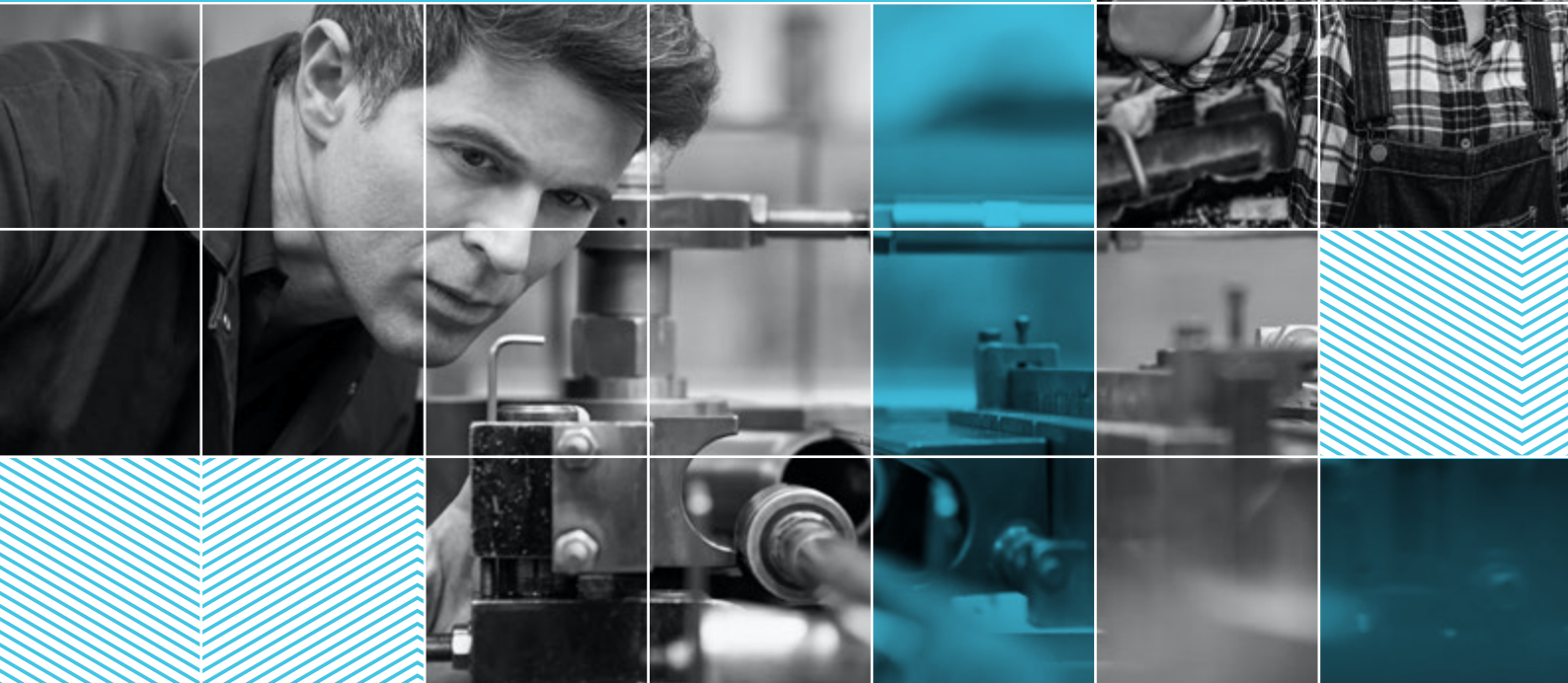




The Association of
**Professional
Engineers
Australia**

INDEPENDENT CONTRACTORS REPORT 2019



INDEPENDENT CONTRACTORS

A trend in the engagement of professional engineers is the increasing number appointed under independent contractor arrangements. Employers of professional engineers 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 rate for contract engineers takes into account the conditions of employment which apply to employee professional engineers, as professionals operating under independent contractor arrangements must meet these costs themselves.

Professional engineer 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.

