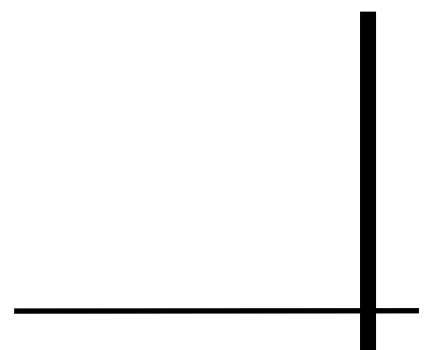


Survey of

Independent contractors and consultants

2009

APESMA member survey



Professionals together



Introduction

In 2001, a Productivity Commission report documented the prevalence and growth of non-standard work arrangements in the Australian labour market (Waite & Will 2001). Among the Commission's findings were that 10 per cent of self-employed contractors were professionals, a high proportion relative to other occupational groupings.

The Association of Professional Engineers, Scientists and Managers, Australia (APESMA) therefore has a particular interest in the debate and the impact of non-standard work arrangements on professionals.

APESMA is registered under the Workplace Relations Act 1996 representing over 23,000 professional engineers, scientists, veterinarians, surveyors, architects, pharmacists, information technology professionals, managers and transport industry professionals throughout Australia. Reflecting the increasing proportion of the workforce involved in non-standard work arrangements, of these 25,000 around 3,000 are registered with Connect - APESMA's special interest group for independent contractors and consultants.

The Association is committed to protecting and advancing the interests of its independent contractor and consultant members. These professionals play a significant role in the dispersal of Australia's professional engineering, science and technology capability across industries including Defence, IT, Local Government, Mining, Power, Roads, Transport, Water and Telecommunications.

As National President of APESMA, I consider it critical that the Association plays an active and considered role in responding to the changing patterns in the Australian labour market by providing services and putting in place initiatives which will support those who choose to move into commercially-based work arrangements.

Combined with a comprehensive range of employment-related services, APESMA and Connect play critical roles in supporting engineering, science and technology as a basis for Australia's continuing economic growth and international competitiveness.

A handwritten signature in black ink, appearing to read 'D Tomat', with a long horizontal flourish underneath.

Dario Tomat, National President, APESMA
January 2009

Professionals together



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Report preparation: This report was prepared by Dr. Kim Rickard, Executive Officer of Connect - APESMA's special interest group for independent contractors and consultants.

APESMA Connect's 2009 Survey of Independent Contractors and Consultants - key findings

Overview

APESMA's 2009 survey focuses on the major concerns for professionals operating as independent contractors.

The survey provides a revealing insight into contractors' perceptions of why they are engaged by clients, and details their reasons for opting for non-standard work, their satisfaction levels, as well as the perceived advantages and disadvantages of choosing to operate under these types of work arrangements.

The data also provides a basis for drawing conclusions about the particular experiences of professionals operating as contractors in the critical area of professional development, and highlights underemployment - roles which do not utilise a professional's technical skills or experience - as an issue even in times of skills shortage.

Key findings of the survey

The 2009 Survey of Independent Contractors and Consultants found the major concerns for independent contractors over the last two years were BAS and GST, PSI, professional indemnity and legal liability, diversifying their client base and client behaviour.

While respondents not surprisingly cited lack of income security as the major disadvantage of operating as a contractor, over 85 per cent indicated that they were satisfied or very satisfied operating under such arrangements.

Over 70 per cent of contractors reported that they chose to operate through non-standard work arrangements for better lifestyle and over 60 per cent cited balance between work and family as a major reason for taking up contracting, but a surprising 55 per cent reported that working under these arrangements had caused problems with family activities, suggesting that non-standard work arrangements had not necessarily met their expectations in this area.

Only 16.5 per cent of respondents indicated that they were operating as contractors because they couldn't find permanent work - not unexpectedly down on the 2004 figure of 31.3 per cent.

Of ongoing concern were the figures on why clients used contractors. Almost 43.2 per cent reported that they believed that contractors were used in workplaces as a cost-cutting measure, while 58.4 per cent indicated that they believed contractors were used by employers to avoid their employment obligations.

