

*Has the Relationship Between
Insured Employment Weeks and
Entrance Requirements Been Changed
by the Divisor?*

Final Report

*Employment Insurance Evaluation
Strategic Evaluations
Evaluation and Data Development
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Executive Summary

Under UI, evaluation studies showed that some claimants were just working the minimum number of weeks as determined by the Variable Entrance Requirement (VER) to qualify for benefits and then commencing a UI claim. To discourage this, the “divisor rule” was implemented during the first phase of EI reform, in July 1996.

With the “Divisor rule”, individuals face reductions in their benefits if they just work the Variable Entrance Requirement number of weeks. In order to qualify for full EI benefits, it is necessary to work the equivalent of two more weeks than the Variable Entrance Requirement.

To examine whether the Divisor is encouraging individuals to work longer than the Variable Entrance Requirement, this monitoring report:

- compares the Variable Entrance Requirement number of weeks to the actual number of weeks/hours worked by individual claimants; and
- examines changes in this relationship over time.

Data and Methodology

This monitoring report uses data from the Canadian Out-of-Employment Panel (COEP) survey. These data are used to estimate the number of weeks/hours that a person would need to qualify for UI/EI according to the Variable Entrance Requirement of their region – and then compares this estimate to the actual number of weeks/hours the person used to claim UI/EI.

The first part of the analysis uses graphs to provide a picture of the entire distribution of the differences between the Variable Entrance Requirement and the actual number of weeks/hours worked. Then, regression analysis is used to test the statistical significance of the observed changes.

Much of the analysis involves comparing the results for five pairs of cohorts constructed from the 10 cohorts of COEP. These pairs are constructed to correspond to five periods: the last half of 1995 (i.e., a UI period), the first half of 1996 (i.e., a UI period), the last half of 1996 (i.e., the first six months after the EI changes of July 1996), the first half of 1997 (i.e., the first six months after the EI changes of January 1997), and the last half of 1997.

Main Findings

There was a decrease in the share of claimants with insured weeks just equal to the Variable Entrance Requirement. Specifically, minimum entrance claimants dropped from 2.57 percent in the last half of 1995, to 1.69 percent in the last half of 1996, and to about 0.98 percent in the last half of 1997.

The decrease in the fraction of claimants with just the Variable Entrance Requirement number of insured weeks required was more pronounced for men than for women, and was more pronounced in Atlantic Canada than in other regions. In Atlantic Canada, the share of claimants with insured weeks just equal to the Variable Entrance Requirement dropped from 12.41 percent in the last half of 1995, to 5.85 percent in the last half of 1996, and to 3.46 percent in the last half of 1997.

Looking at the share of claimants working just two weeks more than the Variable Entrance Requirement (i.e. meeting the new minimum Divisor requirement), the results showed that this proportion increased from 1.55 percent in the last half of 1995 to 2.45 percent in the last half of 1996. However, this pattern did not continue into the last half of 1997 (where the share dropped to 1.60 percent).

Looking at the percentage of claimants working more than two weeks above the Variable Entrance Requirement, the results showed that between the last half of 1995 and the last half of 1996 the proportions were virtually unchanged at 94 percent. In 1997, however, the share went up by about 2 percentage points to about 96 percent.

A similar pattern occurred in the fractions of men and women claimants working more than two weeks above the Variable Entrance Requirement and across most regions of Canada. The one notable exception was Atlantic Canada, where the share of claimants working more than two weeks above the Variable Entrance Requirement increased by 13 percentage points from the last half of 1995 – rising from 78.92 percent in the last half of 1995, to 86.07 percent in the last half of 1996, and to about 92 percent in the last half of 1997.

The overall conclusion is that the introduction of the Divisor appears to have been associated with the reduction in the number of people who file claims with just the Variable Entrance Requirement number of week/hours required to qualify for benefits. At the same time, there was an increase in the number of people who worked the Variable Entrance Requirement plus two or more weeks. However, with the full implementation of EI in January 1997, they ended up increasing their weeks of work by even more than two.

1. Introduction

Under UI, it was noted in an earlier evaluation study that some claimants just work the minimum number of weeks set by the Variable Entrance Requirement (VER) and then commence claims.¹ In order to discourage this phenomenon, the “Divisor rule” was implemented with EI reform. With the Divisor rule, individuals face reductions in their benefits if they just work the number of hours required by the Variable Entrance Requirement to qualify for benefits. In order to qualify for full EI benefits, it is necessary to work at least two weeks more than the Variable Entrance Requirement expressed in weeks. Thus, the amount of benefits will be calculated by dividing a claimant’s total earnings within the last 26-week period by the number of weeks worked or the Divisor, whichever is higher.²

If the Divisor rule is effective, then there should be fewer individuals starting claims with just the required number of weeks/hours of insurable earnings as set by the Variable Entrance Requirement of their region. Therefore, to examine whether the Divisor rule is encouraging individuals to work longer than the Variable Entrance Requirement, this monitoring report:

- compares the Variable Entrance Requirement number of weeks/hours required to the number of weeks/hours worked by a job leaver; and
- examines changes in this relationship over time.

