

Status Report on Québec's Family Policy

2009
BUDGET



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2009-2010 Budget

Status Report on Québec's Family Policy

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INTRODUCTION

Québec has gradually implemented a family policy that is now considered one of the most generous in the world.

This policy is starting to yield results: the birth rate is up, the demographic trends of the 1990s have been reversed, the employment rate of women is improving, and Québec has one of the lowest child poverty rates in Canada.

Thanks to the various programs offered, Québec families receive more help for educating their children and are in a better position to balance work and family obligations.

The 2009-2010 Budget contains new initiatives to help families. The government feels it is time to take stock of the different components of Québec's family policy and measure their main impacts.

- The government therefore wants to provide an overall assessment of the investments made in support of Québec families by society as a whole. In particular, it is important that these efforts be compared against the efforts made by major developed countries and that their overall impact – notably on the birth rate – be evaluated.
- Québec's family policy has three components: financial support for parents, child care and parental leave. The government wants to provide a status report on the main programs under each component, using concrete examples to demonstrate the substantial support available to Québec families.

OECD definition of family-friendly policies

Family-friendly policies are those policies that facilitate the reconciliation of work and family life by ensuring the adequacy of family resources, enhance child development, facilitate parental choice about work and care, and promote gender equality in employment opportunities. Family-friendly policies include improved access to affordable and quality childcare, financial support to children, arrangements that allow working parents to take leave to care for children, and flexible workplace practices that allow a better reconciliation of work and care commitments. They also include financial incentives to work for families with children and employment support for jobless parents.

Source: *Babies and Bosses – Reconciling Work and Family Life (Vol. 4): Canada, Finland, Sweden and the United Kingdom*, OECD, 2005.

1. A GENEROUS POLICY THAT IS STARTING TO YIELD RESULTS

The family policy adopted by Québec is generous: in 2009, it will support families to the tune of \$10 billion.

- Québec ranks along with the top OECD countries in the amount of financial assistance granted to families.
- Québec invests heavily in families, and the results are commensurate with investments, both in terms of demographics and participation of women in the labour force.

1.1 Total of \$10 billion for families

1.1.1 Significant investment

In 2009, Québec families will have received financial support totalling \$10 billion: \$6.5 billion from the Québec government and \$3.6 billion from the federal government.

TABLE 1

Financial support for families – Québec and federal assistance (billions of dollars)

	2009
Québec government¹	
– Financial support for parents	2.7
– Childcare assistance	2.6
– Québec Parental Insurance Plan (QPIP) ²	1.2
Subtotal – Québec	6.5
Federal government	
– Financial support for parents ³	3.0
– Childcare assistance ⁴	0.6
Subtotal – federal	3.6
TOTAL	10.0

Note: The figures have been rounded off, so they may not add up to the total indicated.

1 See following table for greater detail.

2 Total benefit payments in 2009 are estimated at \$1.6 billion. Net benefits, after accounting for taxation, total \$1.2 billion.

3 Mainly the Canada Child Tax Benefit and the non-refundable tax credit for children.

4 Mainly the Universal Child Care Benefit.

Source: Ministère des Finances du Québec.

The programs administered by Québec relate to the three components of the government's family policy, namely, financial support for parents, child care and parental leave.

- Financial support for parents is delivered primarily through a tax measure, the child assistance payment, which alone will provide financial assistance of nearly \$2.2 billion in 2009.
- Support for child care is provided through childhood education services, which are responsible for reduced-contribution childcare services, as well as through tax measures for parents who use regular rate childcare services. Childhood education services alone represented an investment of over \$2 billion in 2009.
- Parental leave is administered by the Québec government using employer and employee contributions to the Québec Parental Insurance Plan. Accounting for tax rules, the plan will pay out net benefits totalling \$1.2 billion in 2009 (gross benefits are estimated at \$1.6 billion).

In 2009, Québec families will receive an estimated \$3.6 billion in financial assistance from the federal government. Three quarters of this amount is in the form of financial support for parents, mainly through the Canada Child Tax Benefit.

□ Increase of over 58% in six years

Between 2003 and 2009, the financial assistance granted to families by the Québec government rose by more than 58%.

TABLE 2

Change in financial assistance to families – Québec (billions of dollars)

	2003	2009	Change 2003-2009
Financial support for parents			
- Child assistance payment ¹	n.a.	2.2	2.2
- Work premium	n.a.	0.2	0.2
- Other measures	1.6 ²	0.3 ³	- 1.3
Subtotal	1.6	2.7	1.1
Childcare assistance			
- Childhood education services- early childhood	1.3	1.9	0.6
- Childhood education services – school	0.2	0.2	—
- Refundable tax credit for child care expenses	0.2	0.2	—
- Other measures ⁴	0.3	0.4	0.1
Subtotal	2.0	2.6	0.6
Québec Parental Insurance Plan⁵	0.5	1.2	0.7
TOTAL	4.1	6.5	2.4
Percentage change			58.5

Note: The figures have been rounded off, so they may not add up to the total indicated.

1 Including the supplement for handicapped children.

2 Mainly the Québec family allowance, social assistance, APPORT, shelter allowance, student financial assistance, non-refundable tax credit for dependent children, for single-parent families and for adult children who are students, and the tax reduction for families.

3 Mainly the shelter allowance, student financial assistance and the non-refundable tax credit for adult children who are students.

4 Mainly age 5 kindergarten, kindergarten in disadvantaged communities and childcare assistance for social assistance recipients.

5 For comparison purposes, the federal Employment Insurance Program was considered for 2003.

Source: Ministère des Finances du Québec.

The sharp growth in family assistance drove the increase in disposable income of Québec families with children.

For example, in six years, the disposable income of a couple with two children and two work incomes has risen by:

- just over 13% for a family with two work incomes totalling \$75 000;
- 28% for a family with two work incomes totalling \$35 000;
- 43% for a family with two work incomes totalling \$15 000.

TABLE 3

**Change in disposable income¹ for a couple with two children²
and two work incomes³ from 2003 to 2009**
(dollars)

Work Income	2003	2009	Change	
			\$	%
0	19 895	26 349	6 454	32.4
15 000	21 031	30 071	9 040	43.0
25 000	26 679	35 573	8 894	33.3
35 000	31 013	39 665	8 652	27.9
50 000	38 797	44 022	5 225	13.5
65 000	46 641	52 565	5 924	12.7
75 000	51 507	58 278	6 771	13.1
100 000	66 199	71 277	5 078	7.7
125 000	80 942	86 128	5 186	6.4
150 000	94 726	101 536	6 810	7.2
175 000	108 299	115 708	7 409	6.8

1 The disposable income of this family is equal to the sum of the work income, transfer payments and refundable tax credits, less income taxes and mandatory contributions paid by the income-earner (Québec Pension Plan, Employment Insurance, Québec Parental Insurance Plan and public prescription drug insurance plan). Disposable income reflects the Québec and federal tax systems.

2 Children ages 2 and 3 with reduced-contribution childcare spaces.

3 Each spouse earns 50% of the total work income.

Source: Disposable income calculator, ministère des Finances du Québec, www.finances.gouv.qc.ca.

