



Peoplebank Intermedium Federal ICT Labour Hire Index tracks ‘most significant reductions in ICT labour hire in over seven years’

The second Peoplebank Intermedium Federal ICT Labour Hire Index, released today, shows a continuing correction in the public sector ICT contractor market over the past 12 months. This downward trend which has seen the Index fall by more than a third from September 08 to May 09 is likely to continue until 2010.

The sustained reduction in ICT spending over the past 24 months has resulted in the most significant reductions in ICT labour hire spending in over seven years.

It's clear that Federal agencies are embracing the recommendations, outlined in the Gershon review, to cut costs through strategies including replacing contractor with full-time APS personnel. Additionally, some agencies are responding to budget pressures by keeping their IT spend to business as usual, and deferring new projects, comments Peter Acheson, COO of Peoplebank.

This, combined with the economic uncertainty of recent times has placed downward pressure on both demand and contractor rates. This is in marked contrast to the national market, where a rise in demand for ICT contractors in June 2009 saw overall levels rising by around 5 percent for the quarter.

The Peoplebank Intermedium Index, calculated on the number and value of ICT contracts, reveals a market that peaked in 2006 and has been in significant decline in the past 12 months. Key findings include:

The Index at May 2009 which stood at 1,050 - represents a fall of 54 percent since the 2007 peak, and a fall of over 35 percent since July 2008.

There was a 63 percent decline in the value of ICT labour contracts in June quarter 2008-09, compared with the same period in 2007-08.

The number of contracts reported has almost halved from 1,040 in the June quarter 2007-08 to 544 in the June quarter 2008-09.

There has been an overall reduction of the number of 12 month contracts being offered compared with three to six month contracts.

Findings support Peoplebanks observation of contractor rate reductions of up to 20 percent (as at the end of June 09, compared with the same period in 08).

Evidence that Federal agencies are reducing their reliance on contract ICT labour includes evidence in the 2009 Federal Budget of continuing growth in permanent public service staff numbers over 2009-10, as well as ongoing recruitment campaigns by large Agencies for skilled ICT staff.

The volume of new contracts being written and the reduced average value have provided substantial downward pressure on contractor rates which will be evident in the Q1 and Q2 reporting periods for 09/10.

Despite this downturn, there are strong prospects for ICT contractors in Canberra, comments

Intermediaries

Head of Research & Principal Consultant, Tim Conway.

Over

the medium to longer term and in particular, in the next four years - we are likely to see demand for ICT skills surge on the back of a number of major projects, including infrastructure spending initiatives announced in the 2009-2010 Budget, the National Broadband Network and parts of the recent Defence White Paper and Capability Plan.

These projects will collectively will generate more than \$13.8 billion in ICT activity half of which will come to market by 2013 suggesting a boom market for ICT skills over the medium term, he says.

The Peoplebank Intermedium Federal Labour Hire Index is online at [Peoplebank](#) and [Intermedium](#).

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