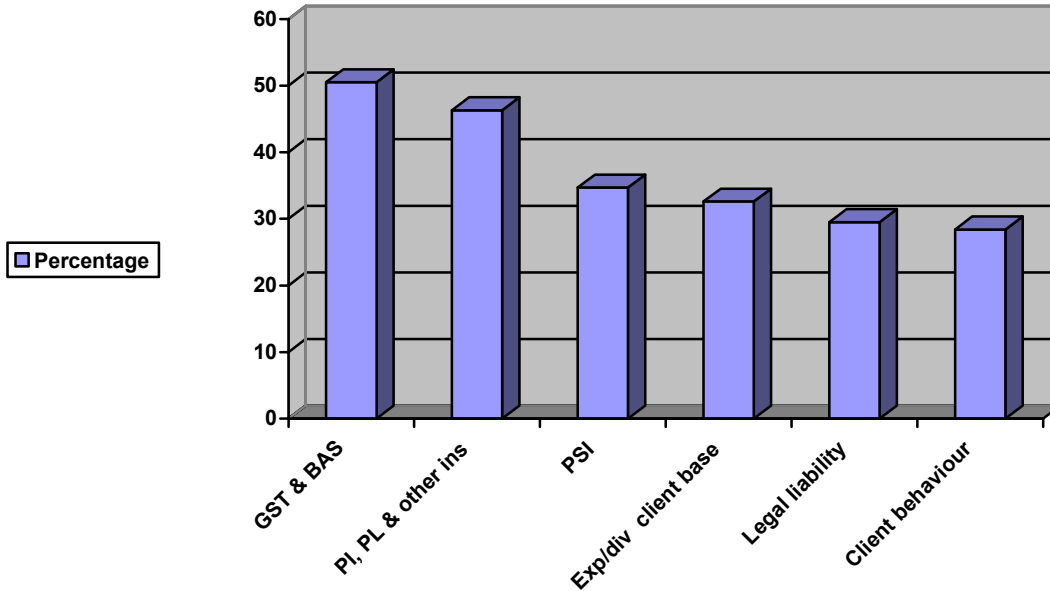
On a more positive note, in the 12 months preceding the survey over 60 per cent of contractors had undertaken formal professional development activities, and over 80 per cent had been involved in informal training and networking activities.

Major issues for professionals operating as independent contractors

The survey sought information on the major issues for independent contractors over the last two years.

PSI, GST and BAS, professional indemnity, public liability and other insurances, expanding and diversifying their client base, legal liability and client behaviour were the predominant issues of concern for the contractors surveyed.

Figure 1 - Major issues for professionals operating as independent contractors



The issue of the changing value of the Australian dollar was also raised by a number of contractors, a situation unlikely to be resolved in the short term in the wake of recent volatility and instability in the global economy arising out of US credit crisis:

"I mostly work overseas and am paid in foreign currency. The rising AU\$ has seen my income decline"
"Currency variation is also a major issue for me."

Alienation of Personal Services Income legislation

The Alienation of Personal Services Income (PSI) legislation continues to be a major difficulty for professionals operating as independent contractors.

Over half (54.7 per cent) of survey respondents indicated that they earned more than 75 per cent of their income from a single client, meaning that if they fail to satisfy one of the Personal Services Business (PSB) tests or the ATO refuses them a PSB Determination, they could lose access to a range of legitimate business deductions.

46.8 per cent of respondents saw the PSI rules as a major or significant problem and a further 29.3 per cent saw it as a potential problem, meaning that PSI remains a significant area of concern for over 75 per cent of respondents. Quotational data indicated that PSI concerns were a major drawback for professionals operating as contractors:

"I enjoy the relative freedom of being an independent consultant and being able to choose my clients and the times that I work. The only drawback is the ATO concerns re PSI."
"PSI problems are one of the major disadvantages of operating as a contractor."

The data confirms that PSI is acting as a significant disincentive for professionals considering taking up contracting arrangements.