¹ See “Qualifying for Unemployment Insurance: An Empirical Analysis of Canada”, David Green and Craig Riddell, Program Evaluation 1995, p. 25.

² See Appendix 1 for specifics of the “divisor rule”.

2. Data and Methodology

This monitoring report used the Canadian Out-of-Employment Panel (COEP) survey data, which collected a range of personal and employment-related information from individuals who experienced a job separation on HRDC's Record of Employment (ROE) administrative file. Each survey participant was interviewed twice following the job separation that placed them on the survey. Since July 1996, COEP has collected information for a total of 17 cohorts:³

- cohorts 1 to 4 had a job separation in one of the four quarters prior to EI implementation (1995 Q3 to 1996 Q2);
- cohorts 5 and 6 had a job separation during the phase-in of EI (1996 Q3 and 1996 Q4);
- cohorts 7 to 10 had a job separation in one of the four quarters following EI reform (1997 Q1 to 1997 Q4);
- cohort 13 had a job separation in the third quarter of 1998, (two years after the initial implementation phase of the EI Act);
- cohort 17 had a job separation in the third quarter of 1999, (three years after the initial implementation phase of the EI Act); and
- cohorts 21 to 25 had a job separation in one of the four quarters (2000 Q3 to 2001 Q3), four/five years after the initial implementation phase of the EI reform.

These data are used to estimate the Variable Entrance Requirement number of weeks/hours that a person would need to qualify for UI/EI – and to compare this estimate to the actual number of weeks/hours the person used to claim UI/EI.

The first part of the analysis uses graphs to help provide a picture of the entire distribution of the difference between the Variable Entrance Requirement and the actual number of weeks/hours of work. The second part uses regression analysis to test the statistical significance of the observed changes.

³ For more information on the 1996 COEP, see the report entitled “COEP as a Tool for Legislative Oversight, Monitoring, and Evaluation”.

3. Evidence of a Response to the Divisor: Graphical Results

The basic results are presented in Figure 1. Since the Divisor rule was implemented during the first phase of EI, July 1996, Figure 1 compares cohorts 1 and 2 of COEP with cohorts 5 and 6. Cohorts 1 and 2 refer to individuals with a job separation in the last half of 1995, and cohorts 5 and 6 refer to individuals with a job separation in the last half of 1996. Therefore, Figure 1 compares six months of the UI period with the first six months of the EI reform period. During the first phase of EI, the hours legislation had not yet been implemented; therefore all calculations were done in weeks.

The horizontal axis shows the difference between the number of insured weeks used to establish a claim and the estimated minimum required to establish a claim based upon the Variable Entrance Requirement applicable in that region. A value of zero would indicate that the individual established the claim with the required Variable Entrance Requirement.⁴ A positive number would indicate that the claimant worked longer than the Variable Entrance Requirement before claiming UI/EI. These estimated values do not take into account the many other reasons for not qualifying to EI, such as the New-Entrants/Re-entrants, (NERE), rules.

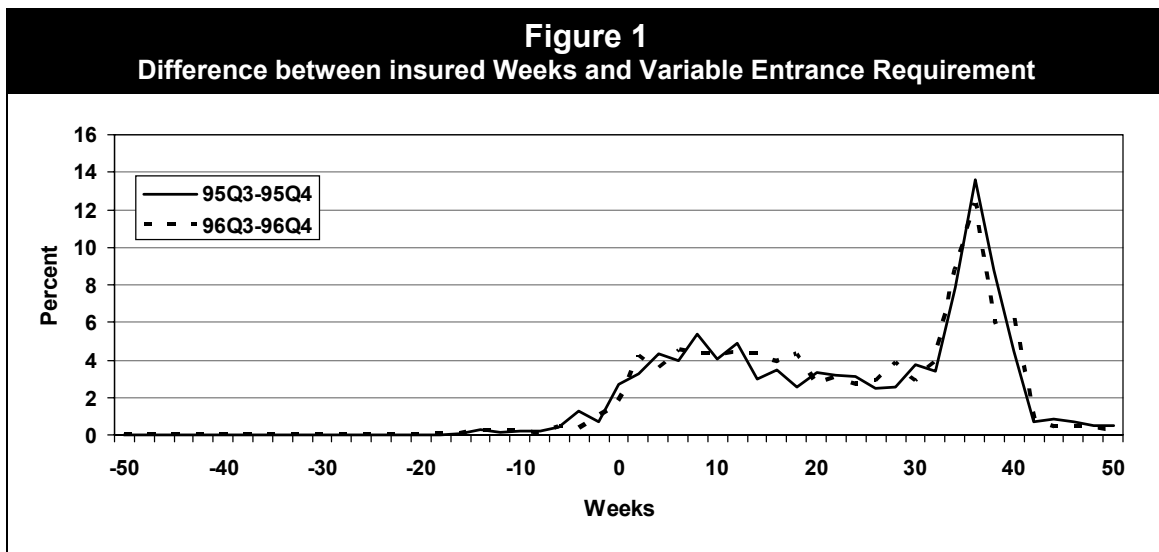
Figure 1 shows two lines. The difference between the required insured weeks, as given by the variable entrance requirements and the insured weeks patterns are shown for the periods before and after EI reform by the solid and dotted lines respectively. A number of things are striking about the graph.

