IT
Professionals
Australia

2019 ICT INDEPENDENT CONTRACTORS RECOMMENDED HOURLY RATES

INDEPENDENT CONTRACTORS

An ongoing trend in the engagement of ICT professionals is the number appointed under independent contractor arrangements. Employers of ICT professionals are making greater use of such arrangements as a means of meeting peak workloads or to engage contract professionals for specific projects or tasks.

The Australian Bureau of Statistics estimates that up to 20 per cent of the workforce is now engaged in non-standard work arrangements with professionals operating as independent contractors or consultants among the fastest growing group.

Ultimately, the hourly rate charged by independent contractors depends on the market for the service provided and there is no substitute for specific knowledge of the particular industry and the value of the service being offered to a client, but these rates can be used as a benchmark to ensure that contractors don't undercharge for their services.

These recommended hourly rates should be read in conjunction with Professionals Australia's Standard Terms of Engagement and Professionals Australia's Guide to Writing Contracts for Independent Contractors and Consultants. Both documents take account of important issues arising from changes to Personal Services Income (PSI) rules effective July 2000. The PSI rules potentially impact contractors and consultants engaged on an hourly basis. These documents are available to members from Professionals Australia's website at:
www.professionalsaustralia.org.au/contractors-consultants/

The hourly rates for ICT contractors take into account the conditions of employment which apply to employee ICT professionals, as professionals operating under independent contractor arrangements must meet these costs themselves.

ICT Professionals engaged as employees have access to the Australian Industrial Relations Commission and receive annual leave, sick leave, paid public holidays, long service leave, superannuation, jury leave, compassionate leave, family leave, professional development and retrenchment/ redundancy provisions.
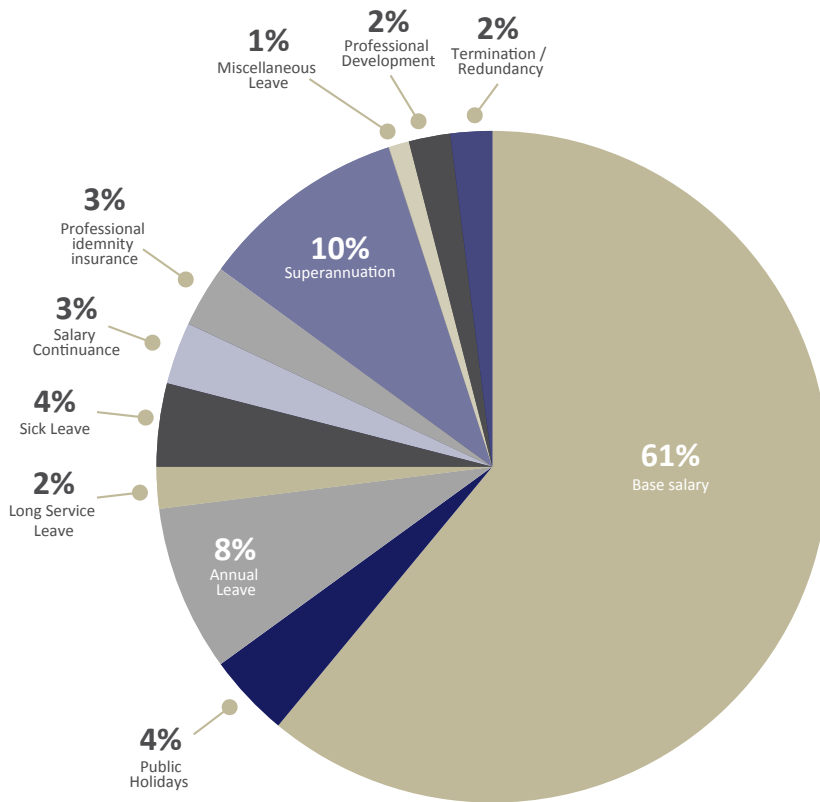
Independent contractors may be engaged on an hourly basis and generally do not have access to these provisions. The ICT contractor must therefore take such provisions into account when determining the hourly fee to be charged. Based on a 38-hour week, the hourly fee is calculated using a 1980 hour year (i.e. 38 hours by 52.1 weeks) and deducting from the year the following factors:

TABLE 1 - VALUE OF ITEMS INDEPENDENT CONTRACTORS DO NOT RECEIVE

Item	Value	Value in Hours
Public Holidays	12 days	92
Annual Leave	20 days	152
Long Service Leave	4.3 days	33
Sick Leave	10 days	76
Salary Continuance	3%	60
Superannuation	10%	198
Professional Indemnity Insurance	3%	60
Miscellaneous Leave	3 days	23
Professional Development	5 days	38
Termination/Redundancy	5 days	38
Total		**770 hours**

Thus the hourly rate should be calculated on the basis of about 1210 hours (1980 - 770).