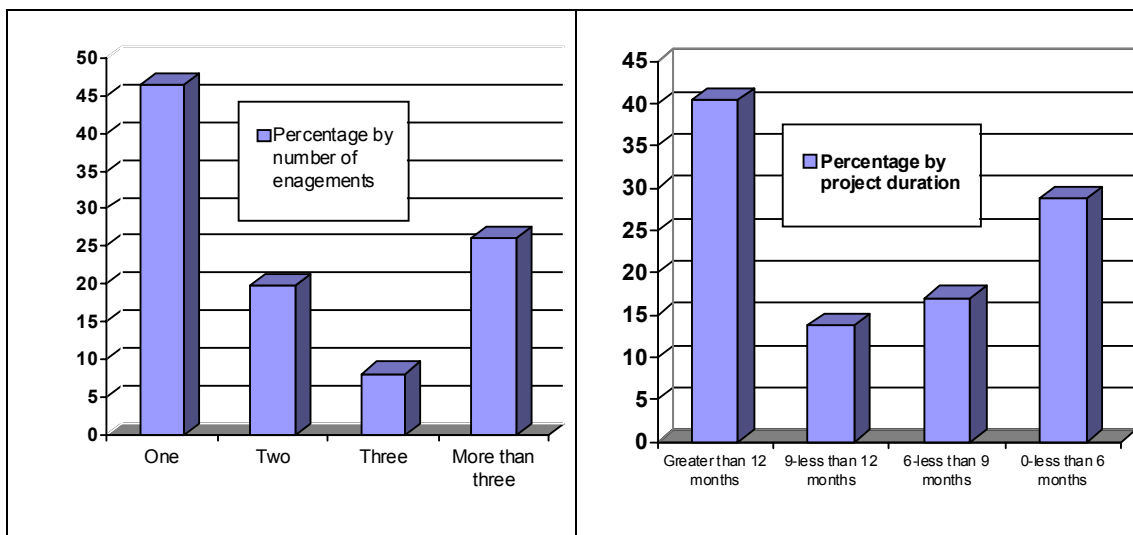
Tax records

Maintaining taxation records generally was confirmed as another major issue for independent contractors with just under 20 per cent of respondents spending more than three hours per week on maintaining their tax records.

Engagements and project duration

There appeared to be a degree of polarisation in the area of engagements and project duration in the survey population. While just over 26 per cent of respondents undertook on average more than four contract engagements in the previous 12 months, just over 46.5 per cent had undertaken only one engagement in the same period. These figures were supported by the finding that 28.7 per cent were engaged on projects of less than six months' duration while around 40.4 per cent of respondents participated in projects of greater than 12 months' duration. This would suggest that APESMA contractor professionals are most likely to have an average of either one client or more than four clients in a 12 month period.

Figure 2 – Engagements and project duration



The critical factor arising out of these figures is the relatively high proportion of contractors with an average of only one engagement per 12 month period in the previous two years, and the high proportion of contractors undertaking projects with an average duration over 12 months.

This confirms that PSI is an ongoing issue for this significant proportion of the Connect membership.

Underemployment

The survey sought information on the extent to which independent contractors perceive their technical skills and experience to be under-utilised in their contracting roles. 34 per cent indicated that they were engaged on projects which sometimes, often or always under-utilised their qualification, while 32.9 per cent reported that their contract engagements sometimes, often or always under-utilised their experience. These figures would suggest that underemployment is perceived as a significant problem for contract professionals.

"Obtaining work that utilises my expertise rather than overflow work handed to consultants because of staffing issues is a major issue for me."

IT and marketing

The survey sought information on the cost of IT hardware and maintenance and marketing to professionals operating as independent contractors. 47.4 per cent of respondents indicated that they spent between 0 and 5 per cent of their total operating costs on maintaining and purchasing new IT, and 44.2 per cent spent between 6 and 15 per cent. 46.3 per cent of respondents spent around an hour per week on IT maintenance and purchasing new technologies, and 47.4 per cent spent between one and three hours per week.

In terms of marketing, just over 90 per cent of respondents spent between 0 and 5 per cent of their total operating costs on marketing. Just under 70 per cent spent around an hour per week on marketing, and just over 23 per cent spent between one and three hours. Just under 70 per cent of respondents indicated that more than 60 per cent of their engagements were repeat business with former clients.

These figures would indicate that contractors make a considerable allocation of time and money to IT and marketing, and that repeat business accounts for a major proportion of engagements for professionals in these work arrangements.