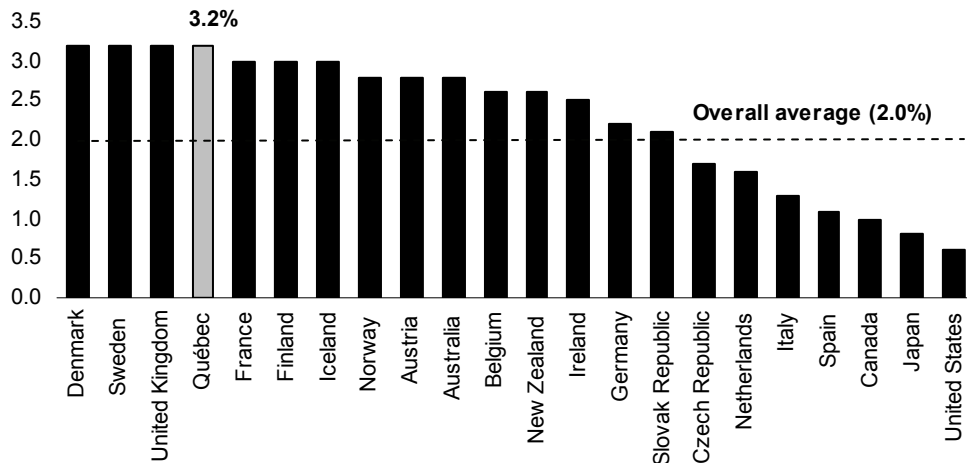
1.1.2 Québec ranks among top OECD countries

According to an OECD analysis of 2005 data, OECD countries allocated an average of 2% of their GDP to family-oriented programs.

- In the United Kingdom and two Scandinavian countries (Denmark and Sweden) public spending on families represented approximately 3.2% of GDP.
- In 2008, Québec joined the ranks of these leading countries, with public spending (federal and provincial) also representing 3.2% of GDP.
- Québec even ranks ahead of three other countries known for their generous family-friendly policies, namely France, Finland and Iceland.

CHART 1

Public spending on families OECD countries (2005) and Québec (2008) (as a percentage of GDP)



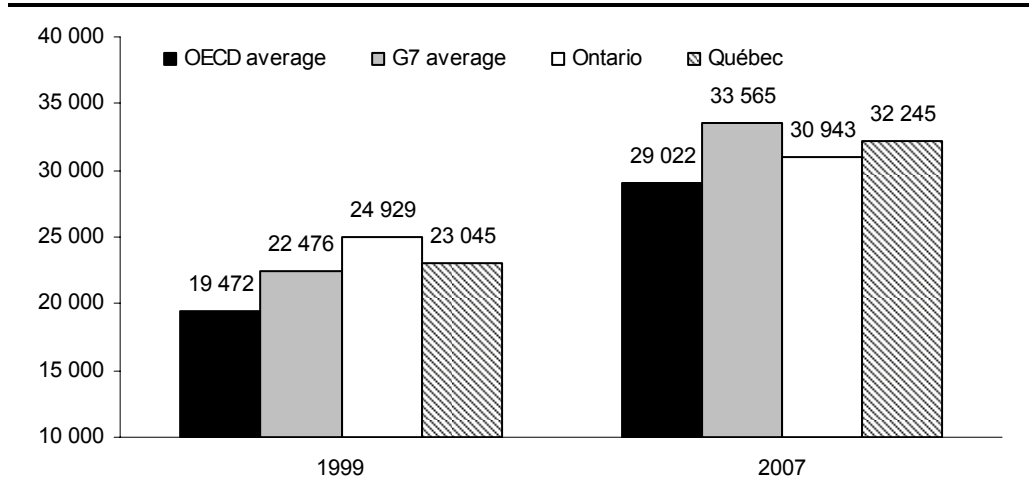
Sources: OECD, OECD.StatExtracts : *Social Expenditure – Aggregated data*, <http://stats.oecd.org> and ministère des Finances du Québec.

Another way to assess the family assistance provided by Québec in relation to OECD countries is to look at specific types of families. This makes it possible to measure the impact of Québec programs in concrete terms.

— In 2007, the net income of a couple with two children and one income equivalent to the average gross salary was higher in Québec than the average for OECD countries and higher than in Ontario.

CHART 2

Net income¹ of a couple with two children and earning 100% of the average salary
(U.S. dollars²)



1 Net income is calculated based on gross income less personal income tax, social security contributions and increased by benefits paid to families.

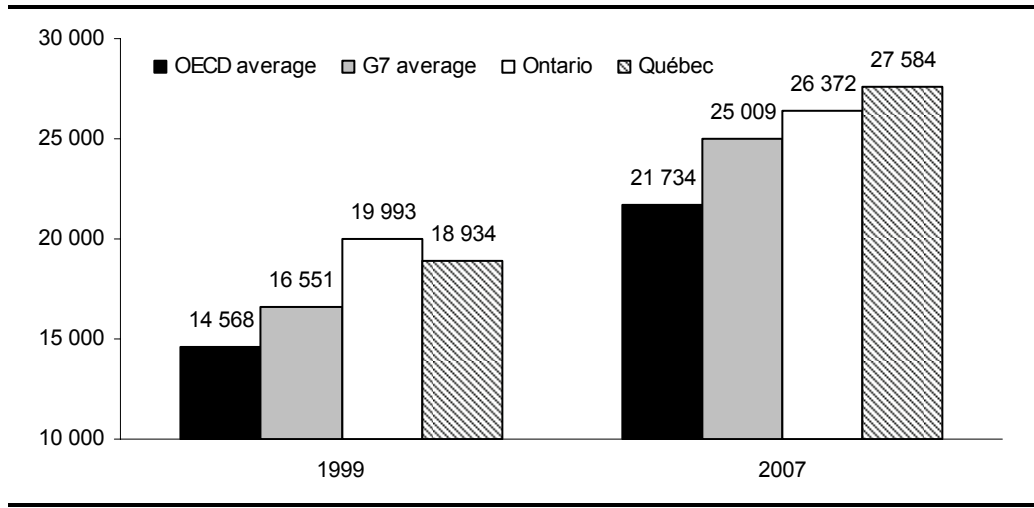
2 Based on purchasing-power parity.

Sources: OECD, *Taxing Wages*, 1999-2000 and 2006-2007 and ministère des Finances du Québec.

— In 2007, the net income of a single-parent family with an income equal to two thirds the average gross salary was \$27 584 in Québec. By comparison, the net income of a family with an equivalent income was \$21 734 for the average of OECD countries, \$25 009 for the average of G7 countries and \$26 372 in Ontario.

CHART 3

Net income¹ of a single-parent family with two children and earning 67% of the average salary
(U.S. dollars²)



1 Net income is calculated based on gross income less personal income tax, social security contributions and increased by benefits paid to families.
 2 Based on purchasing-power parity.
 Sources: OECD, *Taxing Wages*, 1999-2000 and 2006-2007 and ministère des Finances du Québec.

1.1.3 Québec: the best place in Canada for families

Compared with the family policies of the other Canadian provinces, Québec's policy is by far the most generous in terms of supporting families. Québec families receive more financial assistance and, in many cases, reap benefits that are unequalled in the rest of Canada.

- A comparison of family benefits clearly shows that Québec's family assistance measures are more substantial than those in the other provinces.
 - For example, maximum amounts are higher for low-income families. As well, more middle-class families receive assistance because the income cutoff is significantly higher.
 - The maximum amount paid for the first child is \$2 166 in Québec, compared with \$804 in Ontario. The income ceiling at which benefits start being reduced is \$44 599 in Québec, compared with \$20 000 in Ontario.

TABLE 4

Family benefits in the provinces – 2009

(dollars)

Provinces	Maximum amount				Income ceiling at which reduction applies	Reduction rate
	1st child	2nd child	3rd child	4th and subsequent children		
Newfoundland and Labrador	257	335	360	386	17 397	5.1%, 6.7%, 7.2% or 7.72%
	Supplement for children under 1 year of age: 540 Bonus at birth: 90					
Prince Edward Island	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nova Scotia	445	645	720	720	16 000	9.04%, 22.15%, 36.78% or 51.4%
New Brunswick	250	250	250	250	20 000	2.5% or 5%
Québec	2 166¹	1 083	1 083	1 623	32 696 (single) 44 599 (couple)	4%
Ontario	804	804	804	804	20 000	8%
Alberta	694	631	379	127	33 873	4%
Manitoba	360	360	360	360	Depending on the number of children ²	\$12 for every \$48
Saskatchewan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
British Columbia	1 332	1 332	1 332	1 332	20 500	9% and 18%

Note: Taking into consideration family-benefit programs and refundable tax credits for families not receiving social assistance. Also, some provinces grant tax reductions relating to children (Prince Edward Island: \$200 per child, New Brunswick: \$478 per dependent, Ontario: \$379 per child, Alberta: benefit increased by 8% at an income of \$5 000, and British Columbia: negative adjustments of \$1 795, \$1 585 and \$1 507, plus a reduction at income levels of \$21 480 or \$20 435 depending on the number of children) or non-refundable tax credits for families that must pay income tax.