FIGURE 1 - PROPORTIONAL VALUE OF COMPONENTS IN A FULL-TIME EMPLOYMENT CONTRACT

- 1% Miscellaneous Leave
- 2% Professional Development
- 2% Termination / Redundancy
- 3% Professional idemnity insurance
- 3% Salary Continuance
- 4% Sick Leave
- 2% Long Service Leave
- 4% Public Holidays
- 8% Annual Leave
- 10% Superannuation
- 61% Base salary

Any travel costs and workers' compensation would be on top of these rates, and it may be necessary to factor in an additional charge to cover legal and accounting fees. Care should also be taken to allow for professional indemnity insurance premiums. ASIC fees may also need to be covered depending on the particular business entity or structure the consultant or contractor has in place.

If the ICT contractor is engaged on a short-term basis, a further factor should be included to allow for the time and overheads involved in seeking contracts. A factor of 20 per cent would not be unreasonable for this purpose. The hourly rate should then be based on 1000 hours. Short-term contracts are considered to be those which last for less than 12 months.

Using the formula described here, an ICT contractor seeking a salary equivalent of say $100,000 per annum would calculate the hourly fee as follows:

Short-term contract $100,000p.a. / 1000 hours = $100.00 p/h

Long-term contract $100,000p.a. / 1210 hours = $82.65 p/h
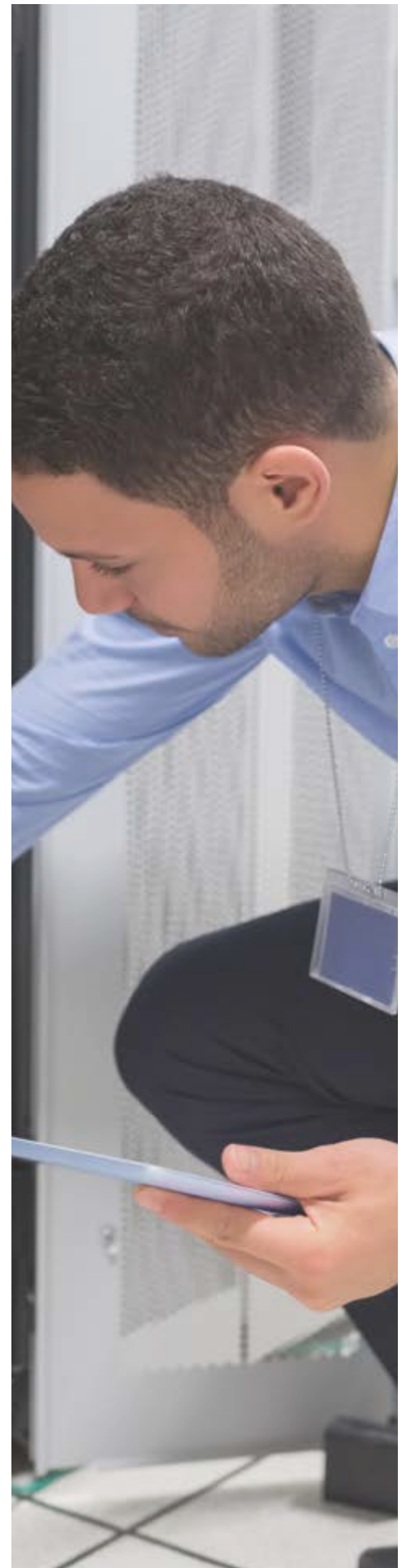
RECOMMENDED HOURLY RATES

Based on full-time ICT Professional remuneration identified in this survey and the methodology outlined in this section, Professionals Australia recommends rates in the following ranges for short-term and long-term contracts if contractors wish to be remunerated commensurate with their full-time employed peers at each responsibility level. (These rates are derived using the methodology set out in this section and from the data set out in Table 1.)

