SUPPORTING FAMILIES

Towards a better work-family balance

Québec

2003-2004 Budget
Supporting Families
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INTRODUCTION

The Québec government, by restoring order to public finances and supporting the growth and development of businesses, has nurtured and stimulated economic diversification and transformation in Québec, and we can all take pride in the results. Québec enjoys remarkable prosperity that provides the means for building a more just and caring society in which citizens have equal opportunities in life.

In building this fairer society, support for families, especially young families, is essential. Young families hold the future of our society. They raise the citizens of tomorrow, prepare the coming generation to take on the tasks of the current one and accordingly must be helped in the many difficult responsibilities facing them.

Since the mid-1990s, the government has gradually implemented a coherent and generous family-assistance policy that includes innovative measures that are the envy of many developed countries.

The government is beginning a new stage in this process by undertaking to meet the challenge of the work-family balance. In this modern world, being able to simultaneously raise a family and satisfy work obligations is quite a feat. Means are available to further help parents to balance their responsibilities with their workload.

The *2003-2004 Budget Speech* marks the first step in the government's action in this regard. Immediate initiatives will be taken, which are in fact only the prelude to much more ambitious actions the government wants to develop over the coming months.

These initiatives provide a clear indication of the government's priorities. They are a logical extension of the family-assistance policy that has been defined over the last few years.

A COLLECTIVE CHALLENGE

Parents today are finding it increasingly difficult to balance family life with the demands of work. This basic trend is intensifying with time because of the confluence of two phenomena.

Growing labour market participation

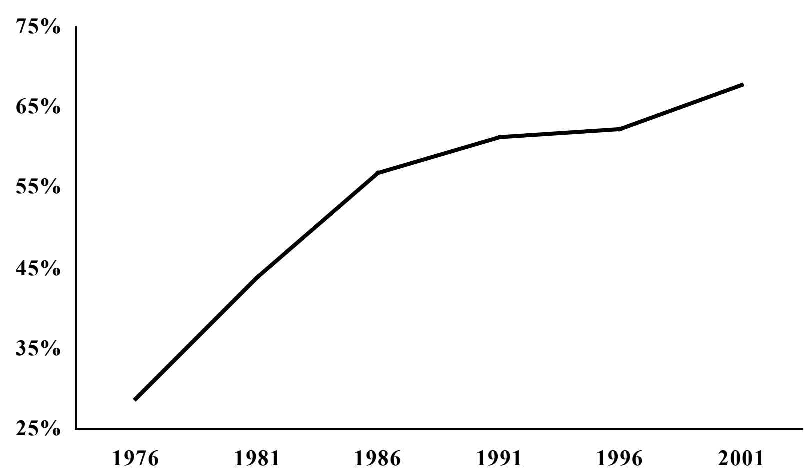
First, more parents are participating in the labour market:

— The participation rate among women has risen substantially over the last 25 years, leading to a significant increase in the number of families in which both spouses work.

— The number of women in the labour force with young children has also risen sharply.

— In addition, the number of single-parent families has increased.

PARTICIPATION RATE AMONG MOTHERS 20 TO 44 YEARS OLD WITH AT LEAST ONE CHILD UNDER 3 YEARS OLD – QUÉBEC, 1976 TO 2001



Source: Statistics Canada, Labour Force Survey, annual averages.

Growing demands of the labour market

Second, the demands of the labour market have steadily grown in recent years.

This is attributable to and justified by the competitive pressures facing businesses. However, for workers, at a very practical level, it means that the workload is now greater and more difficult to manage.

— Manpower must be more flexible, which often involves irregular or less standardized work schedules.

— In order to compete, businesses place considerable importance on productivity, quality and cost-effectiveness, which makes working conditions more stressful.

PROPORTION OF WORKERS IN STRESSFUL WORK CONDITIONS – CANADA

	1989	**1999**
Moderate of significant stress	26.7%	46.2%

Source: Conference Board of Canada, Survey of Canadian Workers on Work-Life Balance, 1999.

