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RELEASE

October 2011



The Peoplebank Intermedium
FEDERAL ICT LABOUR HIRE INDEX

Introduction

Welcome to the sixth release of the Peoplebank Intermedium Federal ICT Labour Hire Index.

The Index specifically measures the cost of a unit of labour hire creating an average unit of effort for Federal Government ICT labour hire resources.

The Index aims to track movements in the Federal Government ICT labour hire market through a statistical indicator that measures movement in average contract values, providing an overall snapshot of Federal Government demand for ICT services.

The Index has a 2003-04 baseline and is derived from ICT Labour Hire contracts reported in AusTender by Federal Government agencies.

It should be noted that, due to reporting deadlines for AusTender, the data reported is for the period 1st January 2011 to 30th June 2011 (Q3 & Q4) with some lead indicators taken from preliminary data for Q1 2011-12 to form views of expected future results.

The Index was developed by Intermedium, a specialist government ICT market research firm in partnership with Peoplebank, Australia's largest ICT recruitment company.

01 Key Numbers

2011 has seen a steady trend of strengthening demand for ICT contractors. Over the first six months of the year, the Index grew to 1,568 – a rise of 23% from the December 2010 figure. Figures for July suggest that the Index is at its highest level for several years, as Government continues to invest in new ICT projects.

Throughout 2011, the Index remained (apart from a seasonal dip in April) above the 1,000 mark. The Index for June 2011 stood at 1,568, was the highest value since June 2007, while preliminary figures for July 2011 of 1,702 represents the highest single monthly figure since August 2006's peak of 1,741.

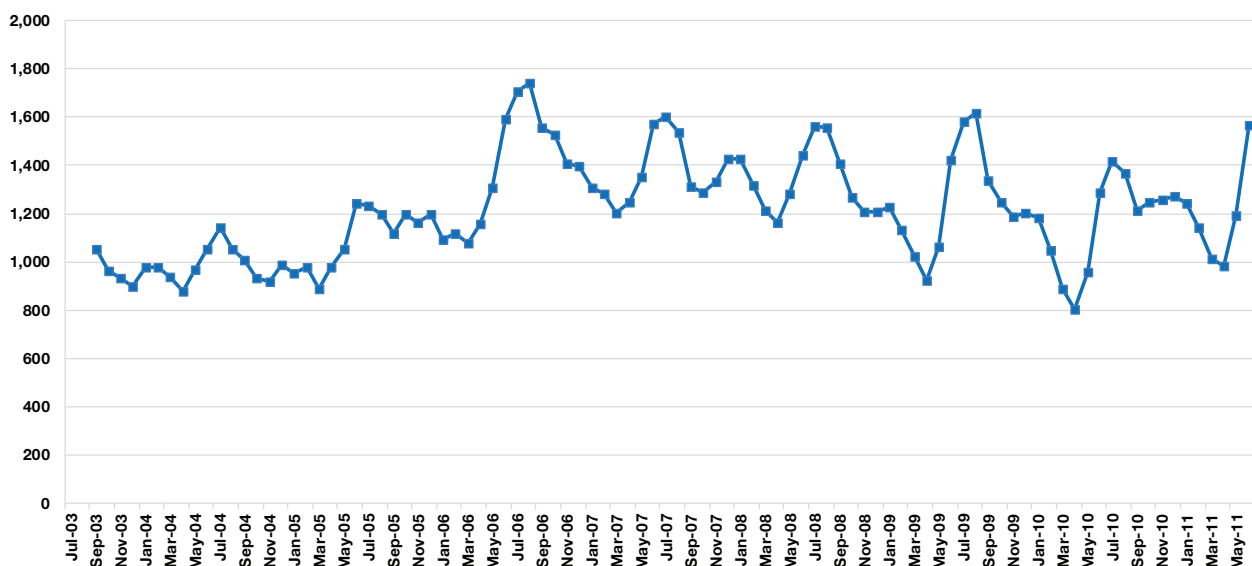
The preliminary Index for August 2011 stands at 1,603, although this figure may rise as Government contract tenders are finalised. With July and August marking the traditional peak in ICT contract renewals, it seems likely that the July-August period will be the strongest for several years.

1,568
Base = 1,000

▲ **22%**
vs Jun 2010

▼ **-2%**
vs Jun 2006

The Peoplebank Intermedium Index



Index: 2003-04 = Base 1,000

02 Commentary

The Labour Hire Index has tracked a strengthening market for Government use of ICT contractors throughout 2011 – with demand growing throughout the first seven months lifting July's Index to levels not seen for several years.

