

current unemployment insurance system. Moreover, many of them could be readily financed within the budget of federal transfers currently being made to Newfoundland.<sup>5</sup>

Most recently, the Task Force on Unemployment Insurance, Employment and Immigration in the 1980s concluded that the eligibility requirements for unemployment insurance, which vary regionally, may themselves contribute to poor labour market development and operation:

Program data suggest that the current basic entrant requirements, especially in the high unemployment areas, may be too low. For example, when the 10-to-14-week variable entrance requirement was introduced in 1978, 87 per cent of people affected in the Atlantic provinces found the two extra weeks needed to qualify and 40 per cent of those affected elsewhere found the up to six weeks they needed. And when the entrance requirements for new entrants and re-entrants were raised to 20 weeks in 1979, there was an immediate, sharp rise in the number of claimants applying with exactly 20 insurable weeks, especially in the Atlantic provinces. As an example, the number of claims established in New Brunswick with exactly 20 insurable weeks virtually doubled between 1978 and 1980.... [These findings] suggest that economic circumstances in some areas and industries (particularly seasonal industries) are such that workers, acting in their own best interests, may be induced by UI program design into short work attachments because there are no built-in incentives to work longer.<sup>6</sup>

Clearly, individuals in the labour force base their choices on signals the market creates, and unemployment insurance benefits are among these market signals. As a result, labour supply conditions are altered and, to a certain extent, employers pattern their hiring and production plans accordingly. In the end, a reasonable effort to cushion the hardships faced by those in the least developed areas results in inefficient economic decisions by individuals and businesses and ultimately causes prolonged dependency and retarded growth. Individuals gain in the short run; the region loses in the long term.

The lesson we have drawn from this example illustrates the problem confronting the government in attempting to balance the desired uniformity of national programs against the diverse regionality of Canada. A uniform national program may negatively influence economic behaviour due to its inappropriateness or inequity in application in certain regions. Conversely, efforts to tailor national programs to regional conditions may in the end do more harm than good. There is no golden rule to be followed by the federal government in terms of its transfers to individual Canadians. Care and caution, and an awareness of the full scope of the implications of transfer programs, are essential. We believe strongly that government transfers to individual Canadians should be equitable in their application to all Canadians, regardless of their

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<sup>5</sup> *Ibid.*

<sup>6</sup> *Unemployment Insurance in the 1980s*, The Task Force on Unemployment Insurance, Employment and Immigration Canada, (July 1981), p. 47.