- At the minimum qualification point where Variable Entrance Requirement is met, i.e. at zero, there is half the take-up after EI reform when compared to before EI reform. This indicates a fairly major decline in the number of people working exactly the Variable Entrance Requirement number of weeks before claiming UI/EI, in response to the implementation of the Divisor rule. Also, just after zero weeks, the number forming claims is higher under EI, indicating an increase in the number of weeks worked subsequent to EI reform.
- The large spike towards the end of the chart covers all those who had worked more than 52 weeks. This large spike occurs at the end because individuals with a long employment duration will only be recorded as having 52 weeks of insurable earnings, which produces a spike at the point of 52 minus the number of required weeks (as determined by the Variable Entrance Requirement). For example, an individual may have worked 70 weeks during the last employment spell. Of these 70 weeks, 52 weeks of insurable earnings alone can be used in the calculation of entitlement. Suppose that the Variable Entrance Requirement number of weeks is 16, then the difference between insured weeks and Variable Entrance Requirement will be 36, exactly where the spike is located.

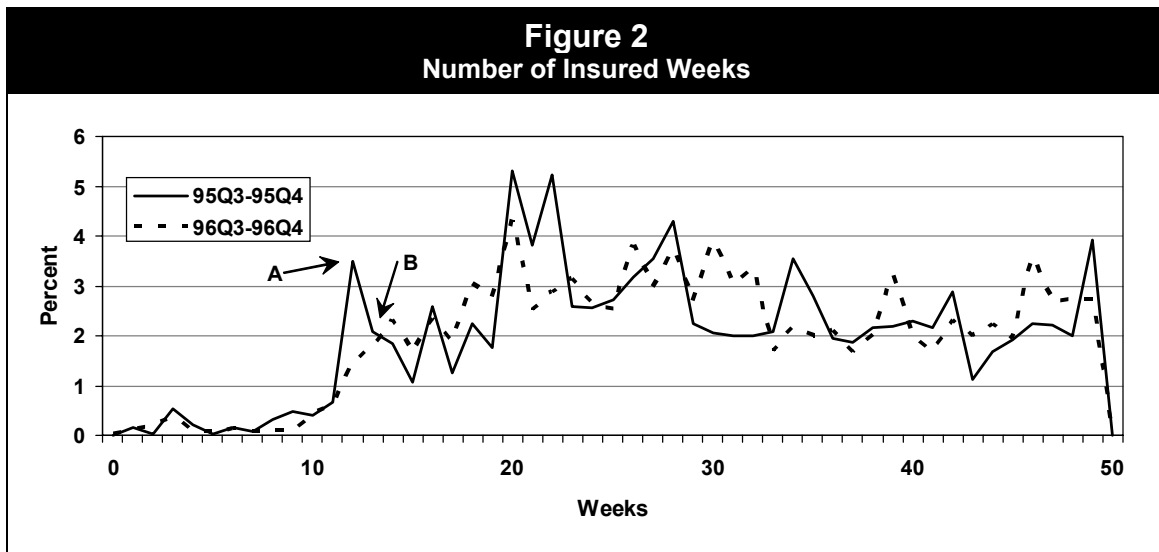
⁴ A minuscule number of claimants are seen to be able to establish a claim with less than the minimum number of weeks. This is due to either data errors or the claimants qualifying for a special training program, etc.

- The spike in the data at around 10 weeks is likely due to the NEREs.

The factors underlying the changes described in Figure 1 are examined in Figures 2 through 4.