1 Additional amount of \$758 for the first child of a single-parent family.

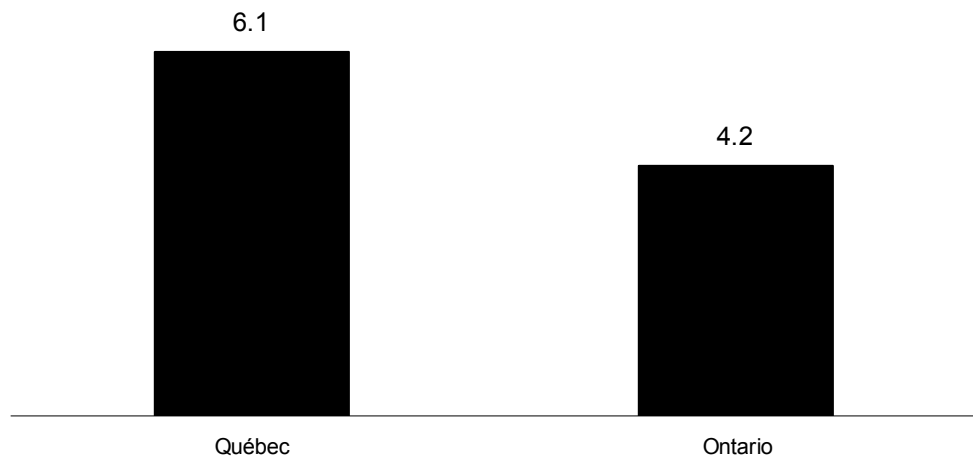
2 The income ceiling at which a reduction applies is \$12 384 for one child and increases by \$952 per additional child, and by \$100 per child age 8 or under.

— A direct comparison between Québec and Ontario reveals that in 2008, the financial support paid to families was 45% higher in Québec than in Ontario, for a population that was 40% smaller.

CHART 4

Financial support granted to families by the governments of Québec and Ontario – 2008

(billions of dollars)



Note: For Québec, financial support includes benefits paid to Québec families under the Québec Parental Insurance Plan, whereas for Ontario, it includes benefits paid to Ontario families under the federal Employment Insurance Program.

Source: Ministère des Finances du Québec.

1.2 Encouraging results

We are now seeing the impact of all the support provided to Québec families.

- Since 2000, Québec has seen the sharpest trend reversal in its birth rate since the end of the baby boom. Projected forward, this reversal is in the process of transforming our future demographics.
- We are also now in a position to measure the impact of Québec's family policy on the employment rate of women and the fight against poverty.

1.2.1 Reversal in demographic trends

□ Increase in number of births

Between 1990 and 2000, the number of enumerated births in Québec fell from 98 000 to 72 000.

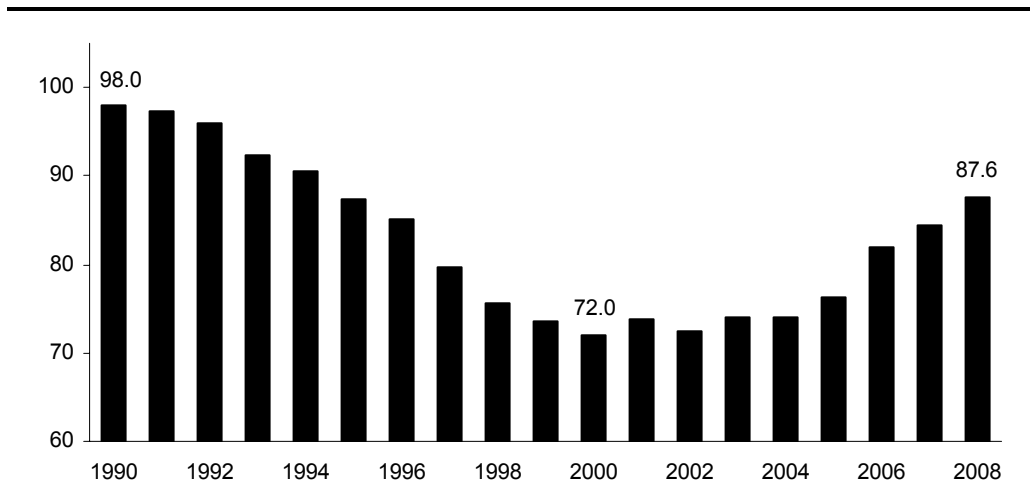
Since 2000, though, the number has been steadily increasing.

— The latest data released by the Institut de la statistique du Québec confirm this trend reversal: there were 87 600 births in Québec in 2008, the highest number in 13 years.

— The last time Québec saw such sustained growth in the number of births was in the late 1950s when the baby boom ended. The number of births rose by 21.6% between 2000 and 2008, and by 18.3% in the last four years alone.

CHART 5

Change in births in Québec from 1990 to 2008 (thousands)



Source: Institut de la statistique du Québec.

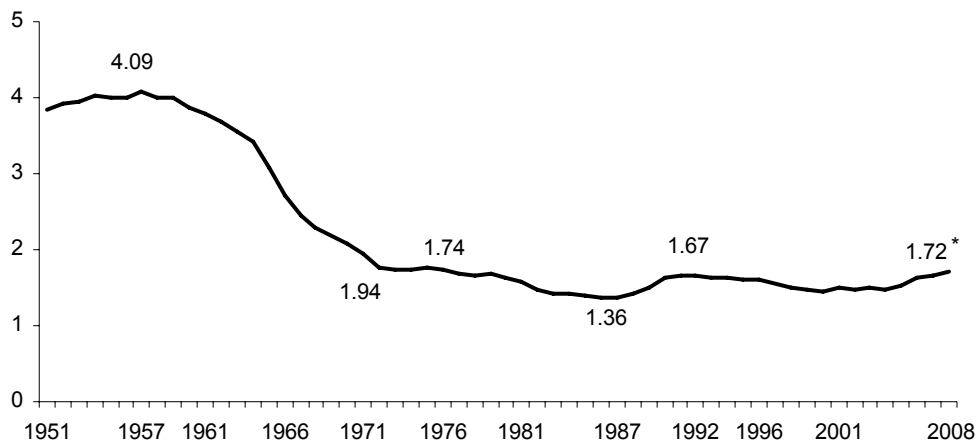
□ Number of children per woman climbs to a 30-year high

In 1957, Québec had an average fertility rate of just over four children per woman.

- The average number of children per woman fell below two as of 1971. The fertility rate was thus below that threshold necessary to ensure replacement of generations.
- The fertility rate continued to decline in the 1970s and 1980s, reaching its lowest level in 1987, at 1.36 children per woman.
- The fertility rate has been climbing steadily since the year 2000. According to the latest estimates, the total fertility rate (TFR) should rise to 1.72 children per woman in 2008, the highest in three decades: a higher TFR has not been seen since 1976, when it was 1.74 children per woman.

CHART 6

Change in total fertility rate in Québec from 1951 to 2008



*: The figure for 2008 is an estimate of the ministère du Conseil exécutif based on the latest data available from the Institut de la statistique du Québec.

Note: The total fertility rate is the sum of the age-specific fertility rates of women. The TFR represents the number of live births 1 000 women would have in their lifetime if at each age they experienced the birth rates occurring in the year for which age-specific fertility rates were calculated.