The situation of young families

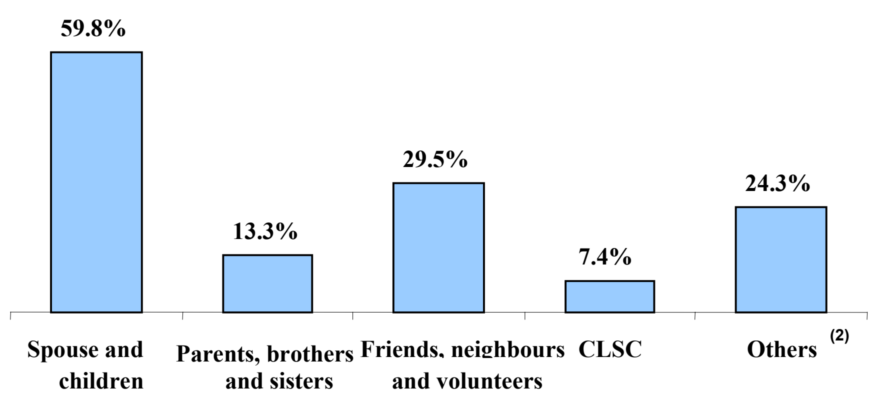
The mounting demands of the labour market concern all workers. In the case of young families it is increasingly difficult to balance work and parental responsibilities.

Concretely, young parents must cope with extremely heavy work schedules and very busy lives. They have to devote all the time needed to their children and at the same time excel in professional duties that may be stimulating but are always demanding.

In addition to these difficulties, young families now face the situation arising from the aging of the population: a growing number of people must provide help and support for their older loved ones. Here again, those concerned are often faced with the difficult problem of balancing family responsibilities with their workload.

Spouses and children are most often the ones to provide assistance for handicapped or older persons.

SOURCE OF ASSISTANCE RECEIVED FOR ACTIVITIES OF DAILY LIFE, POPULATION 15 OR OVER WITH AN IMPAIRMENT, 1998[1]



1 A person with an impairment may receive assistance from more than one source.
2 Reception centre, hired help (housekeepers, contract worker), etc.
Source: Institut de la Statistique du Québec, Enquête québécoise sur les limitations d’activités, 1998.

Social consequences

The difficulty young families have in balancing family responsibilities and workload has major implications for society.

— In economic terms, businesses are the first to suffer the consequences.

Overloaded and conflicting schedules are reflected in lower productivity, absenteeism and sick leave.

PROPORTION OF WORKERS HAVING DIFFICULTY BALANCING WORK AND FAMILY – CANADA

	1989	1999
Difficulty balancing work and family[1]	20.1%	28.1%

1 Degree of difficulty: difficult or very difficult.

Source: Conference Board of Canada, Survey of Canadian Workers on Work-Life Balance, 1999.

— In demographic terms, young couples all too often feel unable to balance work and family and for that reason they decide to have fewer children than they otherwise would have.

It is our future as a society that is at stake here: if we are unable to offer a better quality of life to those of us who are raising the citizens of tomorrow, our common future is affected.

FOUR TYPES OF INITIATIVES

The *2003-2004 Budget Speech* provides the government with an opportunity to take ambitious steps to help families, especially young families, to better balance their family and work responsibilities.

The government's priorities

To that end, the government is undertaking four major types of initiatives:

— **More time for families** must be provided. Accordingly, the government is implementing the first steps to have concrete work relief measures apply in businesses. The four-day week for young families is the first example of the relief measures the government intends to promote in this way.

— The government is very concerned by the situation of **self-employed workers**, who must assume their family responsibilities while working in an especially competitive market, where their situation is frequently vulnerable. The first step is the introduction of maternity and adoption leave for these workers.