The ICT market is being supported by continued Government investment in upgrading Government's capabilities, refreshing infrastructure and continuing the rollout of the NBN.

The 2011 – 2012 Federal Budget saw more than \$1bn allocated to ICT projects, reflecting a broad acknowledgement that ICT is fundamental to carrying out the business of Government.

In particular, the Government is investing in major technology transformation projects in eHealth, Government 2.0, ICT Industry Development and the continued rollout of the National Broadband Network.

On the back of these projects as well as business-as-usual investment in ICT, there has been significantly increased demand for skilled ICT workers.

Demand is being met from within the local IT skills pool, although the pool is growing with the addition of new ICT contractors from interstate, especially those who had left Canberra during periods of constrained ICT investment.

As a result, while there have been some rises of up to 5%, especially among contractors who have not enjoyed a rate increase since the GFC of 2009, overall rates have remained well within the national average of pay rises of around 5%. While the average contract value for July 2011 is, on data to hand, \$185,574 – compared with \$156,511 for July 2010 – this is likely to reflect the length and types of projects (rather than rising rates alone) for ICT workers.

This assumption is supported by the average contract value for the 2010–11 year (including longer contracts signed during the August peak period and shorter contracts signed later in the financial year), which stands at \$124,396. In all, there is a palpable mood of confidence in the Canberra market.

This reflects the return of a critical mass of ICT workers to the Federal sector, attracted by the number of contract roles available, as well as the types of contracts: that is, transformative ICT projects that should deliver real improvements to Government's ability to deliver services, boost the productivity of its departments and facilitate streamlined, effective interactions with the customers.

03 Number & Value

The data suggests that the Government is continuing a trend that commenced in 2009-10 of renewed investment in ICT projects.

The 2010-11 financial year ended at contracting levels comparable 2009-10 which was the previous record for Federal Government ICT labour hire contracting.

While July figures are yet to be finalised, we have already seen 1,397 contracts published with a value of \$259.2m. Estimates are that the final figure will reach or surpass the \$300M benchmark established in July 2010 and July 2009.

July 2011 is also showing a very high average contract value at the moment of \$185,574.

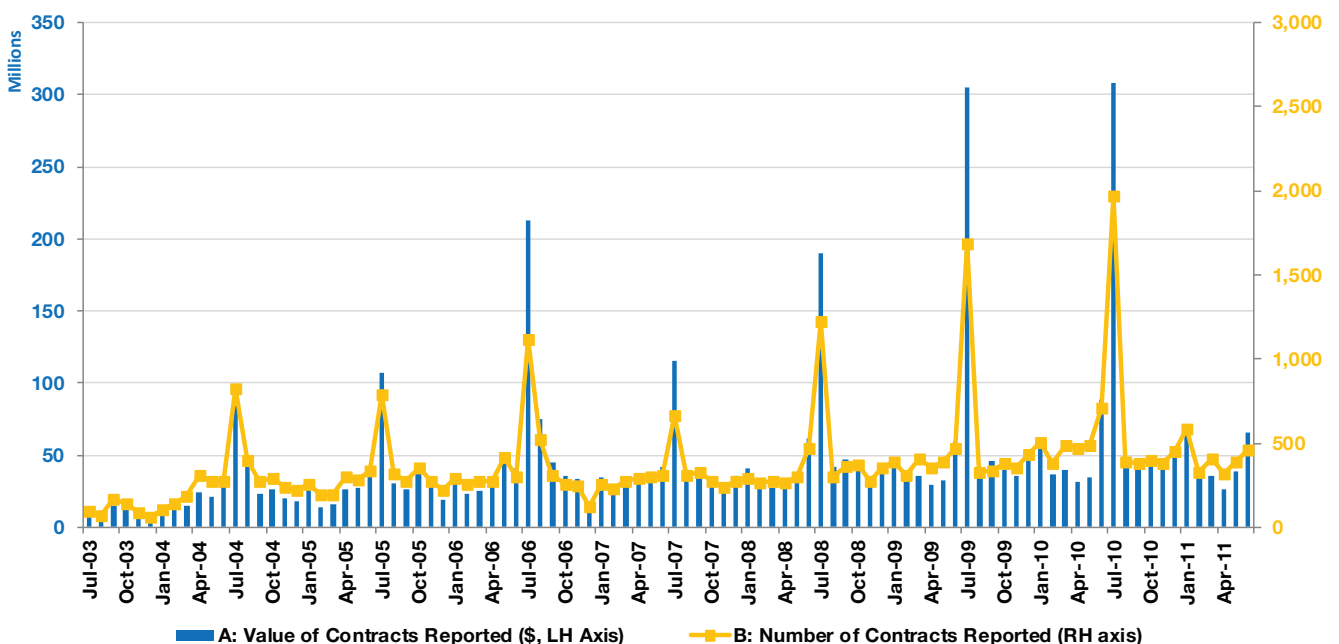
There were 6463 separate ICT contracts (either single or multiple contracts) recorded in fiscal 2010-11 (although this figure will rise), compared with 6,559 for the previous year. By comparison, 2008-09 recorded just 5,221 published contracts.