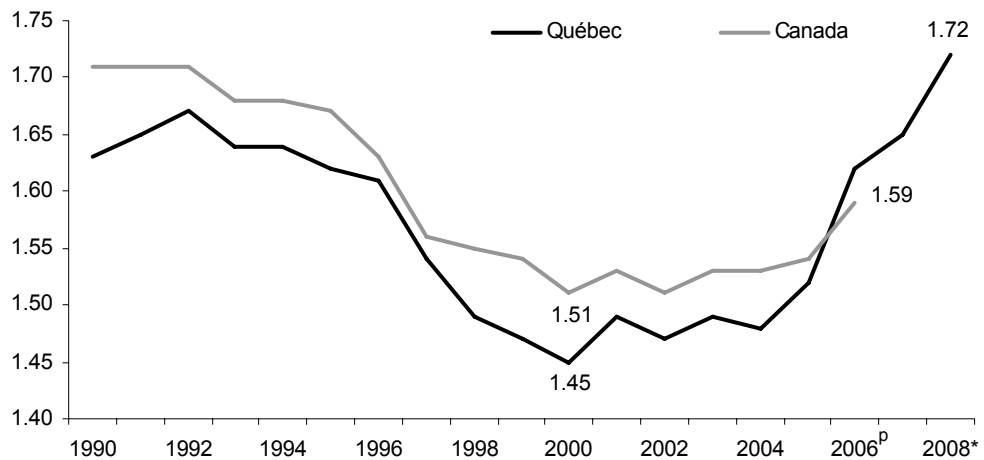
Source: Institut de la statistique du Québec.

Canada's fertility rate has also been rising since 2000, although not as much as Québec's.

Québec's share of Canada's fertility rate has reversed in the last decade: Québec now has a higher birth rate than the other provinces, whereas it was the opposite just under 10 years ago.

CHART 7

Change in total fertility rate in Québec and Canada from 1990 to 2008



P: Preliminary.

*: Estimate for 2008.

Note: The total fertility rate is the sum of the age-specific fertility rates of women. The TFR represents the number of live births 1 000 women would have in their lifetime if at each age they experienced the birth rates occurring in the year for which age-specific fertility rates were calculated.

Sources: Institut de la statistique du Québec and Statistics Canada.

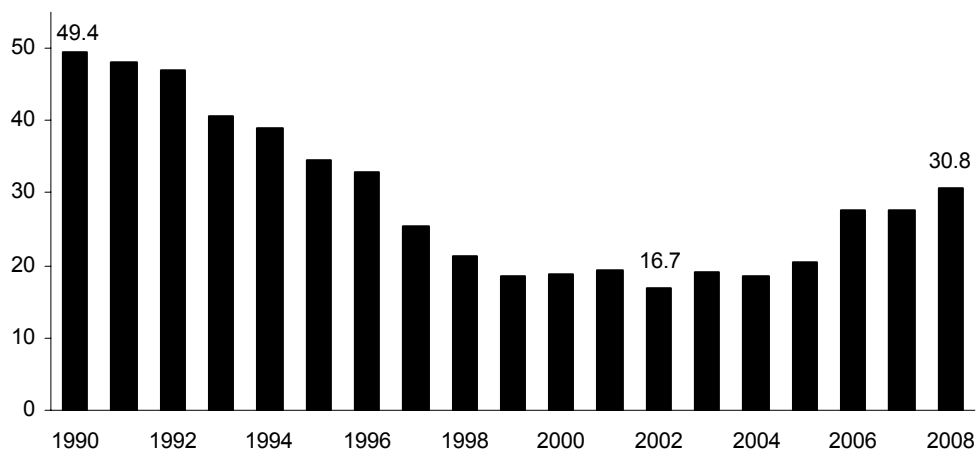
□ Upturn in natural population growth

The increase in the birth rate immediately reversed the trend in natural population growth.

- Natural population growth declined steadily in Québec between 1990 and 2002.
- This trend has reversed in the last few years and the population growth rate has started increasing again.
- According to the latest data released by the Institut de la statistique du Québec, there were 30 800 more births than deaths in Québec in 2008, or approximately 14 000 more than in 2002.

CHART 8

Change in natural population growth in Québec (surplus of births over deaths) from 1990 to 2008
(thousands)



Source: Institut de la statistique du Québec.

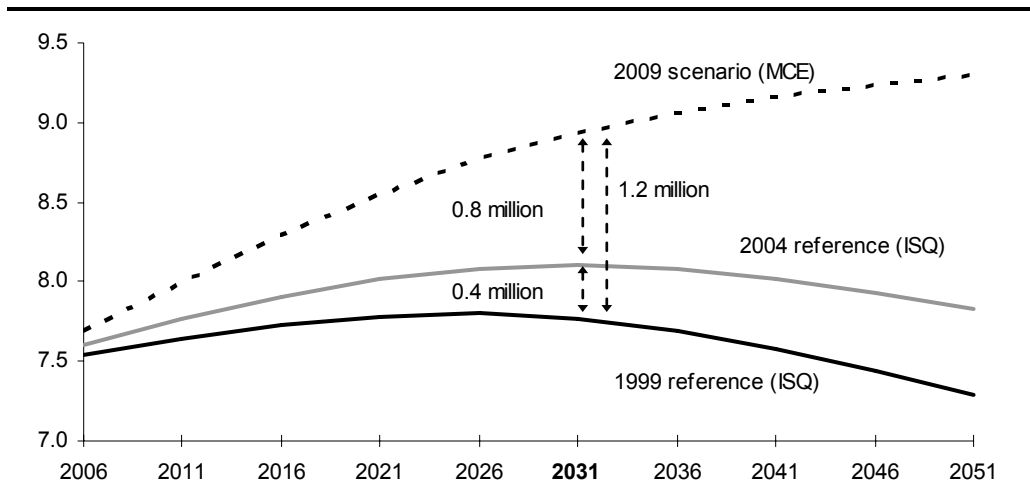
□ Québec's demographic future is changing

Every five years, the Institut de la statistique du Québec publishes demographic projections for Québec. The projections are based on assumptions about fertility and net migration, among other parameters, as well as on the results of the population census conducted by the federal government every five years.

The Institut de la statistique du Québec is expected to release its latest projections in June of this year. However, we already know that they will result in an upward revision of the scenarios released in 2004, which were themselves revised upward from 1999.

CHART 9

Changes in the Québec population from 2006 to 2051, based on the scenario of the MCE and the two ISQ reference scenarios
(millions)



Sources: Institut de la statistique du Québec (ISQ) and ministère du Conseil exécutif (MCE).

The vision for Québec's demographic future has undergone a major change in 10 years. In some cases, the changes are spectacular.

- In 1999, the Institut de la statistique du Québec projected in its reference scenario that Québec's population would start to decline, in absolute terms, as of 2026.
- In 2004, the Institut de la statistique du Québec pushed the date of the decline back to 2031.
- In 2009, under the most recent trends projection, the date of an eventual decline in Québec's population was pushed back again, this time beyond the projection period, that is, after 2051.
- According to those same trends, Québec's population would reach 8.9 million inhabitants in 2031 – 800 000 more than in the 2004 projection, and 1.2 million more than in the reference scenario of 10 years ago.
- Another key date is that on which the working-age population – people age 20 to 64 – will begin to decline. In 2004, the Institut de la statistique du Québec anticipated that the phenomenon would occur in 2013. According to the most recent trends, that date is now 2017.

Thus, Québec's demographic future is changing. The anticipated changes are far from negligible and will occur in the not-too-distant future.

