

**SUBMISSION TO THE SENATE COMMUNITY AFFAIRS
LEGISLATION COMMITTEE BY THE DEPARTMENT OF
FAMILY AND COMMUNITY SERVICES**

**CERTAIN ISSUES ARISING FROM
THE FAMILY AND COMMUNITY SERVICES LEGISLATION
AMENDMENT (WELFARE TO WORK) BILL 2005**

1. This Bill provides the legislative framework for new child care benefit provisions related to the number of hours of assistance that can be claimed.
2. The amendments made by this Bill apply to child care benefit claimed as child care benefit by fee reduction, or as a lump sum, for care provided by an approved child care service.

How child care benefit works

3. Approved child care enables parents to participate in the economic and social life of the community. It helps parents to balance their work and family lives and provides opportunities for children's learning and development.
4. Child care benefit is assistance provided to families to help with the costs of child care. Families are eligible to receive child care benefit for their children if they meet the residency and immunisation requirements, attend approved or registered care and are charged a fee for the care.
5. Approved child care services include most long day care, family day care, outside school hours care, vacation care, some occasional care services and some in-home care.
6. Child care benefit for families using approved child care is a means-tested payment based on family income. Families on the lowest incomes receive the highest rates of assistance (maximum rate). The child care benefit rate for approved care is gradually reduced as assessed family income increases, to the point where families receive the minimum rate. Families using registered care are eligible for the minimum rate only.
7. The amount of child care benefit a family using approved child care may be eligible for depends, in part, on whether both parents or a sole parent of a family satisfy a work/training/study test. The work/training/study test specifies the nature of the work and work related activities that must be undertaken. Currently parents must satisfy the test by undertaking activities at some time in a week.

8. Depending on parents circumstances, families currently receive

- up to 20 hours of child care benefit per child per week
 - Families who do not satisfy the work/training/study test can get up to 20 hours of child care benefit per week for each child attending approved child care.
- up to 50 hours of child care benefit per child per week, or
 - Families who satisfy the work/training/study test can get up to 50 hours of child care benefit per week for each child attending approved child care.
- more than 50 hours of child care benefit per child per week.

9. A different activity test applies to families who need more than 50 hours of child care benefit per week for each child attending approved child care, but families must first satisfy the requirements of the work/training/study test.

10. Approved child care services use assessed eligibility information determined by the Family Assistance Office for each family and calculate child care benefit each week based on the number of hours in sessions of care attended by each child in a family. Child care benefit is provided to parents as reduced fees at the time care is provided or as a lump sum payment after the end of the financial year in which the care was provided.

How the proposed amendments will affect participation

11. The proposed measures contained in this Bill further target Government assistance to the needs of working parents whilst maintaining an appropriate level of access to approved child care for all families from 3 July 2006.

12. The proposed amendments increase the base limit of eligible child care benefit hours for all families from 20 to 24 hours a week. This will assist parents in maintaining on-going lower levels of workforce participation and help their transition to a greater level of participation once their children are older. They also recognise that child care requirements often exceed actual working hours.

13. Under the proposed amendments parents will have to undertake either '15 hours per week' or '30 hours in two weeks' of work or work related activities to satisfy the work/training/study test in order to claim for more than 24 hours, up to a limit of 50 hours of child care benefit for each child in approved child care per week. This measure will direct the greatest support for the cost of approved child care to those families with higher levels of work-related participation.

14. The increased participation requirements as part of the proposed amendments will be administered in a way that meets the needs of parents who work a non-standard week or in a rotating pattern.

15. While eligibility for the minimum rate of child care benefit for care provided by registered carers is linked to the work/training/study test, the effect of the amendments contained in this Bill will not effect eligibility for child care benefit for registered care.

16. The instruments that will be created as part of the proposed amendments contained in the Bill are on track to be tabled in Parliament in the Autumn sitting period.

Complementary child care measures

17. In addition to the changes in the legislation to provide more assistance to parents moving from welfare to work, the Government has also provided additional assistance for families on low incomes through Jobs, Education and Training Child Care. The Government also increased substantially the number of places available in outside school hours care, family day care and in-home care.

Conclusion

18. The proposed measures contained in this Bill further target Government assistance to the needs of working parents whilst maintaining an appropriate level of access to approved child care for all families.