IEM Engineering Impact Survey

Scale of Fees for Engineering Consultancy Firms

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26 May 2026

Executive Summary

The Institution of Engineers, Malaysia (IEM) conducted the Survey on Scale of Fees for Engineering Consultancy Firms to assess the sustainability of current fee practices and their impact on the engineering consultancy profession. A total of 598 industry stakeholders participated in the survey which was conducted from 15 May 2026 – 24 May 2026.

The findings indicate significant concerns regarding the current fee environment. More than 73% of respondents describe fee competition as either "unsustainable" or "critical", while nearly 89% observe that consultants are frequently selected based primarily on the lowest fee. In addition, over 50% reported that projects are commonly awarded at fees more than 30% below the recommended Scale of Fees (SOF).

The survey also highlights concerns over professional sustainability. Approximately 78% of respondents believe the current fee environment is not sustainable in the long term, while nearly 80% feel that consultancy fees do not adequately reflect the responsibilities, risks, and liabilities undertaken by Professional Engineers.

Talent development and retention remain major challenges. More than 76% of respondents believe the profession has become less attractive to young engineers, while nearly 89% report that low-fee competition has a moderate to severe impact on staff retention and firms' ability to invest in training and professional development.

There are also concerns regarding service quality, with 88% of respondents indicating that prolonged low-fee competition has a moderate to significant impact on engineering quality, technical resources, supervision, and innovation.

Despite these challenges, more than 96% of respondents support modernising the engineering fee framework and strengthening procurement approaches that place greater emphasis on quality, competency, experience, and long-term value alongside cost considerations.

The survey findings underscore the need for collaborative efforts among industry stakeholders, regulators, clients, and policymakers to strengthen professional sustainability, support talent development, and ensure the continued delivery of high-quality engineering services that contribute to Malaysia's long-term development and competitiveness.

A. Background and Motivation

The Scale of Fees (SOF) is a fee guideline established under the Engineers Act and associated regulations to provide a benchmark for professional engineering services. It was originally developed to reflect the scope, complexity, responsibilities, and liabilities associated with engineering consultancy practice. The background and motivation for the IEM Survey on Scale of Fees are centered on addressing concerns relating to the financial sustainability and long-term viability of the engineering consultancy industry.

The survey was established with the following primary objectives:

1. Assessing Industry Sustainability and Service Quality

   The survey serves as a critical mechanism for gathering empirical data on the impact of fee competition on the engineering consultancy profession. It seeks to evaluate whether the current fee environment is sustainable for consultancy firms in the long term and to assess the extent to which prolonged fee pressures may affect the delivery of high-quality engineering services and professional standards.

2. Documenting Industry Challenges and Current Practices

   A key objective of the survey is to systematically document prevailing industry practices relating to consultancy fees and to identify the challenges faced by firms operating in an increasingly competitive environment. The questionnaire focuses on several areas of impact, including:

   - Talent Retention and Development: Understanding how fee pressures affect staff remuneration, talent retention, and firms' ability to invest in training, professional development, and upskilling initiatives.
   - Professional Responsibility and Liability: Assessing whether consultancy fees appropriately reflect the significant professional responsibilities, risks, and liabilities undertaken by engineers.
   - Recognition of Professional Value: Evaluating whether the expertise, judgement, and risks assumed by engineering professionals are adequately recognised and valued within the current marketplace.

3. Providing Evidence to Support Policy Engagement

   A primary goal of the survey is to generate objective and data-driven evidence to facilitate constructive engagement with government agencies, policymakers, regulators, and industry stakeholders. The survey seeks to demonstrate that:

   - The industry is experiencing increasing economic pressures that may affect its attractiveness as a career pathway for future generations of engineers.
   - Sustained market pressures may impact the long-term sustainability, competitiveness, and growth of the engineering consultancy sector, highlighting the need for timely policy consideration and support.

4. Supporting Modernisation and Industry Reform

The survey also serves as a foundation for evaluating and advocating potential improvements within the industry, including:

- Modernising Existing Frameworks: Assessing the need to review the current engineering fee framework to better reflect contemporary engineering practices, technological advancements, and increasing project complexities.
- Quality-Based Selection (QBS): Promoting procurement approaches that place greater emphasis on technical competency, experience, and value creation rather than focusing predominantly on fee considerations.
- Policy Support and Intervention: Identifying areas where government support, regulatory improvements, and stronger implementation mechanisms may contribute to a healthier and more sustainable industry environment.