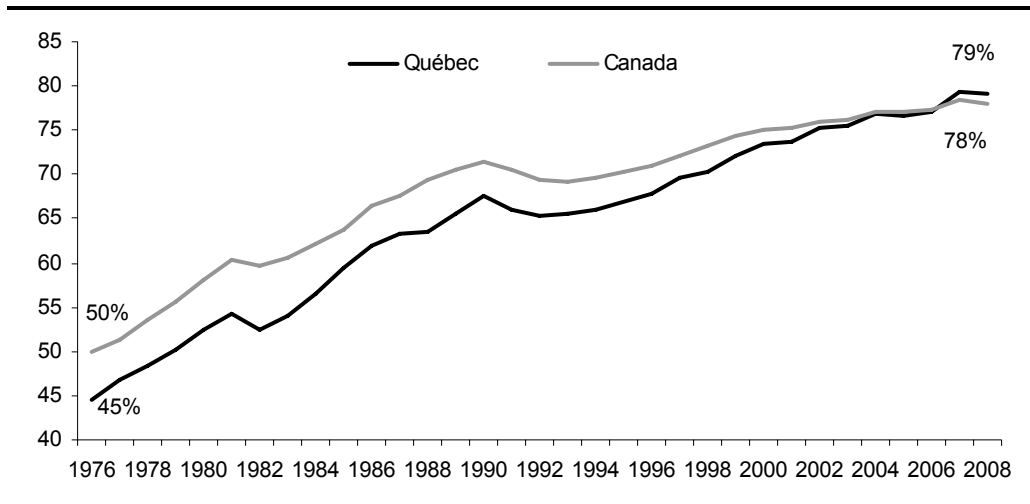
1.2.2 Employment rate of women

Québec's family policy has had a direct impact on the employment rate of women.

- In 1976, 45% of women aged 25-44 were working in Québec, compared with 50% in Canada as a whole.
- Thirty years later, the employment rate of women aged 25-44 has increased dramatically to nearly 80% and Québec has joined the Canadian average.

CHART 10

Change in the employment rate of women aged 25-44 from 1976 to 2008 (percent)



Sources: Statistics Canada and Institut de la statistique du Québec.

1.2.3 Fight against poverty

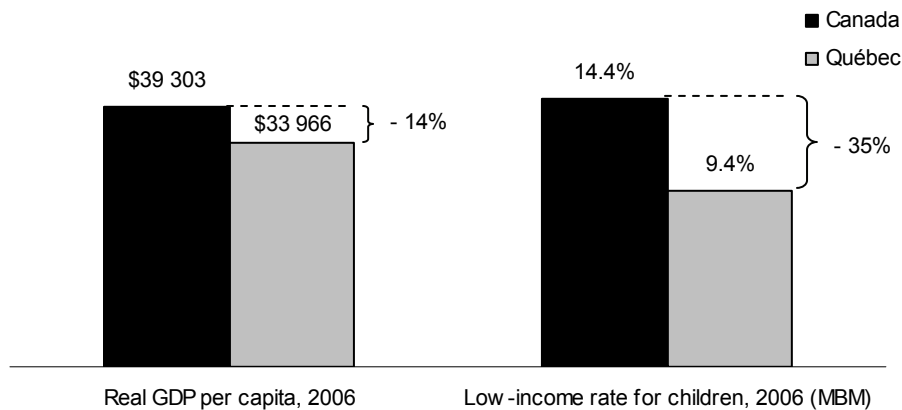
As previously seen, our family policy is especially generous for Québec's lowest-income families. Consequently, the policy has directly contributed to the fight against poverty.

- In 2006, the low-income rate of children was 9.4% in Québec versus 14.4% in Canada, even though real GDP per capita is higher in Canada as a whole than in Québec.

CHART 11

Comparison of real GDP per capita and low-income rates of children between Canada and Québec in 2006

(dollars and percent)



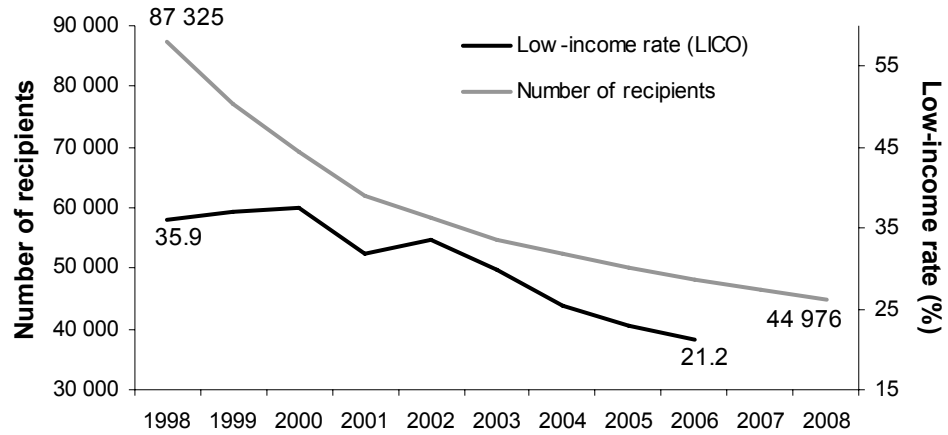
Note: The low-income rate based on the Market Basket Measure (MBM) is the proportion of households that lack the disposable income to purchase the goods and services in a typical market basket of food, clothing and footwear, shelter, transportation and other goods and services.

Sources: Statistics Canada, Provincial economic accounts of 2008-4-28 and Human Resources and Skills Development Canada, *Low Income in Canada: 2000-2006 Using the Market Basket Measure*.

— Furthermore, the number of single-parent families receiving last resort financial assistance dropped by half, from 87 000 to 45 000, in the 10-year period from 1998 to 2008. The low-income rate for single-parent families fell from 36% to 21% over the same period.

CHART 12

Low-income rate for single-parent families and number of single-parent families receiving last resort financial assistance in Québec, 1998-2008



Note: The low-income cutoff is defined as the income below which a family is likely to spend 20 percentage points more of its income on food, shelter and clothing than the average family. A family is considered "low income" when its income is below the cutoff for its family size.

Sources: Statistics Canada, *Income Trends in Canada 1976 to 2006* and ministère de l'Emploi et de la Solidarité sociale du Québec.

2. FINANCIAL SUPPORT FOR PARENTS

The first component of Québec's family policy comprises the various programs established to provide parents with financial support.

These programs include the principal family assistance measure of the federal government, i.e. the Canada Child Tax Benefit.

2.1 Child assistance and work premium

The child assistance and work premium measures were established by the 2004-2005 Budget and play a major role in Québec's family policy.

- In 2009, 895 000 Québec families will receive a total of \$2.2 billion in child assistance payments.
- Also in 2009, financial assistance provided through the work premium will be just over \$255 million¹ and will benefit 230 000 families with children.

□ Child assistance

The child assistance payment is a form of family allowance that has the following features:

- It is universal and is indexed annually.
- It is more generous for low- and middle-income families.
- It is higher for the first child.
- It is also more substantial for big families.
- An additional amount is paid to single-parent families.
- A supplement is paid for handicapped children.
- It is not taxable.

1 The total cost of the work premium is estimated at \$350 million. Of this amount, \$255 million goes to families. If the government had granted them the same support as it does to households without children, families would have received \$24 million. Thus, the Québec government pays \$231 million more to families with children than to childless households.

In 2009, the child assistance payment for a couple with one child is between \$608 and \$2 166. A couple with four children receives between \$2 291 and \$5 955.

The total amount granted to families over the 18-year term of child assistance payments is substantial. For example, a couple with three children will receive assistance ranging from just over \$31 000 to nearly \$78 000.

TABLE 5

Child assistance payments from 0-18 years of age – 2009
(dollars)

	Maximum amount		Minimum amount	
	Per year	Over 18 years ¹	Per year	Over 18 years ¹
1 child	2 166	38 988	608	10 944
2 children	3 249	58 482	1 169	21 042
3 children	4 332	77 976	1 730	31 140
4 children	5 955	107 190	2 291	41 238

Note: Child assistance payments for a couple.

1 Aggregate amount excluding indexing of parameters and the age of children.

Source : Ministère des Finances du Québec.