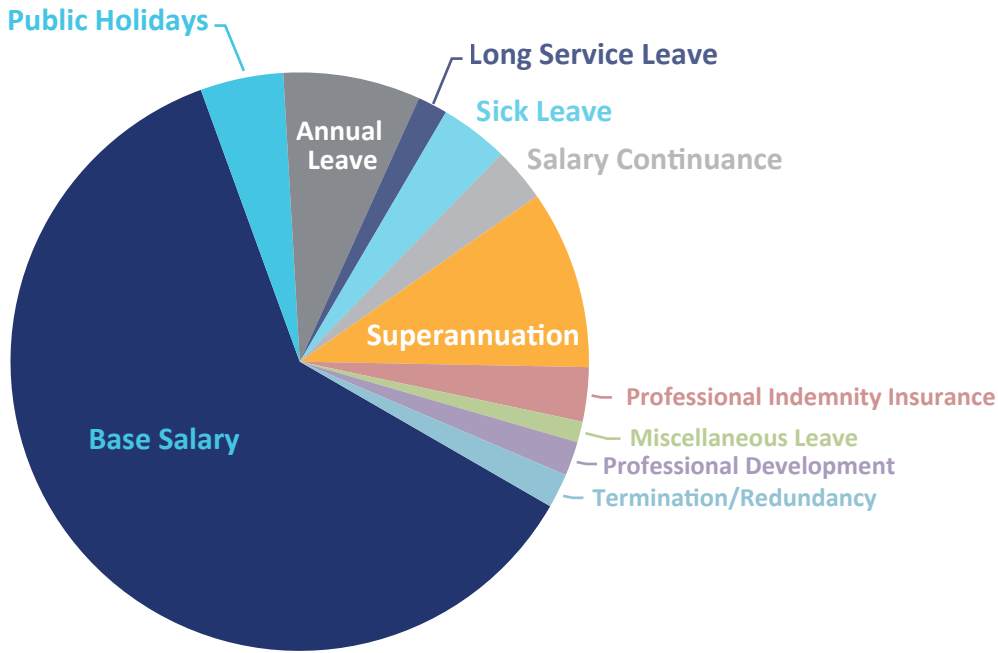
Independent contractors may be engaged on an hourly basis and generally do not have access to these provisions. The contract engineer must therefore take such provisions into account when determining the hourly fee to be charged. Based on a 38-hour week, the hourly fee is calculated using a 1980 hour 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



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 contract engineer 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, a contract engineer 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 Professional Engineer 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 2.)

Table 2 - Contractor hourly rates charged by duration of contract and responsibility level (derived from full-time equivalent salaries)

	LONG TERM				SHORT TERM			
	LOWER QUARTILE	MEDIAN	UPPER QUARTILE	MEAN	LOWER QUARTILE	MEDIAN	UPPER QUARTILE	MEAN
LEVEL 1	\$50.41	\$54.55	\$57.85	\$54.85	\$61.00	\$66.00	\$70.00	\$66.37
LEVEL 2	\$58.49	\$67.77	\$77.69	\$69.54	\$70.78	\$82.00	\$94.00	\$84.15
LEVEL 3	\$78.51	\$87.60	\$101.65	\$91.26	\$95.00	\$106.00	\$123.00	\$110.42
LEVEL 4	\$97.56	\$111.57	\$125.04	\$113.52	\$118.05	\$135.00	\$151.30	\$137.36
LEVEL 5	\$112.40	\$136.34	\$157.02	\$140.29	\$136.00	\$164.98	\$190.00	\$169.76
ABOVE LEVEL 5	\$150.41	\$165.29	\$208.68	\$181.78	\$182.00	\$200.00	\$252.50	\$219.95

Table 3 - Contractor hourly rates charged by duration of contract and responsibility level (as reported by respondents)