— Work-family balance is not solely the concern of young families. Family obligations include parents or the spouse who must be cared for or taken in, over and above work responsibilities. The government is implementing a new type of support for "natural caregivers" to support them in their family duties.

— Furthermore, and in accordance with the commitments made last fall, the government will provide the necessary funding to implement **$5-daycare** for all families that want it, so that 200 000 daycare places will be available by March 2005.

Investments of $225 million

In all, the government will allocate just over $225 million over the next three fiscal years to the work-family balance.

ADDITIONAL INVESTMENTS FOR WORK-FAMILY BALANCE – 2003-2004 BUDGET SPEECH
(Millions of dollars)

	2003-2004	2004-2005	2005-2006	Total over three years
Support for SMEs to implement work-family balance measures	10.0	20.0	20.0	50.0
Refundable tax credits for maternity and adoption leave for self-employed workers	1.0	10.0	10.0	21.0
Support for natural caregivers				
– New refundable tax credit for natural caregivers	8.0	34.0	34.0	76.0
– Program to encourage seniors to live with their family	0.6	1.6	2.0	4.2
200 000 $5-daycare places by March 2005 in the early childhood education network	25.0	25.0	25.0	75.0
Total	**44.6**	**90.6**	**91.0**	**226.2**

Give families more time: four-day work week for young families

For young parents, balancing work and family requires, first of all, better time management. The most effective initiative therefore involves increasing the time young parents have to carry out their family responsibilities.

To give families more time, the labour market must be made more flexible. Young parents should be able to remain on the market, while devoting sufficient time to their family responsibilities.

The government's proposal

The measure proposed by the government consists in offering parents with at least one child under 12 the opportunity to take, at their own expense, the equivalent of one additional day off per week, without reducing their social safety net.

— The lighter work schedule must be defined jointly by the employer and the employee to reflect the level of activity of the business. The employee's remuneration will be reduced accordingly.

— However, the employee will not suffer any penalty in terms of fringe benefits. This means that both the employer and the employee will have to continue paying their respective contributions, as though the workweek were unchanged.

The application details of this measure will be specified in the coming months. The government wishes to avoid "wall-to-wall" measures and wants the implementation of the four-day week for young families to be defined on the ground, between the employer and the employee, depending on the constraints and the needs of each.

The four-day week for young families will accordingly not be based on a single model and its application will be flexible.

Costs

It is estimated that roughly 100 000 families with children under 12 could benefit from this measure.

— For businesses, the four-day week for young families could cost an estimated $100 million.

— For the Québec government, the expected revenue loss is estimated at roughly $11 million.

These costs must be put in perspective, because the reduction in work time for young parents will help reduce absenteeism and improve employee productivity.

Benefits

In the medium and long term, the four-day week for young families has other advantages both for businesses and Québec as a whole.

— The measure will encourage young parents who, to date, had remained out of the labour market because it was impossible to balance their various obligations, to return to the labour market.

— The four-day week for young parents will help retain current employees who might be tempted to abandon professional activity because of their heavy schedule.

— By giving more time to parents, they will be able to devote more time to their family, which should have a positive impact on the success of children at school.

An additional week of vacation for young parents

With the same objective of giving more time to families, the government is studying the possibility of allowing an additional week of vacation for young parents.

— Like the four-day week for young families, the additional week of vacation would enable young parents to carry out their family responsibilities under better conditions.

— However, this measure has to be thoroughly studied and discussed. The costs must be specified, as well as who will assume them, and the application details must be determined.

This measure has many advantages. In practical terms, it illustrates the government's determination to quickly help young families balance work and family, by giving them an opportunity to manage their time better.

Support for SMEs to implement work-family balance measures

The *2003-2004 Budget Speech* introduces a new transitional support program for SMEs with no more than 200 employees to encourage them to implement a work-family balance policy for their employees.

— The program will fund the costs of formulating and implementing, within the business, a work-family balance policy and action plan for the workforce.