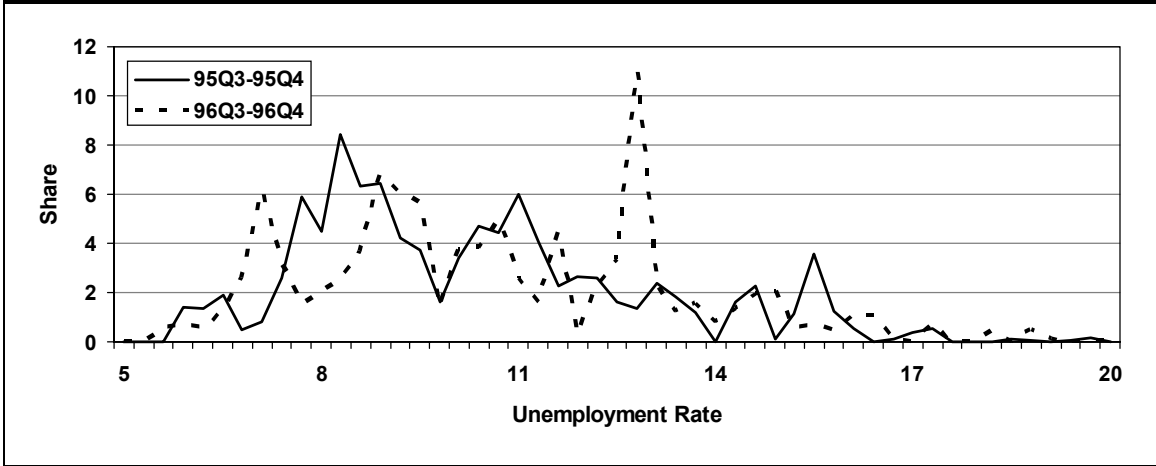


In Figure 2, the distribution in insured weeks is given. Note that all ROEs at claim start are considered. Throughout the graph, there is a distinct rightward shift as the number of insured weeks increased after EI reform. For example, there is marked shift in the number of insured weeks from point A to B as individuals work the two extra weeks.



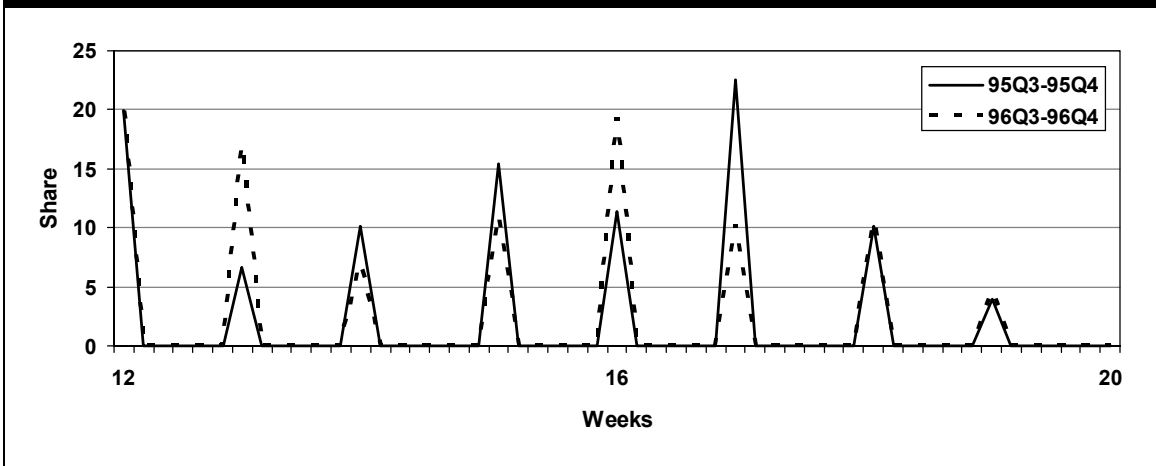
Another possible explanation is examined in Figure 3. Here the unemployment rates in the economic regions where the claimants establish their claims are given. If the unemployment rates had gone down, it would be an alternate explanation for individuals working the extra two weeks. However there appears to be little change except for an unexplained spike in the 96Q3-96Q4 series at the 12.5 percent unemployment rate.

Figure 3
Distribution of Unemployment Rate Among COEP Claimants



The lack of variation in the unemployment rates shows as a lack of variation in the entrance requirements. This is shown in Figure 4.

Figure 4
Distribution of Variable Entrance Requirements



4. Evidence of a Response to the Divisor: Econometric Results

Three sets of regressions were run to test changes associated with EI reform on the difference between the Variable Entrance Requirement and insured weeks.

These regressions examined pairs of cohorts constructed from the 10 cohorts of the COEP survey⁵ as shown schematically in Table 1 below. These pairs were constructed to correspond to five periods:

- cohorts 1 and 2 correspond to the last half of 1995 (i.e., a UI period);
- cohorts 3 and 4 correspond to the first half of 1996 (i.e., a UI period);
- cohorts 5 and 6 correspond to the last half of 1996 (i.e., the first six months after the EI changes of July 1996);
- cohorts 7 and 8 correspond to the first half of 1997 (i.e., the first six months after the EI changes of January 1997); and
- cohorts 9 and 10 correspond to the last half of 1997.

