

## PROFESSIONAL ENGINEER CONTRACT RATES

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A noticeable trend in the employment of professional engineers is the increasing number opting to practice as contractors on hourly rates. Employers of professional engineers are making greater use of such arrangements as a means of meeting peak workloads or to engage contractors for specific projects or tasks.

The hourly rate for contract engineers takes into account the conditions of employment which apply to employee professional engineers, as contract professional employees must meet this cost themselves.

Professional engineer employees have access to and receive annual leave, sick leave, paid public holidays, long service leave, superannuating, jury leave, compassionate leave, family leave, professional development and retrenchment/redundancy provisions.

The contract engineer that is engaged generally on an hourly basis and does not have access to these provisions. The contract engineer must take such provisions into account when determining the hourly fee to be charged.

Based on a 40 hour week, the hourly fee is calculated using a 2084 hour year (i.e. 40 hours by 52.1 weeks) and deducting from the year the following factors:

<b>Public Holidays</b>	12 days	92 hours
<b>Annual Leave</b>	20 days	152 hours
<b>Long Service Leave</b>	4.3 days	33 hours
<b>Sick Leave</b>	10 days	76 hours
<b>Accident Cover</b>	3%	60 hours
<b>Superannuation</b>	10%	198 hours
<b>Professional Indemnity</b>	3%	60 hours
<b>Misc. leave (family, jury, etc)</b>	3 days	23 hours
<b>Professional Development</b>	5 days	38 hours
<b>Termination/Redundancy</b>	5 days	38 hours
<b>TOTAL</b>		<b>770 hours</b>

Thus the hourly rate should be calculated on the basis of about 1314 hours (2084 - 770).

If the contract engineer is engaged through a contract agency, their workers compensation/disability insurance and Superannuation (**Superannuation is a long-term savings arrangement that operates primarily to provide income for retirement. Superannuation is intended to supplement, not replace**

**the age pension.)** contributions (of 8% from 1 July 2004) are paid for by the agency and these components in the above calculations would be altered accordingly.

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% would not be unreasonable for this purpose. The hourly rate for such contracts should thus be based on 1052 hours.

For the purposes of the survey, a short-term contract was defined as being of less than twelve months duration whilst a contract for longer than twelve months was classified as long-term.

To use the formula described above, should a contract engineer seek a salary equivalent of say \$60,000 per annum then the hourly fee would be as follows:

**Short-term contract**

$\$60,000/1052 \text{ hours} = \$57.03 \text{ per hour}$

**Long-term-contract**

$\$60,000/1262 \text{ hours} = \$47.54 \text{ per hour}$

	SHORT TERM (\$ p/h)	LONG TERM (\$ p/h)
Level 1 (1-2 year experience)	35-45	35-45
Level 2 (2-3 year experience)	45-65	40-60
Level 3 (3-4 year experience)	50-70	45-65
Level 4 (4-5 year experience)	55-75	50-80
Level 5 (5+ year experience)	60-110	55-105

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