5. Responding to Evolving Market Conditions

The survey is conducted against a backdrop of increasing market competition, where engineering consultancy services are often subjected to significant fee pressures. The questionnaire explores how procurement approaches, including Open Tender and Design & Build arrangements, may influence fee competition and project delivery outcomes.

B. Survey Report with Statistics

This section presents a detailed statistical breakdown of all 18 objective questions and one open-ended question from the IEM Engineering Impact Survey, which recorded responses from over 598 industry participants. The data reflects the current state of engineering consultancy in terms of demographics, fee competition, service quality, and talent retention.

1. Firm Demographics and Profile

The survey respondents predominantly represent established firms within the consultancy sector. Nearly half of the firms specialize in Civil & Structural engineering, and over 50% have been operating for more than 20 years.

Metric	Category	Responses (%)	Count
Primary Consultancy Sector	Civil & Structural	45.47%	296
	Building Services	19.66%	128
	Multi-disciplinary	7.68%	50
	Infrastructure	5.84%	38
	Energy	4.92%	32
	Environmental	1.84%	12
	Data Centre	1.54%	10
	Other	7.68%	50
Main Business Activity	Consultant	82.64%	538
	Contractor	6.61%	43
	Developer	2.76%	18
	Academician	2.30%	15
	Transportation	0.31%	2
Years in Operation	More than 30 years	27.96%	182
	11–20 years	24.88%	162
	21–30 years	21.97%	143
	5–10 years	13.98%	91
	Less than 5 years	11.21%	73
Government-Related Engineering Projects	0–20%	55.76%	363

	81–100%	13.06%	85
	21–40%	11.67%	76
	41–60%	11.37%	74
	61–80%	8.14%	53

2. Market Health and Fee Competition

The industry is currently facing a "critical" or "unsustainable" level of fee competition according to 73.08% of respondents. Consultants are frequently selected based on the lowest fee rather than technical merit, with most projects being awarded significantly below the recommended Scale of Fees (SOF).

Fee Competition Metric	Status / Category	Responses (%)	Count
Current Level of Competition	Unsustainably Competitive	51.84%	310
	Critical	21.24%	127
	Competitive but Manageable	24.25%	145
	Healthy	2.17%	13
	Very Healthy	0.50%	3
Lowest Fee Selection Frequency	Very Often	47.16%	282
	Always	41.81%	250
	Sometimes	9.03%	54
	Rarely	1.67%	10
	Never	0.33%	2
Main Causes of Unhealthy Fee Competition	Clients prioritizing cost over quality	58.86%	352
	Lowest-price procurement practices	51.84%	310
	Lack of awareness of engineering value	38.63%	231
	Economic pressure	20.07%	120
	Oversupply of consultancy services	15.05%	90
	Others	0.50%	3
Project Awards vs. Scale of Fees	More than 30% below	50.50%	302
	21–30% below	16.89%	101
	11–20% below	14.05%	84

	0–10% below	12.71%	76
	Within Scale of Fees	5.85%	35

3. Professional Sustainability and Quality Impact

The prolonged low-fee environment has led to a perceived decline in the quality of engineering services. A total of 88.16% of respondents believe low fees have a "significant" or "moderate" impact on quality. Furthermore, 81.44% strongly disagree or disagree that current fees adequately reflect the responsibilities and liabilities of professional engineers.

Area of Impact	Category	Responses (%)	Count
Sustainability of Current Fee Environment for the Long Term	Disagree	40.14%	234
	Strongly Disagree	37.56%	219
	Neutral	17.67%	103
	Agree	3.26%	19
	Strongly Agree	1.37%	8
Do Fees Adequately Reflect Responsibilities and Liabilities	Strongly Disagree	43.05%	251
	Disagree	36.71%	214
	Neutral	10.29%	60
	Agree	5.66%	33
	Strongly Agree	4.29%	25
Impact on Service Quality	Significant Impact	65.35%	381
	Moderate Impact	22.81%	133
	Slight Impact	9.61%	56
	No Impact	1.37%	8
	Unsure	0.86%	5
Key Areas Most Affected (Select up to 3)	Staff salaries and retention	81.30%	474
	Business sustainability	51.29%	299
	Engineering design quality	47.51%	277
	Site supervision and inspection	28.30%	165
	Innovation and digitalization	21.27%	124

	Project coordination	19.38%	113
	QA/QC processes	14.58%	85
Frequency of Project-Related Issues Due to Low Fees	Graduate training and mentorship	11.15%	65
	Occasionally	45.63%	266
	Frequently	38.94%	227
	Prefer Not to Say	9.26%	54
	Rarely	3.09%	18
	Never	3.09%	18

4. Talent Retention and Professional Attractiveness

The profession is losing its appeal to the younger generation. Only 6.74% of respondents view the industry as "attractive" or "very attractive" to young engineers. Low fees directly impede the ability of firms to invest in talent development and upskilling.