In Tables 2 to 4, the rows referred to as “Total” give the results for all UI/EI claimants. The “T-stat” refers to the statistical test of significance of the change of the share with respect to that one year ahead. As each column represents two cohorts, or a six-month period, the “T-stat” for cohorts 1 and 2 compares cohorts 1 and 2 with cohorts 5 and 6. The “T-stat” for 3 and 4 refers to a comparison with 7 and 8. Likewise cohorts 5 and 6 are being compared to cohorts 9 and 10. This way, seasonality is taken into account.

Table 1				
Cohort Comparison Chart				
	Q1	Q2	Q3	Q4
1995			1	2
1996	3	4	5	6
1997	7	8	9	10

In Table 2, the share of claimants who had just the Variable Entrance Requirement number of weeks is given. For example, this was 2.57 percent of all claimants in cohorts 1 and 2 (i.e., the last half of 1995). This share dropped to 1.69 percent with the advent of EI reform (i.e., the last half of 1996). The decline continued with cohorts 7 and 8 (i.e., the first 6 months of 1997), and cohorts 9 and 10.

⁵ The sum of the shares given in Tables 2, 3 and 4 will not add up to 100, because those who work one week over the minimum are not included in any of the tables.

Table 2
Share of Claimants with Insured Weeks
Equal to the Variable Entrance Requirements

	Cohort	1 and 2	3 and 4	5 and 6	7 and 8	9 and 10
Statistics	(job loss date)	(95Q3-95Q4)	(96Q1-96Q2)	(96Q3-96Q4)	(97Q1-97Q2)	(97Q3-97Q4)
Total	Share	2.57	1.35	1.69	0.75	0.98
	T-stat	2.31	1.65	2.13	0.00	0.00
	Number	3,188	4,452	4,052	3,607	3,892
Men	Share	2.77	0.85	1.27	0.97	1.06
	T-stat	2.95	-0.28	0.51	0.00	0.00
	Number	1,914	2,259	2,269	1,631	2,265
Women	Share	2.35	1.79	2.18	0.59	0.89
	T-stat	0.28	2.04	2.45	0.00	0.00
	Number	1,273	2,193	1,783	1,976	1,626
Atlantic	Share	12.41	5.31	5.85	2.19	3.46
	T-stat	5.14	4.14	2.04	0.00	0.00
	Number	1,269	1,591	1,464	1,250	1,500
Quebec	Share	1.13	1.81	1.46	0.49	0.66
	T-stat	-0.43	1.35	1.22	0.00	0.00
	Number	389	564	567	494	555
Ontario	Share	0.80	0.37	0.38	0.26	0.00
	T-stat	0.69	0.32	1.00	0.00	0.00
	Number	312	516	472	467	360
Prairies	Share	0.70	0.38	0.93	0.14	0.21
	T-stat	-0.35	1.08	1.51	0.00	0.00
	Number	878	1,192	1,063	858	1,040
British Columbia	Share	0.50	0.82	1.20	1.88	1.59
	T-stat	-1.11	-0.90	-0.40	0.00	0.00
	Number	340	589	486	538	437

Notes: 1 A t value of 1.96 (1.64) indicates statistical significance with 95% (90%) level of confidence.

Data Source: COEP Survey

The second and third sets of rows give the results for men and women separately. These results show that the decline is more pronounced for men than women. This is reflected in the “T-stat” value given.

Table 2 also shows that the effects are far stronger in Atlantic Canada than in the rest of the country. In Atlantic Canada, the share of claimants with just the number of weeks required by the Variable Entrance Requirement was 12.41 percent in the last half of 1995. This fell to 5.85 percent in the last half of 1996, and fell further to 3.46 percent in the second half of 1997.

Given the result that fewer individuals are working the exact Variable Entrance Requirement number of weeks to qualify, a question arises as to what they are doing. One possibility is that, under the Divisor rule, claimants are working exactly the Variable Entrance Requirement weeks required plus two to establish a claim in order to meet the minimum Divisor. This is examined in Table 3. Comparing cohorts 1 and 2 (i.e., the last half of 1995) with cohorts 5 and 6 (i.e., the last half of 1996), the results show an increase in the share of claimants with just two more insured weeks. However, it should be pointed out that this rise did not continue into 1997. Table 3 also shows that this same pattern occurred for men and women, and across most regions of Canada.