2010-11 = 6,463 contracts = \$803,975,042 (\$124,396 ACV)

2009-10 = 6,559 contracts = \$804,194,701 (\$122,609 ACV)

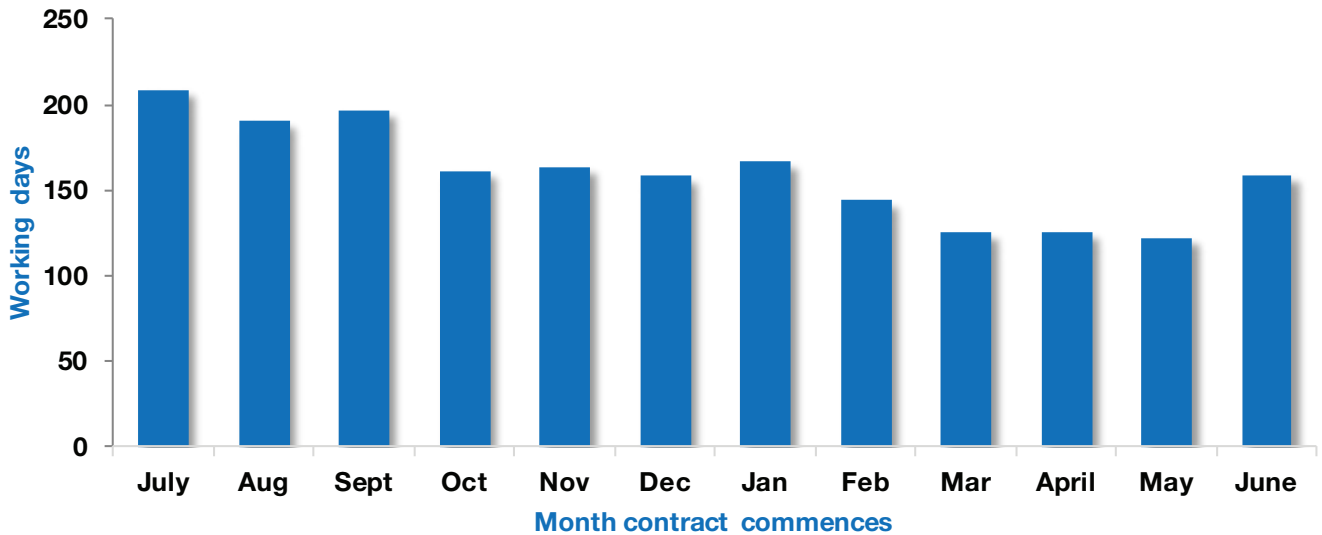
2008-09 = 5,221 contracts = \$625,845,576 (\$119,870 ACV)

This suggests that while Government is increasing the number of ICT contracts available, it has been able to keep its budget increase to a modest 4.2% over the three years to June 2011.



04 Contract Duration

Average Contract Duration (2003-04 to 2009-10)



As Government departments typically have their funding cycles coinciding with the financial year, contract duration is typically driven by the prescribed 30 June contract end date.

As in previous Index reports, Contracts signed at the beginning of the financial year are more likely to be for a 12-month period, while those signed later in the year are more likely to be for nine, six or three months depending on the length of time available in that financial year.

This results in contract durations peaking in the July-September quarter and diminishing by more than 25% for the subsequent quarterly periods.

05 Outlook

The recorded contract values suggest that Federal Government CIOs are hiring in significant numbers as they deliver on key projects outlined in both the 2010-11 and 2011-12 Federal Budgets. Peoplebank forecasts that strong demand for IT workers will continue for the rest of calendar 2011.