Talent Metric	Category	Responses (%)	Count
Attractiveness to Young Engineers	Less Attractive	43.87%	254
	No Longer Attractive	32.47%	188
	Neutral	16.93%	98
	Attractive	5.53%	32
	Very Attractive	1.21%	7
Impact on Staff Retention	Severe Impact	51.64%	299
	Moderate Impact	37.13%	215
	Minor Impact	6.74%	39
	Unsure	2.59%	15
	No Impact	1.90%	11
Ability to Invest in Training	Significantly Reduced	52.50%	304
	Moderately Reduced	28.67%	166
	Slightly Reduced	13.82%	80
	No Significant Impact	4.32%	25
	Improved Investment Capability	0.69%	4

5. Future Modernization and Solutions

Respondents identify lowest-price procurement practices and clients prioritizing cost over quality as the primary drivers of unhealthy competition. There is an overwhelming consensus (96.71%) that the current fee framework needs modernization to reflect present-day complexities.

Need to Modernize the Engineering Fee Framework	**Responses (%)**	**Count**
Strongly Agree	78.28%	429
Agree	18.43%	101
Neutral	2.92%	16
Disagree	0.36%	2
Strongly Disagree	0.00%	0
Proposed Measures for Sustainability	**Responses (%)**	**Count**
Stronger enforcement of Scale of Fees	82.85%	454
Government policy intervention	59.49%	326
Better payment terms for consultants	53.28%	292
Quality-based consultant selection (QBS)	40.15%	220
Client education on engineering value	27.92%	153

6. Open-Ended Feedback Summary (Q19)

The open-ended responses highlight a strong desire for the Board of Engineers Malaysia (BEM) and IEM to take a more proactive role in protecting the profession. Common themes include:

- Mandatory Fee Deposits: Suggesting that fees be paid into a central body (like the Board of Architects) to ensure consultants are paid fairly and on time.
- Abolishing "Guide Only" Labels: Calling on the government to retract circulars that describe the Scale of Fees as merely a guideline.
- Legal Protections: Implementing punitive measures for firms that undercut fees and for clients that delay payments.

C. Discussion on the Findings

In this section, selected findings and recommendations from the IEM Position Paper on *Engineers' Salaries from Consulting Engineers' Perspective: Solutions and Proposals* are incorporated to provide additional context and support for the survey findings. The Position Paper offers valuable insights into the structural challenges affecting remuneration, talent retention, and the long-term sustainability of the engineering profession. The following are among the key issues and observations that warrant further discussion:

Sustainability of Engineering Consultancy Practices

The survey findings indicate growing concerns regarding the long-term sustainability of the engineering consultancy profession in Malaysia. A significant 77.7% of respondents disagree or strongly disagree that the current engineering fee environment is sustainable for consultancy firms over the long term. This perception is closely linked to the intensity of fee competition, with 73.08% of respondents characterising the current market environment as "unsustainable" or "critical."

Feedback received suggests that persistent fee undercutting has created a highly challenging business environment, particularly in certain regions where consultancy services are increasingly viewed as financially unattractive. Many firms reported that the need to remain commercially viable has shifted focus towards short-term financial survival, limiting their ability to invest in technical excellence, innovation, and future growth.

The survey findings substantiate a key concern highlighted in the earlier Position Paper: the ability of engineering consultancy firms to offer competitive remuneration is fundamentally linked to the fees they are able to secure for professional services. When consultancy fees are driven to unsustainably low levels, firms face increasing constraints in providing attractive salary packages, investing in talent development, and retaining experienced professionals. This creates a direct impact on the profession's ability to attract and sustain a highly skilled engineering workforce.

Adequacy of Fee Structures Relative to Professional Liabilities and Responsibilities

The survey highlights widespread concern that current consultancy fees do not adequately reflect the professional responsibilities, risks, and liabilities undertaken by engineers. 79.76% of respondents disagree or strongly disagree that current fees appropriately correspond to the level of accountability borne by Professional Engineers.