— This policy and action plan can include the four-day work week for young families, the additional week of vacation for young parents, flextime, time management, parental leave, leave for family events and daycare at work.

— The program will not compensate the remuneration and fringe benefits of the employees concerned. Instead, it will fund the costs of formulating the policy and action plan and the implementation expenses.

— The program will be implemented beginning in 2003-2004 and will cost $20 million over a full year. The Minister of State for Family and Child Welfare will announce its details in the coming weeks.

Support for SMEs to implement work-family balance measures

Eligible businesses

– SMEs with no more than 200 employees.

Eligible expenditures

– The costs of formulating the policy and action plan and implementation expenses such as:
  - salaries of the personnel working on its formulation;
  - related contracts awarded to an outside firm.

Assistance

– The government will fund 100% of the eligible expenditures of the business, up to $5 000.
– Beyond $5 000, the government will fund 50% of eligible expenditures, to a maximum of $100 per employee.
– For instance, for a business with 100 employees, government funding could reach $15 000.

Refundable tax credit for maternity leave for self-employed workers

Balancing work and family specifically challenges self-employed workers. They are under especially heavy pressure on the labour market because of the often vulnerable nature of their remunerated activity.

Self-employed workers would directly benefit from Québec's parental insurance plan. In 2001, at the government's initiative, the bill instituting this plan was unanimously passed by the National Assembly. However, the plan has yet to be put into effect because of the federal government's refusal to act on Québec's request to reduce its employment insurance contributions to fund it.

To avoid further penalizing self-employed workers, and until the impasse with the federal government is resolved, the government has decided to implement a refundable tax credit for maternity and adoption leave for self-employed workers.

— The tax credit will be equal to 13% of a self-employed worker's net income, the equivalent of granting 55% of net income for a period of 12 weeks. The maximum amount of assistance will be $5 070.

— It will become effective immediately and apply to the entire taxation year 2003.

— The tax credit may be claimed during the year via tax instalments or at the end of the year when filing a tax return.

— The tax credit may be eliminated when Québec's parental insurance plan for employees and self-employed workers is implemented.

Target clientele and assistance provided

Starting this year, the tax credit will provide assistance of:

— $650 for self-employment income of $5 000;

— $2 600 for self-employment income of 20 000;

— $5 070 (maximum amount) for self-employment income of $39 000 or more.

This measure targets 5 000 taxpayers and represents an investment of $10 million over a full year.

REFUNDABLE TAX CREDIT FOR MATERNITY AND ADOPTION LEAVE FOR SELF-EMPLOYED WORKERS BY INCOME
(2003, dollars per year)

Net self-employment income	Value of tax credit
0	0
2 000	260
5 000	650
10 000	1 300
20 000	2 600
30 000	3 900
39 000 or more	5 070

Refundable tax credit for maternity and adoption leave for self-employed workers

Eligible persons

– Self-employed workers who gave birth to a child or miscarried after the 19th week of gestation.
– Self-employed workers who adopt a child.

Eligible income

– Net business income earned during the calendar year preceding the birth or adoption of the child.

Terms and conditions of the tax credit

– The tax credit is equal to 13% of net business income, with a maximum of $5 070.
– The tax credit is equivalent to granting 55% of net income up to $39 000 for 12 weeks.

Support for natural caregivers

While the work-family balance is a challenge for young families, this also applies to families who care of or take in a parent. The government wants to provide more support for those who assume this potentially very onerous responsibility.

The government is taking two major initiatives in the *2003-2004 Budget Speech*.

— Starting in taxation year 2003, a **new refundable tax credit for natural caregivers** will be introduced. It will replace the current tax credit for lodging a parent.

The amount of the new credit will be $600 for each person taken in, an increase of $50 over the former tax credit for lodging a parent.

For the purposes of the new tax credit, the definition of parent will be broadened to "eligible relation", which includes, for instance, the spouse, as well as a brother or sister suffering from a severe and prolonged physical or mental impairment.

