(0.946)	(1.056)	(1.082)
VARIABLES	(7.1)	(7.2)	(7.3)	(7.4)
GDP municipality	0.015	0.125**	0.016	0.003
ODF municipanty	(0.013	(0.060)	(0.052)	0.003
Centre	1 /05***	2 662***	0.830*	1 112**
Centre	-1.+95	-2.002	(0.496)	-1.112
South	(0.390) _8 808***	_0 12/***	(0.470) _3 803***	(0.509) _3 /00***
South	-0.000-01 (0.300)	(0.484)	(0 507)	-3. <del>4</del> 77 ⁻
No. Obs	300 576	311 276	303 511	318 502
No. municipality	1042	1047	4 224	4 420
No. indificipality	4,005	4,00/	4,524	4,429
INO. SCHOOL-UNITS	9,541	9,387	10,395	10,748

Table 6. Factors associated with students' performance: econometric results from the three-level multilevel approach

Source: INVALSI-SOSE database

*Notes:* Robust standard errors are shown in brackets. Superscripts ***, ** and * denote that the effect is statistically significant at the 1, 5 and 10 per cent level respectively. Model (6.1) refers to the reading test in the 2012/13 cohort. Model (6.2) refers to the mathematics test in the 2012/13 cohort. Model (6.3) refers to the reading test in the 2014/15 cohort. Model (6.4) refers to the mathematics test in the 2014/15 cohort.

The main findings reveal the lack of statistically significant correlation between local governments' efficiency and test scores. This indicates that an efficient of inefficient use of financial resources to produce ancillary services does not directly affect how well students perform at school, when measuring this construct through test scores. When considering student and school level characteristics, our findings are in line with evidence from the literature, corroborating the robustness of the model employed in the present analysis. Being a girl has a positive correlation with the reading test score but negative correlation with the mathematic test score, coherently with previous literature on this topic.

Being enrolled before the pupil turns the age of six shows a negative correlation on test scores and the negative phenomenon is even stronger when the pupil starts the school few months or years later. Being a late enrolled pupil might is associated with the reduction of the test score around 14 points. The same path emerges when the analysis is based on the immigration status: being a pupil from the first generation of immigrants has a negative effect on test scores (approximately on average 13 points) compared to pupils who are the second generation of immigrants (on average 11 points).

There is also a significant difference among test scores and the socio-economic status of students. The socio-economic component of the family is the strongest determinant with an estimate of 9 points for each subject and academic year, in the production of pupil's scores compared to the individual determinants and to family characteristics such as the highest educational level of the father and mother. Mothers have more influence on pupils' score with respect to fathers and these findings are in line with the body of evidences about the influence of mothers' education and employment on student achievement (Ermisch and Francesconi 2000).

At school-unit level, some covariates do not seem to have any association with reading and math attainments (percentage of girls, percentage of first- and second-generation immigrants, percentage of early enrolment students, percentage of fathers and mothers with high education). Being a student who attends the most reduced weekly school time is positively related to achievement, as well as the percentage of mothers who attained tertiary education. In this respect, results indicate that individual-level factors are in general more predictive than schools' features when analysing student achievement.

The geographical macroareas show evidence already demonstrated by the literature, as Southern regions underperform Northern ones, while Central regions performs in between (Ferraro and Põder 2018; Bratti et al. 2007). The performance of the Southern regions, however, shows a promising outcome as the cohort in the academic year 2014/15 illustrates a decreasing gap with other geographical areas.

The multilevel model is an approach that also allows to estimate how much of the variance of pupils' test scores is attributable to structural differences between school-units and municipalities. The variance equations, then, explain the observed variability between levels and show how much of this variability is attributable among individuals (within schools), among schools (within municipalities) and, finally, among municipalities. The difference in variance partitioning coefficient (VPC) (Goldstein 2011), that is obtained as the proportion

of random effects variance over the total variation, for school-units and municipalities are, respectively:

$$VPC_{school-unit} = \frac{\sigma_u^2}{\sigma_u^2 + \sigma_b^2 + \sigma_e^2}; \quad VPC_{municipality} = \frac{\sigma_b^2}{\sigma_u^2 + \sigma_b^2 + \sigma_e^2}$$
(5)

where  $\sigma_u^2$  represents the variance at school-unit level or between school-unit variance,  $\sigma_b^2$  shows the variance at municipality level or between municipality and  $\sigma_e^2$  is the variance at pupil level or within school-unit. Estimates of municipality and school-unit effects are derived from the maximum likelihood optimization.

The results of the variance decomposition are presented in Table  $7^8$ . First, the most considerable proportion of variance is explained within schools, meaning that a high level of heterogeneity is observed between students attending the same school unit, in the measure of 85-92% of the total variance. Second, part of the variance is attributed to differences between school-units within municipalities with higher values for math than reading within the range of 6-13% of the variance. From the analysis of the confidence interval, no zeros are contained meaning that there are statistically significant differences between academic years and subjects. At municipality level, finally, the variance explained is the lowest, but still in the range of 1-1.7 percent of the total. This last figure might seem indicating that variance at municipalities after having controlled for individuals and schools' features, actually, are worth investigating as they can be targeted by local governments' policy-makers. By adopting adequate measures, policy-makers at local level can give their contribution to narrow the achievement gap, which is negatively affecting the overall situation of the Italian educational system.