Table 3						
Share of Claimants with Two more Insured Weeks Than the Variable Entrance Requirement						
	Cohort	1 and 2	3 and 4	5 and 6	7 and 8	9 and 10
Statistics	(job loss Date)	(95Q3-95Q4)	(96Q1-96Q2)	(96Q3-96Q4)	(97Q1-97Q2)	(97Q3-97Q4)
Total	Share	1.55	1.04	2.45	0.80	1.60
	T-Stat	-1.85	0.60	1.64	0.00	0.00
	Number	3,188	4,452	4,052	3,607	3,892
Men	Share	1.28	0.73	2.45	0.78	0.92
	T-Stat	-2.07	-0.14	2.95	0.00	0.00
	Number	1,914	2,259	2,269	1,631	2,265
Women	Share	1.88	1.32	2.46	0.81	2.46
	T-Stat	-0.69	0.73	0.00	0.00	0.00
	Number	1,273	2,193	1,783	1,976	1,626
Atlantic	Share	3.53	1.74	5.58	2.06	2.48
	T-Stat	-2.36	-0.52	3.96	0.00	0.00
	Number	1,269	1,591	1,464	1,250	1,500
Quebec	Share	2.09	0.69	2.68	0.30	1.58
	T-Stat	-0.47	0.85	0.96	0.00	0.00
	Number	389	564	567	494	555
Ontario	Share	0.68	1.11	0.92	0.34	1.61
	T-Stat	-0.38	0.68	-0.63	0.00	0.00
	Number	312	516	472	467	360
Prairies	Share	1.34	1.25	1.34	0.97	1.32
	T-Stat	0.00	0.41	0.03	0.00	0.00
	Number	878	1,192	1,063	858	1,040
British Columbia	Share	0.07	0.91	2.80	1.63	1.00
	T-Stat	-2.62	-0.82	1.51	0.00	0.00
	Number	340	589	486	538	437

Notes: 1. A *t* value of 1.96 (1.64) indicates statistical significance with 95% (90%) level of confidence.
Data Source: COEP Survey

Table 4 gives the share of individuals who worked more than just two weeks above the number of weeks necessary to meet the Variable Entrance Requirement. This table comprises, by far, the majority of claimants. The movements in the total are noteworthy. Between the last half of 1995 (i.e., cohorts 1 and 2) and the last half of 1996 (i.e., cohorts 5 and 6), the share was virtually unchanged at 94 percent. In the last half of 1997, however, the share went up by 2 percentage points to about 96 percent.

Table 4
Share of Claimants with Insured Weeks Greater Than Two Above
the Variable Entrance Requirements

	Cohort	1 and 2	3 and 4	5 and 6	7 and 8	9 and 10
Statistics	(job loss Date)	(95Q3-95Q4)	(96Q1-96Q2)	(96Q3-96Q4)	(97Q1-97Q2)	(97Q3-97Q4)
Total	Share	94.28	96.72	94.22	97.50	96.43
	T-Stat	0.08	-1.16	-3.11	0.00	0.00
	Number	3,188	4,452	4,052	3,607	3,892
Men	Share	94.72	97.47	94.68	96.77	97.39
	T-Stat	0.04	0.72	-3.36	0.00	0.00
	Number	1,914	2,259	2,269	1,631	2,265
Women	Share	93.74	96.06	93.67	98.01	95.22
	T-Stat	0.05	-2.00	-1.26	0.00	0.00
	Number	1,273	2,193	1,783	1,976	1,626
Atlantic	Share	78.92	90.61	86.07	94.39	92.06
	T-Stat	-4.22	-3.41	-4.04	0.00	0.00
	Number	1,269	1,591	1,464	1,250	1,500
Quebec	Share	95.49	96.55	95.03	98.71	96.65
	T-Stat	0.26	-1.74	-1.11	0.00	0.00
	Number	389	564	567	494	555
Ontario	Share	97.96	98.25	96.77	97.65	98.37
	T-Stat	0.94	0.38	-1.12	0.00	0.00
	Number	312	516	472	467	360
Prairies	Share	96.50	96.90	95.94	98.48	97.21
	T-Stat	0.48	-1.62	-1.12	0.00	0.00
	Number	878	1,192	1,063	858	1,040
British Columbia	Share	98.80	97.82	94.02	96.00	96.35
	T-Stat	3.05	1.20	-1.24	0.00	0.00
	Number	340	589	486	538	437

Notes: 1. A t value of 1.96 (1.64) indicates statistical significance with 95% (90%) level of confidence.

Data Source: COEP Survey

A similar pattern occurred in the share of men and women claimants working more than two weeks above the Variable Entrance Requirement number of weeks and across most regions of Canada. The one notable exception was Atlantic Canada, where the share of claimants working more than two weeks above the Variable Entrance Requirement increased by 13 percentage points from the last half of 1995, rising from 78.92, to 86.07 percent in the last half of 1996, and to about 92 percent in the last half of 1997.