The introduction of the new tax credit for natural caregivers will increase the number of recipients from 27 000 to 82 000 and the additional assistance will amount to $34 million per year.

NEW REFUNDABLE TAX CREDIT FOR NATURAL CAREGIVERS

		Assistance	
	Number of recipients	$ millions	$ per person taken in
Before the budget	27 000	16	550
After the budget	82 000	50	600
Impact	**55 000**	**34**	**50**

— A new **program to encourage seniors to live with their family** will be implemented.

Assistance will be provided for the owner of a principal residence who incurs expenses for work to prepare a dwelling for a family member.

The assistance will amount to 50% of the required work, up to $5 000.

The government will invest $5 million over three years in this measure.

Program to encourage seniors to live with their family

Eligible persons

– The owner of a principal residence, subject to certain conditions concerning the age of the parent taken in and his or her kinship with the owner of the residence.

Details of assistance

– The assistance amounts to 50% of the required work, up to $5 000.

– The program is administered by the Société d'habitation du Québec.

Length of program

– The program will last three years.

$5-daycare services

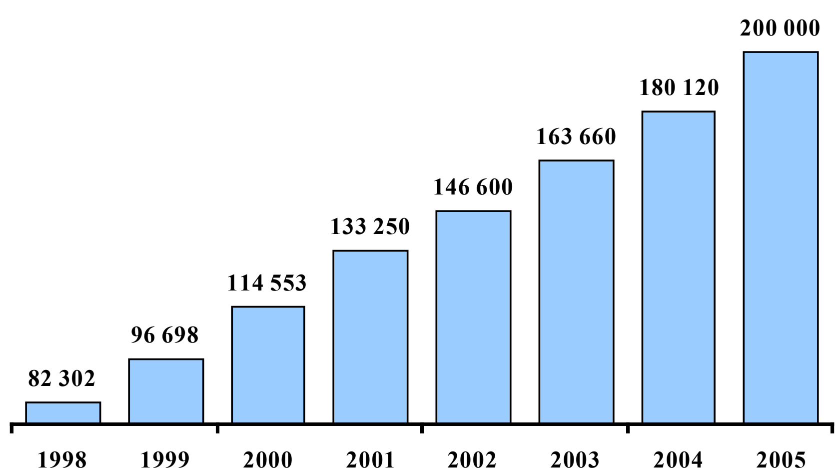
Last fall, in its *Horizon 2005* action plan, the government made a commitment to create 50 000 new daycare places by 2005, so that families with young children would then have access to 200 000 daycare places.

The *2003-2004 Budget Speech* is acting on this major commitment. Additional funding of $25 million will be allocated in each of the next three fiscal years to achieve the objective of 200 000 places by March 2005.

In particular, this funding will be used to advance the development plan for $5-daycare places by one year and improve support for the operation of $5-daycare services.

This objective corresponds to the current assessment of needs: in March 2005, the development of "$5-daycare centres" will be complete. Any parent who wishes will indeed be able to send their children to such centres.

$5-DAYCARE CENTRES –
NUMBER OF PLACES AVAILABLE
(Number of places on March 31 of the year)



A COHERENT AND GENEROUS FAMILY ASSISTANCE POLICY

The measures being taken to improve the work-family balance are a logical extension of the measures the government has taken to help families. Since the mid-1990s, the government has gradually implemented a coherent and generous family assistance policy whose chief components are as follows:

— Overall, existing financial support for families, i.e. excluding the measures announced in the 2003-2004 Budget, amounts to almost **$3.6 billion** over the coming fiscal year.

— Of the measures already in place, the creation of **childhood education services** marked a turning point. In this regard, the network of “$5-daycare centres” is one of the most innovative support measures for families in the world.

— Besides this substantial financial support, families were the first beneficiaries of the **tax reductions** introduced since the 2000-2001 Budget.

— With the December 2002 amendments to the *Act respecting labour standards*, Quebecers enjoy some of the most generous **labour standards** in Canada. Many of these amendments focus explicitly on the work-family balance.