	Efficiency scores						
	(7.1)	(7.2)	(7.3)	(7.4)			
Efficiency scores	-0.260	-0.453	-1.698	0.154			
coefficient	(0.756)	(0.946)	(1.056)	(1.082)			
Between municipality variance (%)	1.03	1.72	1.35	1.63			
Between school-units variance (%)	6.64	11.17	12.18	13.10			
Within school-units variance (%)	92.33	87.11	86.47	85.27			
No. obs	309,576	311,376	303,511	318,502			
No. municipality	4,063	4,067	4,324	4,429			
No. school-units	9,541	9,587	10,395	10,748			

Table 7. Estimated impact of the efficiency scores on student achievement and variance explained at each level of the multilevel regression model

Source: INVALSI-SOSE database

*Notes:* Robust standard errors are shown in brackets. Superscripts ***, ** and * denote 1, 5 and 10 per cent significance level respectively. Columns (7.1) and (7.3) refer to the reading test, academic year 2012/12. Columns (7.2) and (7.4) refer to the mathematics test, academic year 2014/15.

⁸ As an additional check on our results, we present in Appendix A, Figure A.2, a visual representation of the frontier and efficient municipalities for the DEA approach with variable returns to scale (VRS) and FDH. DEA approach presents lower efficiency scores compared to order-m model (Table A.4).

## 7. Concluding remarks and implications

This study uses a two-stage approach to explore the efficiency of Italian municipalities in transferring resources to primary schools for the provision of meals and transports from and to school. As a result, we observe that when regressing the level of municipalities' efficiency in the production of ancillary services on student achievement (by means of an appropriate multilevel model), estimates are not statistically significant. The results do not indicate that the role of local governments in affecting educational production is not important, though. It may be the case that the effect is highly mediated by a number of factors that make the direct estimation of the effect not statistically relevant. Indeed, the efficiency in the provision of ancillary services may have more direct effects on the wellbeing of families, which in turn affects student achievement. This measure is not readily available for this study but deserves attention in the future. Moreover, it can be the case that ancillary services are actually correlated with outputs not measured by test scores in Reading and Mathematics, such as dimensions of non-cognitive skills (like grit, self-confidence, etc. – all factors that go along with the serenity of pupils and their families).

Results show that part of the heterogeneity across students' achievement is explained at municipality level. In such respect, identifying the determinant(s) which drive the differential among students' results is an important empirical issue. Moreover, the variance across regions but also within the same region might show features at local government level which also deserve a deeper investigation in order to provide further conclusions. To the light of our results, however, it has been illustrated that differentials across students' results are not driven by economic factors such as the GDP at local level or by efficiency levels of the local public expenditures in education.

Finally, the most important message emerging from our empirical analysis is that local governments present different levels of efficiency and extensive room for improvement, which have implications in terms of public economic analysis that may be considered as the policy implication of the present study. All else equal, higher efficiency levels of municipalities in their operations might lead to savings that can be invested, for example, in core quality activities of educational institutions.

Further investigations might require information on the quality of ancillary services or the quality of educational inputs such as teachers to enrich the second stage analysis. These might constitute important and relevant elements to collect as differences among students, regions and local governments and, differences in efficiency might also be explained by different school factors or environmental factors and deserve future attention of research in this field.

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## **APPENDIX** A

Figure A.1. Annual expenditure per pupil by educational institutions, by type of service (2011)



*Source:* OECD/UIS/Eurostat (2018), Table C.1.2 Education at a Glance 2018 See Source section for more information and Annex 3 for notes (http://dx.doi. 1org/10.1787/eag-2018-36-en 2). https://doi.org/10.1787/888933804185

*Notes:* In equivalent USD converted using PPPs, based on full-time equivalents, for primary through tertiary education. Countries are ranked in descending order of expenditure per pupil by educational institutions for core services.

		Rea	ding			Mathe	ematics	
Variables	Obs	Mean	Min	Max	Obs	Mean	Min	Max
Test score	309,576	207.23	1.11	351.22	311,376	210.42	-5.56	388.49
Girl	309,576	0.50	0	1	311,376	0.50	0	1
Early enrolment	309,576	0.01	0	1	311,376	0.01	0	1
Late enrolment	309,576	0.03	0	1	311,376	0.03	0	1
First immigration status	309,576	0.04	0	1	311,376	0.04	0	1
Second immigration	309,576	0.06	0	1	311,376	0.06	0	1
status								
Highest education father	309,576	0.10	0	1	311,376	0.10	0	1
Highest education mother	309,576	0.11	0	1	311,376	0.11	0	1
ESCS	309,576	0.02	-3.11	2.60	311,376	0.04	-3.10	2.60
% girls	309,576	49.61	0	93.75	311,376	49.49	0	94.12
% first immig. status	309,576	4.16	0	100	311,376	4.23	0	100
% second immig. status	309,576	6.19	0	100	311,376	6.26	0	100
% 27 hours	309,576	14.21	0	100	311,376	14.24	0	100
% 28_30 hours	309,576	51.13	0	100	311,376	50.92	0	100
% 31_39 hours	309,576	3.29	0	100	311,376	3.28	0	100
% 40 hours	309,576	22.11	0	100	311,376	22.20	0	100
% early enrolment	309,576	1.11	0	81.25	311,376	1.12	0	75
% late enrolment	309,576	2.91	0	61.11	311,376	2.96	0	61.11
% highest educ. father	309,576	9.56	0	81.82	311,376	9.54	0	81.82
% highest educ. mother	309,576	11.45	0	86.67	311,376	11.42	0	89.29