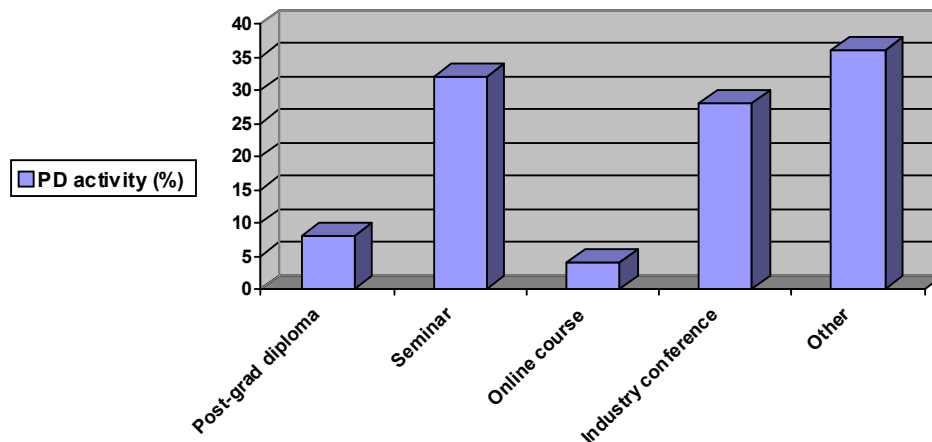
Professional development

The survey sought information on the nature and level of professional development undertaken by contractors. Almost 90 per cent of contractors surveyed indicated that they had participated in formal training or professional development in the last four years – over 60 per cent had undertaken such activities in the previous 12 months.

Nature of professional development activities

The nature of the professional development activities ranged from post-graduate work to seminars and industry conferences.

Figure 3 – Nature of formal professional development activities in previous four years



82.1 per cent of respondents indicated that in the previous 12 months they had also participated in informal professional development activities such as networking with peers. Of these, 50 per cent had participated in more than 15 hours of informal PD.

This would suggest that professionals operating as independent contractors understand the importance of maintaining and expanding their portfolio of relevant skills and actively seek out PD activities through formal channels such as industry conferences, post-graduate study and seminars, as well as through informal channels such as networking with professional colleagues.

Comparison of PD experience as a contractor compared with employees or labour hire workers

56.8 per cent of survey respondents indicated that they had participated in lower levels of professional development activities as a contractor than as an employee. 13.7 per cent said they had undertaken more professional development as an independent contractor, and 29.5 per cent reported about the same level of professional development. Of those who obtained

work through a labour hire agency, 97.9 per cent indicated that the agency did not assist them in any way with professional development activities. These figures confirm that contractors may have lower levels of access to professional development activities than employees, a source of particular concern for professionals.

Sources of business support

The survey sought information on government, APESMA and other organisations as sources of business support and training to clarify how professionals utilise government business services, and to determine whether APESMA was seen as a relevant and appropriate provider of professional development services.

Over 84.1 per cent indicated that they had not accessed government support services for three years or more, those who did so were predominantly accessing either GST/BAS information (15.8 per cent) or business start-up advice (13.7 per cent). 91.5 per cent of respondents saw APESMA as an appropriate training and education provider.

Use of contractors

The survey sought information on contractors' perceptions of the reasons they are utilised in business, about how they are regarded by their professional colleagues and about what informed their choice to act as a contractor.

90.9 per cent of those surveyed indicated that they believed contractors were brought in to cover busy/peak times and 97.8 per cent reported that, in their view, contractors were used in workplaces to cover specialist functions.

At the same time, 43.2 per cent reported that they believed that contractors were sometimes, often or always used in workplaces as a cost-cutting measure, while 58.4 per cent indicated that they believed that contractors were used by employers sometimes, often or always to avoid their employment obligations. These figures would suggest that contractors believe they are brought in to cover peak periods and to cover specialist functions but ALSO at times as a means of employers avoiding their employment obligations and cost-cutting.

How professionals operating as independent contractors are regarded by employee colleagues?

Table 1 – How contractors are regarded by professional employee colleagues

<i>Regarded by professionals colleagues</i>	<i>Percentage</i>
1. As an outsider	6.9
2. With distance	1.1
3. With suspicion	6.9
4. With professional respect	23.0
5. As a source of expertise	21.8
6. As a professional colleague	32.2
7. As someone to learn from	2.3
8. With trust	1.1
9. Other	4.9

If we generally characterise items 1-3 as negative, and items 5-9 as positive, survey responses would indicate that contractors believe overwhelmingly that they are viewed by their professional employee peers in a positive rather than negative light.

Interestingly, while 21.8 per cent of respondents indicated that they were seen as a source of expertise by their employee colleagues, 27.7 per cent of respondents indicated that they passed on their skills and expertise *selectively* rather than freely to their professional colleagues working as employees. This would suggest that outsourcing of specialist functions may impact on the upskilling of professionals on staff.