Major financial support for families

Over the next three fiscal years, including the measures announced in the *2003-2004 Budget Speech*, the Québec government is allocating almost $11.5 billion to support families.

— Taken alone, the measures directly targeting the work-family balance account for over half of this funding. Over the next three fiscal years, these measures amount to almost $6 billion, consisting of budgetary and tax assistance.

— Among these measures, funding for early childhood education will reach $1 317 million in 2003-2004, excluding the additional $25 million allocated in the *2003-2004 Budget Speech*.

— Including school daycare services, i.e. $170 million in 2003-2004, $1 487 million will be invested in childhood education services.

FINANCIAL SUPPORT FOR FAMILIES
(Millions of dollars)

	2003-2004	2004-2005	2005-2006	Total over three years
Measures prior to the 2003-2004 Budget[1]				
– **Work-family balance**				
– Early childhood education	1 317	1 484	1 605	4 406
– School daycare	170	182	195	547
– Other measures to balance work and family responsibilities	340	343	351	1 034
– ***Sub-total: Work-family balance***	***1 827***	***2 009***	***2 151***	***5 987***
– **Other financial support measures**	**1 767**	**1 769**	**1 786**	**5 322**
Total: Measures prior to the Budget	***3 594***	***3 778***	***3 937***	***11 309***
2003-2004 Budget measures	**45**	**91**	**91**	**226**
TOTAL	**3 639**	**3 869**	**4 028**	**11 535**

1 Family support measures are detailed in the appendix.

An innovative family policy: $5-daycare centres

In 1997, the Québec government began setting up a network of daycare centres for children under five which is considered one of the most innovative in the world.

With early childhood education services and daycare services at school, Québec offers working parents very high-quality support for their children that is also financially accessible.

— By the end of 2002-2003, the network of early childhood education services will offer parents some 160 000 places in $5-daycare centres, accommodating almost 205 000 children.

— The measures announced in the *2003-2004 Budget Speech* will raise the number of $5-daycare places from 160 000 to 200 000 by March 2005, which corresponds to the estimated needs.

— By March 2005, almost 40 000 places in $5-daycare centres will be added.

200 000 PLACES BY MARCH 2005 IN THE NETWORK OF $5-DAYCARE CENTRES
(Number of places on March 31 of the year)

	Places available 2003[1]	Additional places			Places available 2005
		2004	2005	Total	
Number of $5 places	163 660	16 460	19 880	36 340	200 000

1 Forecast.

Over 425 000 children in daycare education services

For children from five to eleven, daycare services at school are the continuation of early childhood education services.

By the end of 2002-2003, just over 167 000 pupils will make use of these services as part of "regular daycare" and just over 53 000 under "intermittent daycare".

Accordingly, a total of just over 425 000 children will make use in 2003 of the various services set up by the Québec government.

TOTAL NUMBER OF CHILDREN IN DAYCARE – 2003

	Number of places	Number of children[1]
Early childhood centres[2, 3]	163 660	204 575
Daycare at school[4]		
– Regular[5]	n.a.	167 400
– Intermittent	n.a.	53 397
Sub-total	*n.a.*	*220 797*
Total	**n.a.**	**425 372**

1 The figure for early childhood centres is an estimate based on the following formula: one space equals 0.8 children.
2 Forecast as at March 31 of the year.
3 Includes for-profit daycare centres.
4 Number of pupils on February 14, 2003, according to returns provided by school boards.
5 Regular daycare corresponds to minimum attendance of three days per week with a minimum of 2 ½ hours per day.

The "Ça bouge après l'école" program

The "Ça bouge après l'école" program, launched in December 2002, is geared to secondary students.

This program directly supports children's education. At the same time, it enables parents to better balance their work and family responsibilities.

— The aim of the program is to double, by 2006, the number of pupils registered in extra-curricular activities in public secondary schools, from 120 000 to 240 000.