□ Work premium

Introduced at the same time as the child assistance measure, the work premium is aimed at providing greater incentive for households to enter or stay in the labour market by increasing low-income households' net results from working.

The work premium is more generous for low-income households with children.

2.2 Federal government measures

The main goal of the federal government's family assistance policy is to support families financially.

The Canada Child Tax Benefit alone will provide Québec families with \$2.3 billion in financial assistance in 2009.

The tax credit for dependent children and the amount for an eligible dependent will grant Québec families additional assistance of just over \$0.7 billion in 2009.

Principal federal measures for families
<p>Financial support for parents</p> <p><i>Canada Child Tax Benefit and National Child Benefit Supplement</i></p> <p>The Canada Child Tax Benefit and National Child Benefit Supplement are non-taxable payments designed to help eligible families provide for their children under 18 years of age. In 2008, the maximum assistance was \$3 332 for the first child, \$3 099 for the second child and \$3 011 for subsequent children.</p> <p><i>Non-refundable tax credit for children</i></p> <p>The non-refundable tax credit for children under 18 is granted to parents under the federal tax system. For 2008, this tax credit is calculated based on an amount of \$2 038 for each child under 18 years of age on December 31. The amount is converted into a tax credit at a rate of 15%.</p> <p><i>Non-refundable tax credit for an eligible dependent</i></p> <p>People who do not have a spouse or common-law partner can claim an amount for an eligible dependent in their federal income tax return. The amount can be claimed in respect of a parent, grandparent, child, grandchild, brother or sister. For 2008, the maximum amount is set at \$9 600. The amount is converted into a tax credit at a rate of 15%.</p> <p>Child care</p> <p><i>Universal Child Care Benefit</i></p> <p>The Universal Child Care Benefit program issues a taxable \$100 monthly payment to families for each child under the age of six to help cover the cost of child care.</p> <p><i>Child Care Expenses Deduction</i></p> <p>The Child Care Expenses Deduction can be claimed for children who are under 16 or disabled. Child care expenses must have been incurred by families in order to work, study or actively seek employment. The maximum deduction is \$7 000 per child under 7, \$4 000 for another child 16 or under and \$10 000 for a disabled child.</p>

2.3 Impact for families

The impact of the financial support provided to parents under Québec's family policy and federal government programs can be concretely measured from the following information. Table 6 assesses the impact of Québec and federal financial support programs for parents based on changes in income and number of children.

- In 2009, the disposable income of a couple with one work income of \$75 000 will increase by \$2 765 for the first child and by \$5 622 for two children.
- The increase in disposable income will be even greater for lower-income families. For example, a couple with one work income of \$25 000 will see its disposable income go up by \$9 058 for the first child and by \$14 605 for two children.

The financial support granted to parents has risen substantially since 2003.

- The financial support provided to a couple with two children and an income of \$75 000 by Québec's family policy and the federal government has climbed from \$1 831 to \$5 622, an increase of \$3 791.
- For a couple with two children and an income of \$25 000, the amount of financial support has more than doubled from \$6 111 to \$14 605, an increase of \$8 494.

TABLE 6

Change in support for families since 2003 Couple with two children and one work income (dollars)

Salary	None	25 000	50 000	75 000
2003				
- Gain for 1 child	5 926	3 193	2 423	968
- Gain for 2 children	9 343	6 111	3 991	1 831
2009				
- Gain for 1 child	9 344	9 058	4 265	2 765
- Gain for 2 children	14 957	14 605	7 622	5 622
Change				
- Gain for 1 child	+ 3 418	+ 5 865	+ 1 842	+ 1 797
- Gain for 2 children	+ 5 614	+ 8 494	+ 3 631	+ 3 791

Note: Without child care expenses.

Source: Disposable income calculator, ministère des Finances du Québec, www.finances.gouv.qc.ca.

As we can see, the financial support provided to parents by the Québec and federal governments has a significant impact on disposable income in 2009.

- A couple with two children has a higher disposal income than work income if the latter is equal to or less than \$30 000. For example, a couple with two children and one work income of \$30 000 will end up with a disposable income of \$40 227, or 34% more.
- The financial support programs also have a significant impact on parents with higher incomes, partially offsetting the income tax paid to the Québec and federal governments.
 - For example, a couple with an income of \$50 000 has a disposable income of \$45 753 after tax and contributions.

TABLE 7

**Disposable income of a couple with two children¹
and one work income – 2009**
(dollars)

Work income	Québec government					Federal government			Contri- butions ⁴	Disposable income
	Child assis- tance	Work premium	Other ²	Québec tax	Subtotal	Federal transfers ³	Federal tax	Subtotal		
0	3 249	0	13 350	0	16 599	9 750	0	9 750	0	26 349
15 000	3 249	2 834	2 798	0	8 881	10 645	0	10 645	- 849	33 677
25 000	3 249	2 062	461	- 38	5 735	9 453	- 1	9 452	- 1 530	38 657
30 000	3 249	1 562	461	- 838	4 435	8 304	- 585	7 719	- 1 927	40 227
50 000	3 074	0	0	- 4 462	- 1 388	4 709	- 3 497	1 212	- 4 071	45 753
75 000	2 074	0	0	- 9 462	- 7 388	3 709	- 8 082	- 4 373	- 4 129	59 110
100 000	1 169	0	0	- 15 350	- 14 181	2 709	- 13 294	- 10 585	- 4 129	71 104
125 000	1 169	0	0	- 21 350	- 20 181	2 400	- 18 722	- 16 322	- 4 129	84 368

Note: Without child care expenses. Figures have been rounded off, so they may not add up to the total indicated.

1 Children ages 2 and 3.

2 Social assistance, refundable tax credit for the QST, shelter allowance and property tax refund.

3 Canada Child Tax Benefit, Universal Child Care Benefit, Working Income Tax Benefit and refundable GST credit.

4 Québec Pension Plan, Québec Parental Insurance Plan, Employment Insurance and Québec prescription drug insurance plan.

Source: Disposable income calculator, ministère des Finances du Québec, www.finances.gouv.qc.ca.

3. CHILD CARE

The second component of Québec's family policy relates to child care.

The support provided by the Québec government is particularly generous in this area as well. In 2009, financial assistance for childhood education services represents just over \$2.4 billion. This is in addition to the refundable tax credit for child care expenses, which pays \$194 million to families using regular rate childcare services.

The federal government pays a universal child care benefit to all families as well as administers a tax measure providing for a deduction for child care expenses. Together, these two measures grant Québec families financial assistance worth just over \$600 million in 2009.

There are two essential points to be made.

- Reduced-contribution childcare services are the key element of the child care component of Québec's family policy.
- The combined impact of Québec and federal programs is such that families using private childcare services receive almost exactly the same amount of support, up to a family income of \$125 000.
 - The enhancements of Québec's family policy made in the 2009-2010 Budget make the different types of childcare services more financially neutral and fairer for most families, thereby giving families greater choice.

Developing childcare services creates greater equal opportunity for children by helping them develop, making sure they are better prepared to start school and thereby lowering school dropout.