Taken together, the results from Tables 2 to 4 are consistent with the view that individuals who only worked the Variable Entrance Requirement number of weeks, had an initial reaction to the EI reform of July 1996 – and increased their weeks of work by two. However, with the full implementation of EI reform in January 1997, individuals increased their weeks by even more than two.

The results from previous tables show that the reform did have some effect on the work pattern of individuals. The effects are noticed to be far stronger in Atlantic Canada than in the rest of the country. Two additional tables 5A and 5B provide a complete decomposition of claimants who lost their jobs during the third and fourth quarters of 1995 and 1997 respectively. This is useful in assessing to what extent claimants are

affected by the Divisor rule. The columns in the Table 5A and 5B give the various differences in the insured weeks of work and the Variable Entrance Requirements to be eligible for claims.

Although the bulk of the paper looks at the changes in claimant behaviour as a result of the Divisor, it is still useful to look at the overall impact. Table 5A shows the distribution of claimants before the Divisor was implemented. It shows that 2.57 percent of claimants were liable to receive the full reduction in benefits possible from the Divisor whereas 1.60 percent would experience a drop of one half of that.

Table 5B provides estimates of claimants who were unable to avoid the effects of the Divisor. The sum of the first two columns show that roughly two percent of claimants experienced a drop in benefits as a result of the Divisor. Thus, of the slightly more than about four percent of the claimants who were shown to be affected by the Divisor rule in Table 5A, two percent were able to avoid having their benefits drop, whereas the remainder experienced a decline.

Table 5A					
Share and Number of Claimants with Difference Between Insured weeks and Variable Entrance Requirements					
Statistics		Job loss date (95Q3-95Q4)			
		Difference in weeks			
		0	1	2	2+
Total	share	2.57	1.60	1.55	94.28
	number	3,188	3,188	3,188	3,188
Men	share	2.77	1.24	1.28	94.72
	number	1,914	1,914	1,914	1,914
Women	share	2.35	2.04	1.88	93.74
	number	1,273	1,273	1,273	1,273
Atlantic	share	12.41	5.14	3.53	78.92
	number	1,269	1,269	1,269	1,269
Youth	share	1.73	2.16	1.19	94.92
	number	409	409	409	409
Prime	share	2.43	1.62	1.54	94.42
	number	2,490	2,490	2,490	2,490
Old	share	3.95	0.71	2.28	93.06
	number	275	275	275	275

Source: COEP Survey (Cohorts 1 and 2)

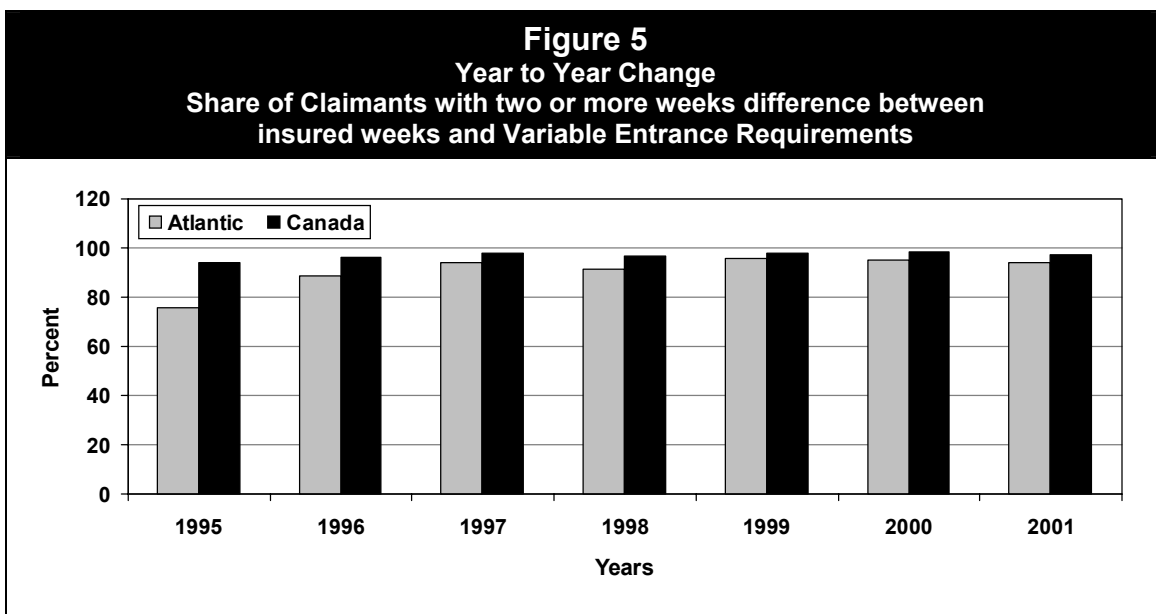
Table 5B
Share and Number of Claimants with Difference Between Insured weeks and Variable Entrance Requirements