Table A.1. Descriptive Statistics academic year 2012/2013

ESCS school-unit	309,576	0.02	-1.94	1.97	311,376	0.04	-2.24	1.99
Meals	309,576	0.23	0.01	0.63	311,376	0.23	0.01	0.63
Transports	309,576	0.14	0.01	0.88	311,376	0.14	0.01	0.86
Efficiency scores	309,576	0.45	0.13	1.57	311,376	0.45	0.13	1.58
GDP_municipality	309,576	20.19	11.91	74.74	311,376	20.01	11.91	42.12
North	309,576	0.48	0	1	311,376	0.48	0	1
Centre	309,576	0.20	0	1	311,376	0.20	0	1
South	309,576	0.32	0	1	311,376	0.32	0	1

Source: Authors' elaborations on INVALSI-SOSE data.

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Table A.2. Descriptive Statistics academic year 2014/2015

	Reading				Mathematics			
Variables	Obs	Mean	Min	Max	Obs	Mean	Min	Max
Test score	303,511	209.65	-23.41	392.90	318,502	209.81	14.58	364.75
Girl	303,511	0.49	0	1	318,502	0.49	0	1
Early enrolment	303,511	0.01	0	1	318,502	0.01	0	1
Late enrolment	303,511	0.02	0	1	318,502	0.02	0	1
First immigration status	303,511	0.03	0	1	318,502	0.03	0	1
Second immigration	303,511	0.07	0	1	318,502	0.08	0	1
status								
Highest education father	303,511	0.12	0	1	318,502	0.12	0	1
Highest education	303,511	0.15	0	1	318,502	0.15	0	1
mother								
ESCS	303,511	0.02	-2.84	2.27	318,502	0.03	-2.84	2.27
% girls	303,511	49.12	0	100	318,502	48.93	0	100
% first immig. status	303,511	3.34	0	100	318,502	3.48	0	100
% second immig. status	303,511	7.40	0	100	318,502	7.56	0	100
% 27 hours	303,511	1.45	0	100	318,502	1.40	0	100
% 28_30 hours	303,511	29.56	0	100	318,502	29.34	0	100
% 31_39 hours	303,511	28.67	0	100	318,502	28.19	0	100
% 40 hours	303,511	0.47	0	100	318,502	0.45	0	100
% early enrolment	303,511	1.02	0	100	318,502	1.00	0	100
% late enrolment	303,511	2.40	0	100	318,502	2.49	0	100
% highest educ. father	303,511	11.95	0	100	318,502	11.82	0	100
% highest educ. mother	303,511	15.08	0	100	318,502	14.95	0	100
ESCS school-unit	303,511	0.02	-2.48	1.86	318,502	0.03	-2.48	2.18
Meals	303,511	0.25	0.01	0.70	318,502	0.25	0.01	1.73
Transports	303,511	0.12	0.01	0.92	318,502	0.12	0.01	0.94
Efficiency scores	303,511	0.28	0.05	1.60	318,502	0.28	0.05	1.57
GDP_municipality	303,511	16.70	7.09	51.40	318,502	16.98	6.35	51.40
North	303,511	0.51	0	1	318,502	0.51	0	1
Centre	303,511	0.24	0	1	318,502	0.25	0	1
South	303,511	0.25	0	1	318,502	0.24	0	1

Source: Authors' elaborations on INVALSI-SOSE data.

	2012/2013	2014/2015
m		
20	0.63	0.55
50	0.53	0.39
150	0.44	0.26
200	0.43	0.24

Table A.3. Order-*m* efficiency scores (overall analysis)

*Notes*: Mean values using with bootstrap D = 3000. Author's elaborations *Source*: INVALSI-SOSE dataset

## Table A.4. DEA – VRS efficiency analysis (overall analysis)

	2012/2013	2014/2015
Efficiency score	0.32	0.18

*Notes*: Average efficiency values *Source*: INVALSI-SOSE dataset

## Figure A.2. DEA-VRS and FDH frontiers

Panel A

Panel B



Panel C

Panel D



*Notes:* production frontiers: north (black), centre (blue), south (red). From left to right: Panel A and B indicate reading and mathematics for academic year 2012/2013 while Panel C and D for academic year 2014/2015. Solid line is DEA, dash line is Free Disposal Hull (FDH).