— The Québec government has earmarked $81 million for the next three fiscal years to fund more sports, cultural and recreational activities in close to 600 secondary schools.

Local partners will also invest just over $20 million over the same period.

Tax cuts that favour families

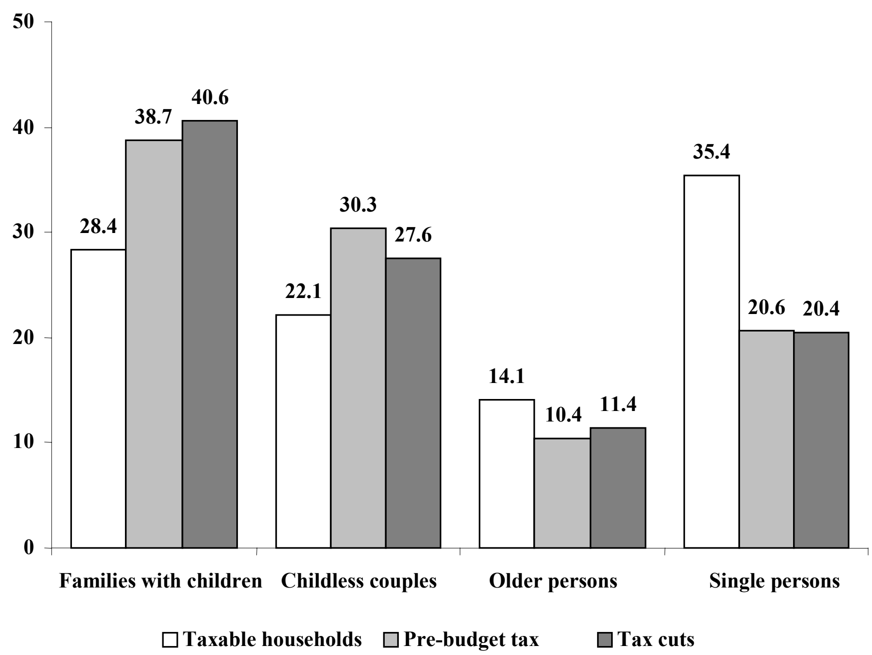
Families are the primary beneficiaries of the tax cuts the government implemented beginning in the 2000-2001 Budget.

— Prior to the 2000-2001 Budget, families with children accounted for 38.7% of personal income tax.

— In 2003, these families will reap 40.6% of the tax relief introduced in recent years.

— By way of comparison, childless couples will receive 27.6% of the tax cuts, whereas they paid 30.3% of income tax prior to the 2000-2001 Budget.

BREAKDOWN OF NUMBER OF TAXABLE HOUSEHOLDS, PRE-BUDGET INCOME TAX AND TAX CUTS[1] BY CATEGORY OF HOUSEHOLD – 2003
(Per cent)



1 Considering the tax cuts announced since the 2000-2001 Budget Speech .

Labour standards among the most generous in Canada

In December 2002, at the government's initiative, the National Assembly made many significant amendments to the *Act respecting labour standards*.

Many of these amendments are expressly designed to improve the work-family balance.

— The *Act respecting labour standards* is harmonized with the *Employment Insurance Act* and the *Parental Insurance Act*.

— The maximum period during which an employee can be absent without pay for family reasons is increased from five to ten days. Family reasons are necessary obligations arising from unforeseen circumstances beyond the employee's control relating to the care, health or education of an infant child.

— These provisions now apply to close parents, such as the spouse, father, mother, brother, sister or grandparent.

— The period during which an employee with three months of continuous service can be absent without pay is increased from five to twelve weeks, if he or she is required to be with a close parent because of a serious illness or accident. Such absence can be extended to 104 weeks if his or her infant child suffers from a serious and potentially fatal illness.

— Upon the employee's return from leave for family reasons, maternity leave or parental leave, the employer-employee relation is maintained. Accordingly, the employee can return to his usual job.