TABLE 2 - CONTRACTOR HOURLY RATES CHARGED BY DURATION OF CONTRACT AND RESPONSIBILITY LEVEL (DERIVED FROM FULL-TIME EQUIVALENT SALARIES)

| | Long-term | | | | | Short-term | | | | |
| | Recommended hourly rate | | | | | Recommended hourly rate | | | | |
	N	Lower quartile	Median	Upper quartile	Mean	N	Lower quartile	Median	Upper quartile	Mean
Level 1/ SFIA Level 3	18	$42.15	$53.72	$60.33	$53.05	18	$51.00	$65.00	$73.00	$64.19
Level 2/ SFIA Level 4	63	$61.16	$71.90	$84.30	$72.79	63	$74.00	$87.00	$102.00	$88.07
Level 3/ SFIA Level 5	70	$78.51	$90.91	$107.44	$94.25	70	$95.00	$110.00	$130.00	$114.04
Level 4/ SFIA Level 6	32	$89.16	$112.81	$121.49	$108.39	32	$107.89	$136.50	$147.00	$131.15
Level 5/ SFIA Level 7	10	$99.17	$138.43	$157.85	$131.07	10	$120.00	$167.50	$191.00	$158.60
All Respondents	197	$67.77	$82.64	$103.31	$87.73	197	$82.00	$100.00	$125.00	$106.15

Note: Sample size precludes deriving rates Above Level 5/SFIA Level 7.

CONTRACT AGENCY RATES

If the independent contractor is engaged through a contractor agency, some components such as workers' compensation/disability insurance and superannuation contributions would normally be paid for by the agency. These components would be removed from calculations.

A typical calculation made by a contract agency might see the annualised hours rise to around 1600 after the removal of superannuation from the calculation as it is provided by the agency, so that the hourly rate for an equivalent $100,000 annual base salary would be:

$100,000p.a. / 1600 hours = $62.50 per hour

RESPONSIBILITY LEVEL DEFINITIONS

SKILLS FRAMEWORK FOR THE INFORMATION AGE (SFIA)

SFIA LEVEL 3

Autonomy – Works under general direction. Uses discretion in identifying and resolving complex problems and assignments. Usually receives specific instructions and has work reviewed at frequent milestones. Determines when issues should be escalated to a higher level.

Influence – Interacts with and influences department/project team members. Has working level contact with customers and suppliers. In predictable and structured areas may supervise others. Makes decisions which may impact on the work assigned to individuals or phases of projects.

Complexity – Performs a broad range of work, sometimes complex and non-routine, in a variety of environments. Applies methodical approach to problem definition and resolution.

Business skills – Understands and uses appropriate methods, tools and applications. Demonstrates an analytical and systematic approach to problem solving. Takes the initiative in identifying and negotiating appropriate personal development opportunities. Demonstrates effective communication skills. Contributes fully to the work of teams. Plans, schedules and monitors own work (and that of others where applicable) competently within limited deadlines and according to relevant legislation and procedures. Absorbs and applies technical information. Works to required standards. Appreciates the wider field of information systems, and how own role relates to other roles and to the business of the employer or client.

SFIA LEVEL 4

Autonomy – Works under general direction within a clear framework of accountability. Exercises substantial personal responsibility and autonomy. Plans own work to meet given objectives and processes.

Influence – Influences team and specialist peers internally. Influences customers at account level and suppliers. Has some responsibility for the work of others and for the allocation of resources? Participates in external activities related to own specialism. Makes decisions which influence the success of projects and team objectives.

Complexity – Performs a broad range of complex technical or professional work activities, in a variety of contexts. Investigates, defines and resolves complex problems.

Business skills – Selects appropriately from applicable standards, methods, tools and applications. Demonstrates an analytical and systematic approach to problem solving. Communicates fluently orally and in writing, and can present complex technical information to both technical and non-technical audiences. Facilitates collaboration between stakeholders who share common objectives. Plans, schedules and monitors work to meet time and quality targets and in accordance with relevant legislation and procedures. Rapidly absorbs new technical information and applies it effectively. Has a good appreciation of the wider field of information systems, their use in relevant employment areas and how they relate to the business activities of the employer or client. Maintains an awareness of developing technologies and their application and takes some responsibility for personal development.