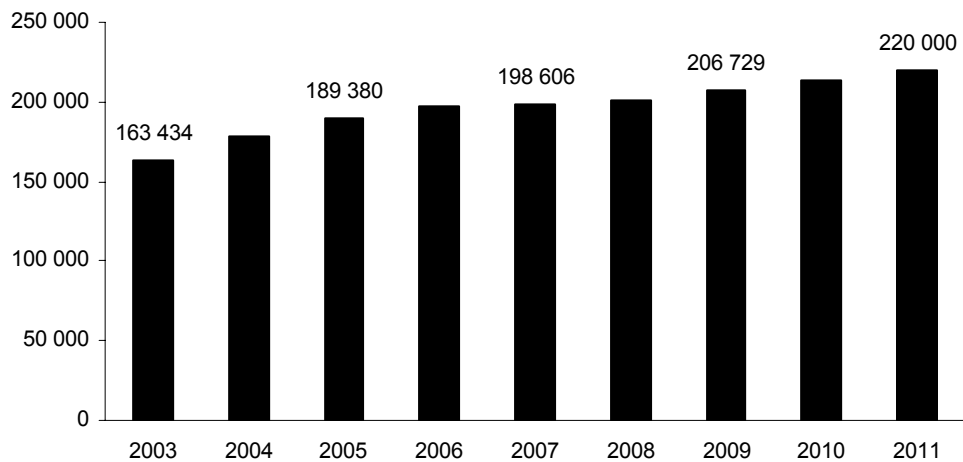
3.1 Reduced-contribution childcare services

The various Québec programs falling under “childhood education services” relate to reduced-contribution childcare services, i.e. early childhood education services (CPEs, home childcare services and subsidized daycare centres) and school daycare services.

- Early childhood daycare services are rightly considered one of the biggest accomplishments of Québec’s family policy. In 2011, the network will offer 220 000 childcare spaces throughout Québec.
 - Spaces are available to parents of children under age 5 for the extremely low fee of \$7.00 a day, which currently represents approximately 14% of real child care costs. In other words, the Québec government assumes 86% of child care costs.

CHART 13

Number of reduced-contribution childcare spaces for children under 5 years of age



Source: Ministère de la Famille et des Aînés.

- School daycare services look after children before and after school hours in order to help parents balance their family and professional responsibilities. In 2008, Québec accommodated approximately 160 000 students enrolled in reduced-contribution school daycare on a regular basis.

According to a report on cross-Canada data on government-regulated child care, Québec alone accounted for 45% of all regulated child care spaces in Canada in 2005-2006, or 360 000 of the total 810 000 spaces available for children under age 12.

TABLE 8

Main results of the Canadian study on the interprovincial comparison of regulated child care (2005-2006)

	Number of regulated child care spaces	Children 0-12 for whom there is a regulated child care space (%)	Annual allocation for regulated child care spaces (\$M)	Allocation for each regulated day care space (\$)
Newfoundland and Labrador	5 642	8.3	12.3	2 183
Prince Edward Island	4 051	20.0	4.7	1 166
Nova Scotia	12 982	10.3	23.7	1 825
New Brunswick	13 163	12.9	22.5	1 707
Québec	361 533	34.8	1 678.9	4 644
Ontario	229 875	12.0	534.1	2 323
Manitoba	25 984	14.5	86.3	3 322
Saskatchewan	8 712	5.9	22.8	2 614
Alberta	66 288	12.9	72.5	1 093
British Columbia	79 190	13.8	176.1	2 224
TOTAL¹	811 262	17.2	2 644.1	3 259

1 Including the territories.

Source: Martha Friendly and Jane Beach, *Early Childhood Education and Care in Canada*, 2006.

3.2 Regular rate childcare services: refundable tax credit for child care expenses

In Québec, parents can claim a refundable tax credit for child care expenses. In 2009, this tax measure will represent \$194 million in assistance for families who can claim the tax credit.

The 2009-2010 Budget provides for three enhancements of this tax credit.

- A change to the rate table will bring the net cost of regular rate childcare services closer to that of reduced-contribution childcare services.
- The limit on child care expenses for a child under 7 years of age is increased to \$9 000.
- The government is improving the tax treatment of child care expenses paid during parental leave.

Overall, these new measures represent a cost of \$22 million a year to the government and will benefit close to 100 000 families. They will apply as of the 2009 taxation year.

3.3 Private or reduced-contribution childcare: a financially neutral choice for the majority of families

The conjunction of Québec and federal government programs, as well as the enhancements announced in the 2009-2010 Budget, make the choice between private childcare at the regular rate and reduced-contribution childcare a financially neutral one for the majority of families.

Thus, for a couple with one child under 5 years of age and two work incomes, the net-cost difference between private and reduced-contribution childcare services is less than 50 cents a day, up to a family income of \$125 000.

TABLE 9

Net daily child care costs for a child under age 5 Couple with one child and two work incomes¹ – 2009 (dollars per day)

Household work income	Reduced-contribution childcare (\$7/day)	Private regular rate childcare services ²					
		System before 2008-2009 Budget	Difference compared with \$7 childcare	System after 2008-2009 Budget	Difference compared with \$7 childcare	System after 2009-2010 Budget	Difference compared with \$7 childcare
50 000	2.68	2.81	- 0.13	2.81	- 0.13	2.81	- 0.13
60 000	2.68	5.07	- 2.39	3.07	- 0.39	3.07	- 0.39
70 000	2.68	7.32	- 4.64	3.07	- 0.39	3.07	- 0.39
80 000	2.87	9.50	- 6.64	3.25	- 0.39	3.25	- 0.39
90 000	2.73	10.79	- 8.06	4.29	- 1.56	3.04	- 0.31
100 000	2.73	10.56	- 7.83	8.06	- 5.33	2.81	- 0.08
110 000	2.87	10.74	- 7.87	10.74	- 7.87	2.99	- 0.12
120 000	2.87	11.06	- 8.19	11.06	- 8.19	3.31	- 0.44
125 000	2.87	11.06	- 8.19	11.06	- 8.19	3.31	- 0.44
130 000	2.87	11.06	- 8.19	11.06	- 8.19	5.56	- 2.69
140 000	2.87	11.06	- 8.19	11.06	- 8.19	9.56	- 6.69
150 000	2.87	11.06	- 8.19	11.06	- 8.19	11.06	- 8.19

Note: The cost considers federal measures, including the Universal Child Care Benefit.

1 Each spouse earns 50% of the work income.

2 Child care expenses of \$25 per day per child for 260 days (\$25 X 260 = \$6 500).

Source: Calculator of daycare cost per day, ministère des Finances du Québec, www.finances.gouv.qc.ca.

In the case of a couple with one child and two work incomes totalling \$100 000, the net-cost difference is 8 cents a day per child.

When the Québec and federal assistance is applied, it makes almost no difference whether a family uses reduced-contribution childcare or regular rate private childcare.

TABLE 10

Gross and net daily rates for child care for a child under age 5
Couple with one child and two work incomes totalling \$100 000¹ – 2009
(dollars per day)

	Childcare services (\$7/day)	Private regular rate childcare services	Difference
GROSS COST FOR THE PARENT	7.00	25.00	– 18.00
Québec assistance			
– Refundable tax credit for child care expenses	n.a.	– 14.25	14.25
Federal assistance			
– Canada Child Tax Benefit	– 0.14	– 0.50	0.36
– Universal Child Care Benefit	– 2.84	– 2.84	—
– Child Care Expenses Deduction	– 1.29	– 4.59	3.31
Federal subtotal	– 4.27	– 7.94	3.67
NET RATE	2.73	2.81	– 0.08

Note: The figures have been rounded off, so they may not add up to the total indicated.

¹ Each spouse earns 50% of the income.

Source : Calculator of daycare cost per day, ministère des Finances du Québec, www.finances.gouv.qc.ca.

3.4 Parents who stay at home

In Québec, a significant number of children under age 5 are educated at home, usually by one of the parents. In most cases, the parents do not have to use child care services, so reap little or no benefits from the refundable tax credit for child care expenses.

However, application of the Québec and federal tax systems considerably reduces the spread between the disposable income of a couple with two work incomes and that of a couple with one work income.

- In 2009, a couple with two children and two work incomes totalling \$75 000 winds up with a disposable income of \$57 885.
- A couple with two children and just one work income of \$45 000 winds up with a disposable income of \$43 309. Thus, the difference in the two couples' work income, which is \$30 000, is halved when it comes to their disposable income.