The amendments to the law will gradually become effective starting next May 1.

CONCLUSION

The *2003-2004 Budget Speech* confirms the importance the government attaches to the work-family balance.

The work-family balance will be a priority of government action over the coming years because in a society featuring inter-generation solidarity, it poses a challenge that Québec as a whole must meet.

In its *Horizon 2005* action plan, the government made a commitment to make Québec the best place in the world to raise a family. This is a very ambitious objective, but it can be achieved if we are genuinely determined. In addition, all the vital forces of Québec society, workers and employers, must play their part.

The measures announced in the *2003-2004 Budget Speech* have been fashioned in this spirit. They initiate improvements that should quickly benefit young families, because they resonate with their situation and aspirations.

APPENDIX

FINANCIAL SUPPORT FOR FAMILIES – SITUATION PRIOR TO THE 2003-2004 BUDGET

(Millions of dollars)

	2003-2004	2004-2005	2005-2006	Total over three years
WORK-FAMILY BALANCE MEASURES				
Budgetary measures				
– **Childhood education services**				
- Early childhood education services[1]	1 317	1 484	1 605	4 406
- Daycare services at school	170	182	195	547
Sub-total	*1 487*	*1 666*	*1 800*	*4 953*
– "Ça bouge après l'école" program	15	25	41	81
– PWA[2]	33	34	34	101
– Maternity allowance	7	8	8	23
Sub-total: budgetary measures	***1 542***	***1 733***	***1 883***	***5 158***
Fiscal measures				
– Refundable tax credit for childcare expenses	180	170	160	510
– Tax reduction for families[3]	89	90	92	271
– Tax credit for lodging a parent	16	16	16	48
Sub-total: fiscal measures	***285***	***276***	***268***	***829***
TOTAL: Work-family balance	**1 827**	**2 009**	**2 151**	**5 987**
OTHER FINANCIAL SUPPORT MEASURES				
Budgetary measures				
– Family allowances[4]	547	549	552	1 648
– Assistance of last resort[5]	71	71	71	213
– Shelter allowance[6]	41	41	41	123
– Student financial assistance[7]	36	36	36	108
– Nursery school for 4 and 5 year-olds (disadvantaged communities)	227	220	219	666
Sub-total: budgetary measures	***922***	***917***	***919***	***2 758***
Fiscal measures				
– Non-refundable tax credit for children[8]	622	627	640	1 889
– Tax reduction for families[9]	218	220	222	660
– Tax credits for adoption and infertility	5	5	5	15
Sub-total: fiscal measures	***845***	***852***	***867***	***2 564***
TOTAL: Other financial support measures	**1 767**	**1 769**	**1 786**	**5 322**
TOTAL FINANCIAL SUPPORT FOR FAMILIES	**3 594**	**3 778**	**3 937**	**11 309**

1. Including financial support for early childhood centres and other daycare centres, as well as the development measures included in the Plan concerté pour les familles du Québec.
2. Including monthly assistance, $3 per day compensation for childcare expenses and the advance payment of the refundable tax credit for childcare expenses.
3. Portion of the tax reduction corresponding to families whose head is under 35 years old.
4. Including the Québec family allowance and the allowance for a handicapped child.
5. Including the destitution clause for infant children, the single-parent family supplement, adjustments for children not covered by the family allowance or the Canada child tax benefit, the special benefit for school expenses, the exempt childcare contribution and the other adjustments included in the basic scales.
6. Including the family portion of the shelter allowance and the destitution clause relating to the shelter allowance.
7. Including the exemption applicable to the student's contribution, subsistence expenses for dependent children and for single-parent families and the loan repayment exemption during the period of interruption of studies for pregnancy, in particular.
8. Including the non-refundable tax credits for children, for single-parent family and for post-secondary studies.
9. Excluding the portion of the reduction corresponding to families whose head is under 35 years old.