SFIA LEVEL 5

Autonomy – Works under broad direction. Work is often self-initiated. Is fully accountable for meeting allocated technical and/or project/ supervisory objectives. Establishes milestones and has a significant role in the delegation of responsibilities.

Influence – Influences organisation, customers, suppliers, partners and peers on the contribution of own specialism. Builds appropriate and effective business relationships. Makes decisions which impact the success of assigned projects i.e. results, deadlines and budget. Has significant influence over the allocation and management of resources appropriate to given assignments.

Complexity – Performs an extensive range and variety of complex technical and/or professional work activities. Undertakes work which requires the application of fundamental principles in a wide and often unpredictable range of contexts. Understands the relationship between own specialism and wider customer/organisational requirements.

Business skills – Advises on the available standards, methods, tools and applications relevant to own specialism and can make appropriate choices from alternatives. Analyses, designs, plans, executes and evaluates work to time, cost and quality targets. Assesses and evaluates risk. Communicates effectively, both formally and informally. Demonstrates leadership. Facilitates collaboration between stakeholders who have diverse objectives. Understands the relevance of own area of responsibility/specialism to the employing organisation. Takes customer requirements into account when making proposals. Takes initiative to keep skills up to date. Mentors colleagues. Maintains an awareness of developments in the industry. Analyses requirements and advises on scope and options for continuous operational improvement. Demonstrates creativity and innovation in applying solutions for the benefit of the customer/stakeholder. Takes account of relevant legislation.

SFIA LEVEL 6

Autonomy – Has defined authority and responsibility for a significant area of work, including technical, financial and quality aspects. Establishes organisational objectives and delegates responsibilities. Is accountable for actions and decisions taken by self and subordinates.

Influence – Influences policy formation on the contribution of own specialism to business objectives. Influences a significant part of own organisation. Develops influential relationships with internal and external stakeholders at senior management level. Makes decisions which impact the work of employing organisations, achievement of organisational objectives and financial performance.

Complexity – Performs highly complex work activities covering technical, financial and quality aspects. Contributes to the formulation and implementation of IT strategy. Creatively applies a wide range of technical and/or management principles.

Business skills – Absorbs complex technical information and communicates effectively at all levels to both technical and non- technical audiences. Assesses and evaluates risk. Understands the implications of new technologies. Demonstrates clear leadership and the ability to influence and persuade. Has a broad understanding of all aspects of IT and deep understanding of own specialism(s)? Understands and communicates the role and impact of IT in the employing organisation and promotes compliance with relevant legislation. Takes the initiative to keep both own and subordinates' skills up to date and to maintain an awareness of developments in the IT industry.

SFIA LEVEL 7

Autonomy – Has authority and responsibility for all aspects of a significant area of work, including policy formation and application. Is fully accountable for actions taken and decisions made, both by self and subordinates.

Influence – Makes decisions critical to organisational success. Influences developments within the IT industry at the highest levels. Advances the knowledge and/or exploitation of IT within one or more organisations. Develops long-term strategic relationships with customers, partners, industry leaders and government.

Complexity – Leads on the formulation and implementation of strategy. Applies the highest level of management and leadership skills. Has a deep understanding of the IT industry and the implications of emerging technologies for the wider business environment.

Business skills – Has a full range of strategic management and leadership skills. Understands, explains and presents complex technical ideas to both technical and non-technical audiences at all levels up to the highest in a persuasive and convincing manner. Has a broad and deep IT knowledge coupled with equivalent knowledge of the activities of those businesses and other organisations that employ IT. Communicates the potential impact of emerging technologies on organisations and individuals and assesses the risks of using or not using such technologies. Assesses the impact of legislation, and actively promotes compliance. Takes the initiative to keep both own and subordinates' skills up to date and to maintain an awareness of developments in IT.

PROFESSIONAL EMPLOYEES AWARD 2010 LEVEL STRUCTURE

AWARD LEVEL 1

Graduate information technology employee

(a) An employee at this level undertakes initial professional tasks of limited scope and complexity, such as minor phases of broader assignments, in office, plant, field or laboratory work.

(b) Under supervision from higher level professional information technology employees as to method of approach and requirements, the employee performs normal professional work and exercises individual judgment and initiative in the application of principles, techniques and methods.