TABLE 11

Couple with two children¹ – 2009

(dollars)

	Two work incomes totalling \$75 000²	One work income of \$45 000	Difference
Work income	75 000	45 000	– 30 000
Support from Québec			
– Child assistance payment	2 115	3 249	+ 1 134
– Work premium	—	62	+ 62
– Refundable tax credit for the QST	—	—	—
– Property tax refund	—	—	—
Support from federal government			
– Canada Child Tax Benefit	1 455	2 509	+ 1 054
– Universal Child Care Benefit	2 400	2 400	—
– Refundable tax credit for the GST	—	124	+ 124
Income tax and contributions			
– Québec income tax	– 8 098	– 3 462	+ 4 636
– Federal income tax	– 5 493	– 2 590	+ 2 903
– Contributions	– 5 854	– 3 983	+ 1 871
Child care expenses ³	– 3 640	—	+ 3 640
Subtotal	– 17 115	– 1 691	+ 15 424
DISPOSABLE INCOME	57 885	43 309	– 14 576

Note: The figures have been rounded off, so they may not add up to the total indicated.

1 Children ages 2 and 3.

2 One of the spouses earns \$45 000 and the other, \$30 000.

3 Child care expenses of \$7 per day per child for 260 days ($\$7 \times 260 \times 2 = \$3\,640$).

Source: Disposable income calculator, ministère des Finances du Québec, www.finances.gouv.qc.ca.

4. PARENTAL LEAVE

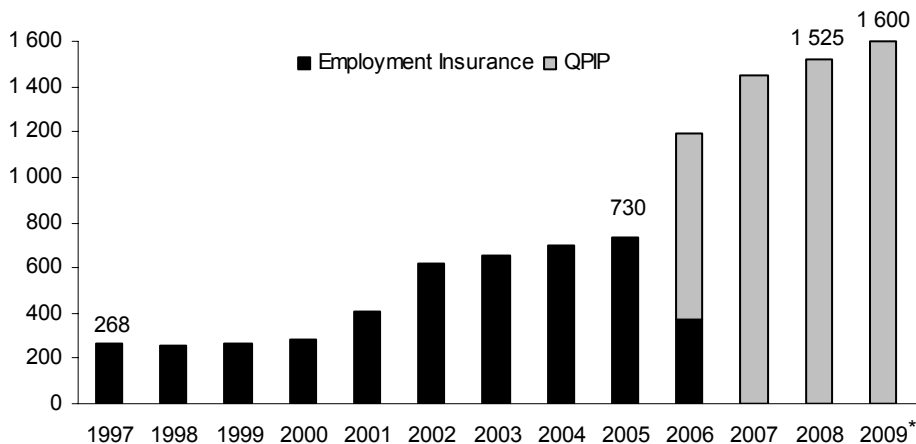
The third component of Québec's family policy, parental leave, is also the most recent. This support is provided through the Québec Parental Insurance Plan.

This extremely popular plan was established by the Québec government in 2006. In 2009, it will pay \$1.6 billion in benefits to nearly 200 000 parents (\$1.2 billion taking taxation into account). The plan is financed through employer and employee contributions.

Total benefit payments have more than doubled since 2005, the last year of application of the Employment Insurance Program (maternity, adoption and parental benefits) in Québec.

CHART 14

Change in total benefits paid in Québec under the Employment Insurance Program and the Québec Parental Insurance Plan¹ (millions of dollars)



*: Estimates of the ministère des Finances du Québec.

1 Total benefit payments in 2009 are estimated at \$1.6 billion. Net benefits, after accounting for taxation, total \$1.2 billion.

Sources: Conseil de gestion de l'assurance parentale, Statistics Canada and ministère des Finances du Québec.

The Québec Parental Insurance Plan (QPIP) is more accessible, more flexible and more generous than the Employment Insurance Program applied in the rest of Canada. It allows parents – either the mother or father – to stay at home during the first year of their child’s life.

The QPIP:

- offers a higher income replacement rate, higher maximum insurable earnings and a longer term of payment;
- covers self-employed workers;
- offers exclusive paternity benefits for fathers;
- has no waiting period.

TABLE 12

Québec Parental Insurance Plan and Employment Insurance Program – 2009

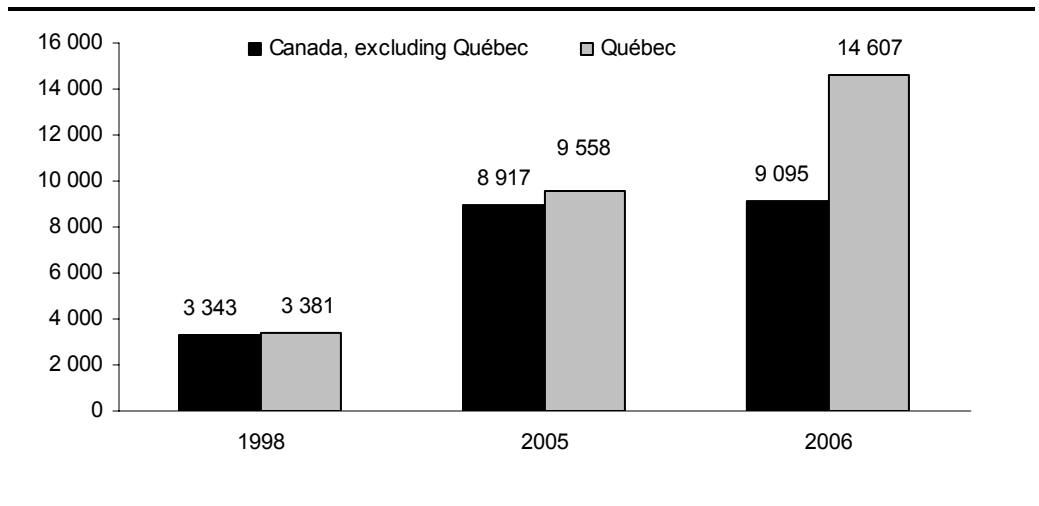
	Québec Parental Insurance Plan		Employment Insurance Program applied in rest of Canada
	Basic plan	Special plan	
Self-employed workers	Eligible	Eligible	Not eligible
Minimum earnings	\$2 000	\$2 000	Average of 600 hours of insured work (at minimum wage = \$5 400)
Maximum insurable earnings	\$62 000	\$62 000	\$42 300
Waiting period	None	None	2 weeks
Level and duration of benefits	70% for 30 weeks + 55% for 25 weeks	75% for 43 weeks	55% for 50 weeks
Maximum weekly benefits	\$835 and \$656	\$894	\$447
Total maximum benefits	\$41 432 (85% more than federal)	\$38 451 (72% more than federal)	\$22 370

Since the Québec Parental Insurance Plan's implementation, the spread between parental benefits paid in Québec and those paid in the rest of Canada, on a per-birth basis, has widened considerably.

In 2006, the benefits paid under the QPIP were 60% higher than those paid under the Employment Insurance program in the rest of Canada, whereas they were almost the same in 2005.

CHART 15

Total parental benefits paid under the Employment Insurance Program and the Québec Parental Insurance Plan
(dollars per birth)



CONCLUSION

The information released by the Québec government in its 2009-2010 Budget shows the substantial efforts made by society as a whole to support families.

- Major programs have gradually been introduced to provide parents with financial support, help families with child care and offer parents the possibility of devoting themselves full time to their children during the first months after birth.
 - These programs are in addition to the efforts made to support communities, including the establishment of municipal family policies, community action support for families and support for drop-in daycare centres. These efforts improve the well-being of families significantly.
- Québec now ranks among the top countries in the world regarding the share of collective wealth allocated to family policy.
- The results are spectacular. The progress made in the employment rate of women and the fight against poverty is confirmed by the data.

Furthermore, past demographic trends have completely reversed: Québec has not seen such a long period of growth in its number of births since the late 1950s. Its family policy has succeeded in increasing the birth rate sharply, and demographic projections clearly show the impact these changes will have on Québec's future.

Québec's family policy bets on the future and is paying off.