	LONG TERM					SHORT TERM				
	N	LOWER QUARTILE	MEDIAN	UPPER QUARTILE	MEAN	N	LOWER QUARTILE	MEDIAN	UPPER QUARTILE	MEAN
LEVEL 1	3	-	-	-	\$38.11	4	-	\$30.50	-	\$41.50
LEVEL 2	4	-	\$40.00	-	\$41.25	4	-	\$91.25	-	-
LEVEL 3	6	\$52.00	\$59.00	\$85.00	\$67.17	7	\$60.00	\$100.00	\$150.00	\$105.14
LEVEL 4	5	\$74.00	\$100.00	\$125.00	\$103.80	15	\$90.00	\$115.00	\$125.00	\$122.57
LEVEL 5	4	-	\$164.28	-	\$147.89	6	\$60.00	\$130.00	\$220.00	\$162.50
ABOVE LEVEL 5	4	-	\$130.00	-	\$115.00	SNR	-	-	-	-
ALL LEVELS	26	\$45.00	\$64.00	\$125.00	\$86.65	38	\$62.50	\$112.50	\$150.00	\$139.97

The rates set out in the table above were those actually reported by respondents and while sample size was limited, they generally indicate that contractors may under-charge when they are engaged in short-term contracts.

Contract agency rates

If the independent contractor is engaged through a contract 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:

$$\$100,000\text{p.a.} / 1600 \text{ hours} = \$62.50 \text{ per hour}$$

Responsibility level definitions

Level 1 Professional Engineer

The graduate engineer (as defined) commencement level.

The engineer undertakes initial professional engineering tasks of limited scope and complexity, such as minor phases of broader assignments, in office, plant, field or laboratory work.

Under supervision from higher-level professional engineers as to method of approach and requirements, the professional engineer performs normal professional engineering work and exercises individual judgement and initiative in the application of engineering principles, techniques and methods.

In assisting more senior professional engineers by carrying out tasks requiring accuracy and adherence to prescribed methods of engineering analysis, design or computation, the engineer draws upon advanced techniques and methods learned during and after the undergraduate course.

Training, development and experience using a variety of standard engineering methods and procedures enable the professional engineer to develop increasing professional judgement and apply it progressively to more difficult tasks at Level 2.

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.

Work is reviewed by higher-level professional engineers for validity, adequacy, methods and procedures. With professional development and experience, work receives less review, and the professional engineer progressively exercises more individual judgement until the level of competence at Level 2 is achieved.

The professional engineer may assign and check work of technical staff assigned to work on a common project.

Level 2 Professional Engineer

Following development through Level 1 he/she is an experienced engineer (as defined) who plans and conducts professional engineering work without detailed supervision, but with guidance on unusual features and who is usually engaged on more responsible engineering assignments requiring substantial professional experience.

Level 3 Professional Engineer

A professional engineer performing duties requiring the application of mature professional engineering knowledge. With scope for individual accomplishment and co-ordination of more difficult assignments, the professional deals with problems for which it is necessary to modify established guides and devise new approaches.

The professional engineer may make some original contribution or apply new professional engineering approaches and techniques to the design or development of equipment or special aspects of products, facilities and buildings.

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

Work is carried out within broad guidelines requiring conformity with overall objectives, relative priorities and necessary co-operation with other units. Informed professional engineering guidance may be available.

The professional engineer outlines and assigns work, reviews it for technical accuracy and adequacy, and may plan, direct, co-ordinate and supervise the work of other professional and technical staff.

Level 4 Professional Engineer

A professional engineer required to perform professional engineering 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 his/her organisation's technical reference authority) in a particular field of professional engineering.

The professional engineer:

- initiates or participates in short-range or long-range planning and makes independent decisions on engineering policies and procedures within an overall program;
- gives technical advice to management and operating departments;
- may take detailed technical responsibility for product development and provision of specialised engineering systems, facilities and functions;
- co-ordinates work programs; and
- directs or advises on use of equipment and material.

The professional engineer 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.

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

The professional engineer supervises a group or groups including professional engineers and other staff, or exercises authority and technical control over a group of professional staff, in both instances engaged in complex engineering applications.

Level 5 Professional Engineer

A professional engineer usually responsible for an engineering administrative function, directing several professional and other groups engaged in inter-related engineering responsibilities, or as an engineering consultant. Achieving recognition as an authority in an engineering field of major importance to the organisation.

The professional engineer 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.

The professional engineer 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.

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

The professional engineer 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.



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