According to Intermedium estimates, some \$741.8 million of the ICT allocation in the 2010-11 budget was earmarked for expenditure in the current financial year. This, combined with the additional funding earmarked in the 2011-12 Budget should underpin continued strength in Canberra's ICT contract labour market.

Number and quality of contracts attracts next-generation skills

Peoplebank's Canberra offices are seeing increased demand for leading-edge technology skills. This includes for contractors with strengths in the Microsoft suite, especially .NET, as well as for project managers and contractors with business intelligence (BI) skills.

This can easily be seen as a reflection of the types of projects underway: such as the integration of Medicare Australia, the Child Support Agency and Centrelink's infrastructure to underpin easier reporting and better services delivery, increased investment in CSIRO's and the Tasmanian ICT Centre's work, the \$61M Smart Infrastructure technologies to help aid congestion and commuter pressure, and \$14.4 million allocated over five years towards a single mental health online portal and related professional training.

Market to remain buoyant but balanced into 2012

The current activity level is keeping Canberra's ICT skills pool buoyant. While skilled contractors are being absorbed and re-absorbed in major projects, more contractors are returning to the Canberra market, attracted by the number and quality of ICT contracts available.

Peoplebank predicts that this state of balanced momentum should continue to at least mid-2012. Looking to the longer term future, we note the Government's investment in strategies to improve the management of the APS ICT workforce in the years ahead, as well as its Draft Strategic Vision for the Government's use of ICT.

"ICT will increase public sector productivity by enabling the delivery of world leading government services for Australian people, communities and businesses, supporting open engagement to better inform decisions, and improving the operations of government". DRAFT: Strategic Vision for the Australian Government's use of ICT

06 About The Index

The data used in calculating the Index is derived from AusTender, which is part of the Federal Government tender and contracting information management system.

Federal Government agencies subject to the Financial Management and Accountability Act 1997 (known as the FMA Act) are required to record details of all contracts worth more than \$10,000 as part of the Department of Finance and Deregulation AusTender system.

The data relating to ICT procurement is further classified by Intermedium into six broad categories and 48 sub-categories to reflect market segments.

Labour hire is a sub-category of IT services, a large volume of IT Services contracts are reported annually, by virtually all agencies. The large, consistent annual volume of contracts and their relative homogeneity allows for detailed statistical analysis.

The Index specifically measures the cost of a unit of labour hire providing an average unit of effort, derived by Intermedium from ICT labour hire contracts reported by Federal Government against a 2003/04 baseline.

07 About Intermedium

Intermedium specialises in Australian government and public sector information and communication technology (ICT) research.

Our government ICT market services include:

- An online portal offering subscribers access to a range of current and highly relevant information resources including articles on key topics and events, latest published contracts, latest published tenders, leader boards, market snapshots, links to the ICT industry press and more.
- A highly regarded free weekly newsletter (the medium).
- A series of annual and quarterly reports on the Federal Government ICT market. The data for this suite of reports is sourced from AusTender. The suite includes an Annual Overview Report and annual Hardware, Software, IT Services, Telco Equipment and Telco Services Reports.
- Commissioned (primary) research. Intermedium has performed major research projects for agencies including DOCITA, DIISR, Defence and Finance.

Intermedium is on Centrelink's Panel for ICT Research and Advisory Services. Centrelink's Deed of Standing Offer with Intermedium can be utilised by other Australian Government agencies to efficiently and effectively procure Intermedium's research services.

Intermedium's Labour Hire report is a valuable adjunct to this Labour Hire Index. It enables readers to:

- Understand trends in the labour hire market;
- Identify areas of potential skill set demand or shortage;
- Monitor spending by agencies; and
- Benchmark their activities and performance against other agencies.

The report is an annual subscription and released quarterly (January, April, July and October).

For more information about any of Intermedium's research services, please go to www.intermedium.com.au or contact Intermedium on 02 9955 9896.

08 About Peoplebank

Peoplebank is Australia's largest ICT recruitment company and the largest supplier of ICT talent to the Federal Government.

Peoplebank finds you the best talent in the market place. We listen, understand and then deliver the right people to your organisation.

We have done this consistently for over 20 years with Australia's leading corporate, government and commercial organisations.

To learn more about Peoplebank call [02 6245 1700](tel:0262451700) or visit our website at www.peoplebank.com.au

09 Enquiries

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