(c) In assisting more senior professional information technology employees by carrying out tasks requiring accuracy and adherence to prescribed methods of professional information technology analysis, design or computation, the employee draws upon advanced techniques and methods learned during and after the undergraduate course.

(d) Training, development and experience using a variety of standard procedures, enable the employee to develop increasing professional judgment and apply it progressively to more difficult tasks at Level 2.

(e) Decisions are related to tasks performed, relying upon precedent or defined procedures for guidance. Recommendations are related to solution of problems in connection to the tasks performed.

(f) Work is reviewed by higher level professional information technology employees for validity, adequacy, methods and procedures. With professional development and experience, work receives less review, and the employee progressively exercises more individual judgment until the level of competence at Level 2 is achieved.

(g) The employee may assign and check work of technical staff assigned to work on a common project.

AWARD LEVEL 2

Following development, the experienced professional plans and conducts professional work without detailed supervision but with guidance on unusual features and is usually engaged on more responsible assignments requiring substantial professional experience.

AWARD LEVEL 3

(a) An employee at this level performs duties requiring the application of mature professional knowledge. With scope for individual accomplishment and coordination of more difficult assignments, the employee deals with problems for which it is necessary to modify established guides and devise new approaches.

(b) The employee may make some original contribution or apply new professional approaches and techniques to the design or development of equipment or products.

(c) Recommendations may be reviewed for soundness of judgement but are usually regarded as technically accurate and feasible. The employee makes responsible decisions on matters assigned, including the establishment of professional standards and procedures. The employee consults, recommends and advises in specialty areas.

(d) Work is carried out within broad guidelines requiring conformity with overall objectives, relative priorities and necessary cooperation with other units. Informed professional guidance may be available.

(e) The employee outlines and assigns work, reviews it for technical accuracy and adequacy, and may plan, direct, coordinate and supervise the work of other professional and technical staff.

AWARD LEVEL 4

(a) An employee at this level performs professional work involving considerable independence in approach, demanding a considerable degree of originality, ingenuity and judgement, and knowledge of more than one field of, or expertise (for example, acts as their organisation's technical reference authority) in a particular field of professional information technology field.

(b) An employee at this level:

(i) initiates or participates in short or long range planning and makes independent decisions on professional information technology policies and procedures within an overall program;

(ii) gives technical advice to management and operating departments;

(iii) may take detailed technical responsibility for product development and provision of specialised professional information technology systems, facilities and functions;

(iv) coordinates work programs; and

(v) directs or advises on the use of equipment and materials.

(c) An employee at this level makes responsible decisions not usually subject to technical review, decides courses of action necessary to expedite the successful accomplishment of assigned projects, and may make recommendations involving large sums or long-range objectives.

(d) Duties are assigned only in terms of broad objectives, and are reviewed for policy, soundness of approach, accomplishment and general effectiveness.

(e) The employee supervises a group or groups including professionals and other staff, or exercises authority and technical control over a group of professional staff. In both instances, the employee is engaged in complex professional information technology applications.

AWARD LEVEL 5

(a) An employee at this level usually responsible for an information technology administrative function, directing several professional and other groups engaged in interrelated information technology responsibilities, or as an information technology consultant. Achieving recognition as an authority in a field of major importance to the organisation.

(b) An employee independently conceives programs and problems to be investigated and participates in discussions determining basic operating policies, devising ways of reaching program objectives in the most economical manner and of meeting any unusual conditions affecting work progress.

(c) The employee makes responsible decisions on all matters, including the establishment of policies and expenditures of large sums of money and/or implementation of major programs, subject only to overall policy and financial controls.

(d) The employee receives administrative direction based on organisation policies and objectives. Work is reviewed to ensure conformity with policy and co-ordination with other functions.

The employee reviews and evaluates technical work; selects, schedules, and co-ordinates to attain program objectives: and/or as administrator, makes decisions concerning selection, training, rating, discipline and remuneration of staff.

REPORT PREPARATION

This report was compiled by Dr Kim Rickard, BA, PhD, Mr Alex Crowther, BSc (Hons), MSc. and Mr Stephen Gargano, BComm.

IT Professionals Australia

2019 ICT INDEPENDENT CONTRACTORS RECOMMENDED HOURLY RATES