Statistics		Job loss date (97Q3-97Q4)			
		Difference in weeks			
		0	1	2	2+
Total	share	0.98	0.99	1.60	96.43
	number	3,892	3,892	3,892	3,892
Men	share	1.06	0.63	0.92	97.39
	number	2,265	2,265	2,265	2,265
Women	share	0.89	1.43	2.46	95.22
	number	1,626	1,626	1,626	1,626
Atlantic	share	3.46	2.00	2.48	92.06
	number	1,500	1,500	1,500	1,500
Youth	share	1.76	1.36	0.80	96.07
	number	450	450	450	450
Prime	share	0.79	0.94	1.77	96.5
	number	3,046	3,046	3,046	3,046
Old	share	1.64	1.01	1.17	96.17
	number	385	385	385	385

Source: COEP Survey (Cohorts 9 and 10)

5. After EI Reform

Further analysis was done to study any further changes since EI reform. With the current COEP data, seven years of consecutive third quarter data (years 1995 to 2001), are available. Statistical analysis, similar to that reported above was carried out using this data. The results indicate that an increased share of claimants were working two or more weeks than the entrance requirement. This share continued to increase from 1995 to 2001 except in 1998. Figure 5 shows a similar rise for Atlantic Canada and Canada. However, this rise is more pronounced for Atlantic Canada. It should be pointed out that share of those claimants who are having their benefits reduced has been falling as evidenced by the shrinking gap between the top of the bar graph and one hundred percent.



6. Conclusions and Further Research

The Divisor rule, which reduces the benefit entitlement of those who file claims within two weeks of the Variable Entrance Requirement, appears to have been associated with a reduction in the number of people who file claims with only the minimum number of weeks/hours to qualify for benefits. This effect continues to grow in the second year after the initial job loss of respondents. Individuals continue to work more than the Variable Entrance Requirement number of weeks in their new jobs. Moreover, in 1997, there has been an increase in the number of individuals working two or more weeks above the Variable Entrance Requirement.

From a policy perspective, it is worth noting that the apparent effects of the Divisor rule are most pronounced in Atlantic Canada. This is consistent with other research that finds that the probability of leaving employment at the minimum number of weeks necessary to file a claim is more pronounced in regions of high unemployment.

Appendix

Divisor Rule

Starting June 30, 1996, in order to determine the average insured earnings, insured earnings from the last 12 to 20 weeks worked (depending on Variable Entrance Requirements of the economic region) are averaged over a number of weeks known as the Divisor.

The Divisor is the greater of:

- the number of weeks of insured earnings in the last 52 weeks (maximum of 20); or
- the number specified in the Divisor table (below).

Additional changes in January 1, 1997 include calculating the benefit rate on the basis of the average insured earnings in the last 26 weeks worked.

The Divisor is the greater of:

- the number of weeks of insured earnings in the 26 week period; or
- the number of weeks specified in the Divisor table (below).

Unemployment in region	Minimum # of weeks of work needed to qualify	Divisor
6% and under	20 weeks	20 (1996) – 22 (1997)
Over 6% to 7%	19 weeks	20 (1996) – 21 (1997)
Over 7% to 8%	18 weeks	20
Over 8% to 9%	17 weeks	19
Over 9% to 10%	16 weeks	18
Over 10% to 11%	15 weeks	17
Over 11% to 12%	14 weeks	16
Over 12% to 13%	13 weeks	15
Over 13%	12 weeks	14

Source: The New Employment Insurance System, HRDC, 1996.

Technical Notes

- 1) Timing is key to understanding these results. It needs to be understood that the Divisor was implemented in the second half of 1996. It appears to have produced different results than it did in 1997 after the hours-based system and the rest of EI was implemented.
- 2) The timing of the COEP survey is also important. COEP was conducted for 10 quarters of ROEs over the period starting in the last half of 1995 and ending in the last half of 1997 plus each third quarter after that. For tabular analysis it is only reasonable to compare like quarters so as to avoid seasonal effects. Thus, the first two cohorts of COEP can be compared to cohorts 5 and 6 to get a sense of the first wave of EI reforms that were implemented in the second half of 1996. The second two cohorts of COEP, which includes job-losers in the first half of 1996, can be compared to the fourth two cohorts, which are based on the first half of 1997, to determine the impact of the second wave of EI reforms.
- 3) A simple summation of the insured weeks on the ROEs will be sufficient to determine eligibility for reasons other than NERE. For example, if the person quit one of the ROEs without just cause, then the hours on the ROE would not count. However, if the person quit the job to go to another job, then they would count. As well, in some cases abusers of the system will have to work more hours to qualify.
- 4) The data used has been weighted with weights derived by Statistics Canada to ensure that the COEP sample is made comparable to the overall population of job leavers.