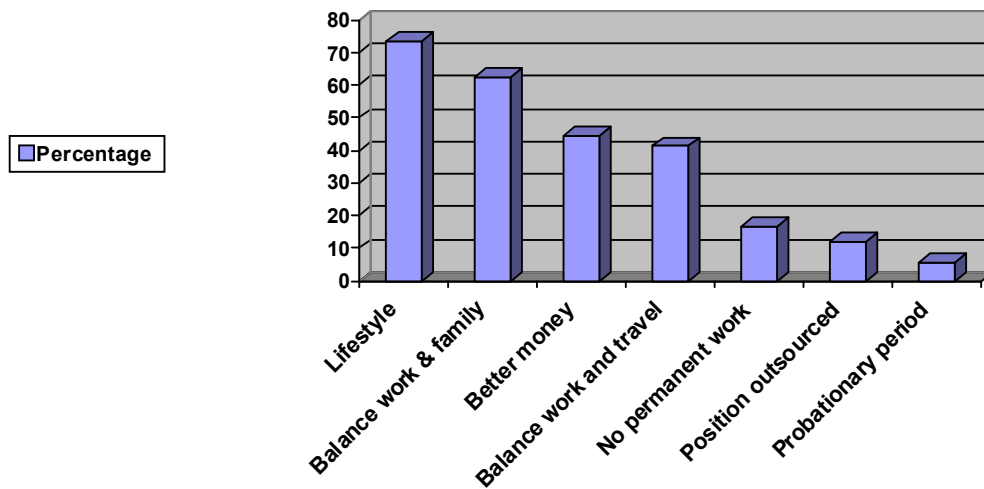
Contractor experience

Reasons for opting to act as a contractor

Respondents were asked about their reasons for choosing to operate as an independent contractor (respondents could select up to three responses).

The main reasons cited by respondents were better lifestyle followed by better balance between work and family, better money, and better balance between work and travel. Respondents also indicated that not being able to find permanent work and the outsourcing of their previous position as reasons for operating as a contractor. A smaller number suggested that they intended contracting engagement to be a way of undertaking a "probationary" appointment prior to being taken on as a permanent employee.

Figure 4 – Reasons for opting to act as a contractor



Satisfaction levels

88.4 per cent of respondents indicated that they were satisfied or very satisfied with operating under contractor arrangements. 11.6 per cent indicated that they were indifferent or dissatisfied working under these arrangements. 28.4 per cent of respondents indicated that they would take up the option of working as a full-time permanent employee if given the opportunity while 71.6 per cent said they would not take up this option. The fairly high proportion of those who would not be interested in taking up the option of acting as an employee is consistent with the significant proportion of those who opted for contracting as a lifestyle choice (73.7 per cent).

The reasons given for remaining a contractor and not wanting to take up the option of becoming an employee were varied and included control over work, flexibility, variety, being paid for hours worked rather than being expected to do unpaid overtime, being at arms length from office politics, and not having the responsibilities for the supervision of subordinate staff.

"After being self-employed for 20 years, I couldn't cope with being an employee. I wouldn't like being bound to a company - it would stifle my creativity."

"Operating as a contractor allows me to have a variety of work in different industries and with different organisations and I can work from home and sort out my own hours, leave, pay and training."

"I'm now very used to the flexibility provided by self-employment."

"I'm happy with my present situation - I don't want office politics or the pressures of a salaried job."

"Being an employee brings too much organisational 'baggage' like annual performance development reviews. At my stage of career, I don't want to 'climb the greasy pole' or have to manage subordinate staff."

"Contracting allows me more control over what work I will take on - also I get paid for every hour I work. Employees must take on all tasks given and rarely get acknowledged or paid for extra hours."

"I don't wish to be put in an employment position where I cannot have some level of control of my future."

"I prefer to choose the tasks I undertake, and the terms under which I undertake them."

"My 'real' professional development tends to be constrained when working as a permanent. Contracting reduces exposure to company politics and workplace injustice. Most employers promise much and deliver little."

"Holidays not as flexible. Work schedule not as flexible."

Drawbacks of working under contractor arrangements

Respondents cited lack of income security as the major disadvantage of operating as an independent contractor. This was followed by few holidays, difficulty in locating clients and being responsible for sales as well as technical areas. Contractors also listed payment, superannuation, insurance, potential isolation from professional colleagues, lack of perks and the lack of down time as difficulties associated with contracting arrangements:

"Getting clients to pay on time is a major problem."

"Having to pay your own super and insurances is a disadvantage."

"Another problem is the lack of employment perks e.g. company car and sick leave."

"There is no down time when you're self-employed."

"You can feel detached from the general workforce so one has to work hard to maintain contact with peers."

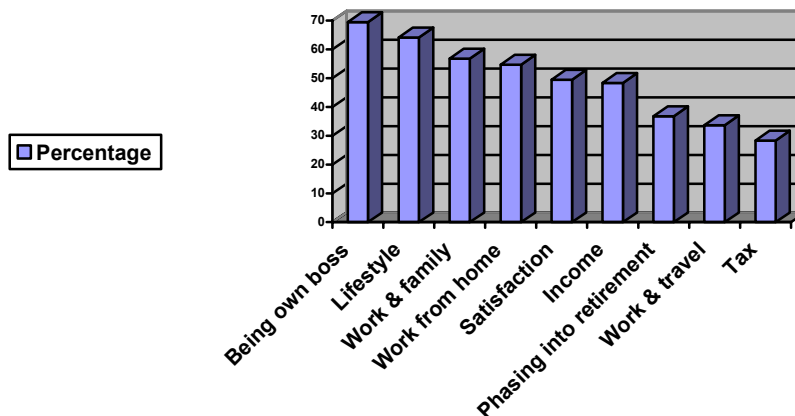
A total of 26.4 per cent of respondents reported that working under contractor arrangements sometimes, often or always caused problems securing a mortgage. 21.1 per cent indicated that it caused difficulties with obtaining a personal loan while 17.6 per cent indicated that working as a contractor caused problems paying bills sometimes, often or always.

A surprising 55 per cent reported that working under contractor arrangements sometimes, often or always caused problems with family activities, in spite of the significant number who reported choosing to operate as a contractor for a better balance between work and family (see below).

Advantages of operating as a contractor

Survey respondents reported the major advantages of working under contractor arrangements as being your own boss, better lifestyle, balance between work and family responsibilities and being able to work from home. Other advantages included a sense of satisfaction from taking risk and being successful, income, a good way of phasing into retirement, balance between work and travel and access to business tax deductions.

Figure 5 - Advantages of operating as a contractor



Demographics

The survey sought demographic data from participants as background to the findings.

Profession

68.1 per cent of respondents were Professional Engineers, followed by IT Professionals (13.8%), Managers (5.3%), Professional Scientists (4.3%), Pharmacists (2.1%) and Other (6.4%).

Home or office-based

67.4 per cent of respondents operated from a home office, 4.2 per cent operated from a commercial office and 16.8 per cent operated from both. 11.6 per cent of respondents used other arrangements including the client's office or office located within a university.

Age distribution

Table 2 - Age distribution

Age range	%
20 to less than 30	1.1
30 to less than 40	11.6
40 to less than 50	30.5
50 to less than 60	32.6
60+	24.2

Gender

The gender breakdown of survey respondents was Male 84.2 per cent and Female 15.8 per cent.

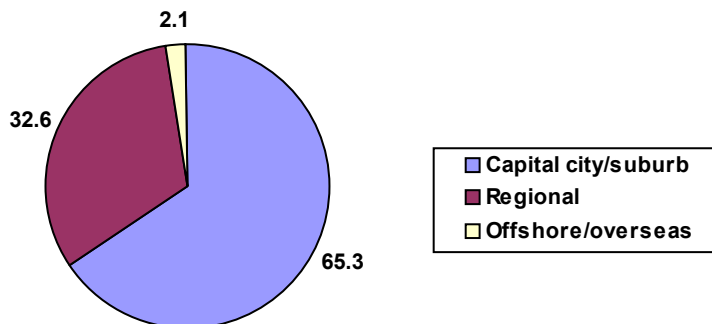
Education level

Table 3 - Education level

Education level	%
Bachelor degree	42.0
Graduate certificate or diploma	25.0
Masters	25.0
PhD	8.0

Geographical location

Figure 6 - Geographical location



Legal entity

53.2 per cent of respondents operated through a company structure, 7.4 per cent operated through a partnership or trust, and 39.4 per cent operated as sole traders.

Acknowledgements

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References

Waite, L. & Will, L. 2001, *Self-employed contractors in Australia: incidence and characteristics*, Productivity Commission Staff Research Paper.

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