The findings further indicate that 50.50% of projects are commonly awarded at fees more than 30% below the recommended Scale of Fees (SOF). Respondents noted that engineering professionals are subject to substantial long-term liabilities and legal

responsibilities, yet the level of remuneration often does not reflect these obligations. This imbalance has raised concerns regarding the overall value placed on professional engineering services within the marketplace.

Adding to the above, the Position Paper recommends amending Section 4(1)(d) of the Registration of Engineers Act 1967 to explicitly empower the Board of Engineers Malaysia (BEM) to enforce the Scale of Fees (SOF), rather than treating it solely as a non-mandatory guideline. Such legislative enhancement would provide a stronger regulatory framework to address excessive fee undercutting, preserve the value of professional engineering services, and ensure that consultancy fees remain commensurate with the responsibilities, liabilities, and public safety obligations borne by Professional Engineers. This measure would support the long-term sustainability of the engineering profession while promoting quality-based competition within the industry.

Increasing Compliance and Professional Indemnity Burdens

Engineering consultancy firms are experiencing increasing regulatory, administrative, and financial obligations. Respondents highlighted the growing volume of documentation, submission requirements, and compliance procedures imposed by various authorities, including for relatively small-scale projects.

In addition, many respondents emphasised that Professional Indemnity (PI) insurance costs have become a significant financial burden that is often not adequately covered by consultancy fees. Several respondents suggested that consideration be given to reviewing the scope and duration of professional liability exposure to ensure that risks remain proportionate and manageable within the current business environment.

Talent Retention Challenges

The survey findings reveal significant challenges in attracting and retaining engineering talent. 76.34% of respondents believe that the engineering consultancy profession has become less attractive or no longer attractive to young engineers.

Contributing factors cited include relatively stagnant salary growth, increasing workloads, and rising living costs. As a result:

- 88.77% of respondents reported a moderate to severe impact on staff retention arising from low-fee competition.
- 52.50% of firms indicated that they have significantly reduced investment in talent development, training, and upskilling initiatives.
- Many respondents observed that engineers are increasingly seeking alternative career pathways that offer more competitive remuneration and career progression opportunities.

These trends raise concerns regarding the profession's ability to develop and retain the skilled workforce required to support Malaysia's future engineering and infrastructure needs.

The Position Paper illustrates this challenge through financial modelling, which indicates that an engineer beginning their career with a monthly salary of RM2,500 may take approximately 27 years to repay their education-related debt. In contrast, graduates in several other professional disciplines can achieve financial recovery within substantially shorter timeframes. This disparity raises concerns regarding the economic attractiveness of engineering as a career and reinforces the need for structural reforms to improve remuneration, talent retention, and the long-term sustainability of the profession.

Preserving Engineering Quality, Safety, and Professional Standards

The survey findings also highlight concerns regarding the impact of prolonged fee competition on engineering quality, safety, and professional standards. 88.16% of respondents believe that sustained low-fee competition has a moderate to significant impact on the quality of engineering services delivered.

Respondents expressed concern that excessive fee reductions may constrain the resources available for design development, technical review, project supervision, and quality assurance activities. Such constraints may increase project risks and potentially compromise the delivery of safe, reliable, and high-quality engineering outcomes.

Many respondents emphasised that engineering services should be recognised as professional services that require specialised expertise, sound judgement, and accountability. The prevailing view is that maintaining high professional standards, public safety, and long-term project performance requires fee structures that appropriately reflect the value and responsibilities associated with engineering practice.

This observation is further reinforced by the Position Paper, which argues that firms operating under significant financial pressure may be compelled to prioritize business survival over investments in technical excellence, innovation, quality assurance, and professional development. Over time, such constraints can limit the resources available to maintain the high standards of accuracy, diligence, and engineering judgment that are essential for safeguarding public safety and delivering sustainable infrastructure outcomes.

D. Conclusion

The findings of the IEM Engineering Impact Survey highlight significant concerns regarding the sustainability of Malaysia's engineering consultancy sector. Approximately 73% of respondents characterize the current fee environment as either unsustainable or critical, with project awards frequently reported at fees 30% or more below the recommended Scale of Fees.

Key professional conclusions include:

Pressure on Professional Standards

Prolonged fee compression may place increasing pressure on consultancy firms, potentially affecting the resources available for design development, technical review, quality assurance, and site supervision, which are essential to maintaining high professional standards and public safety.

Challenges in Talent Attraction and Retention

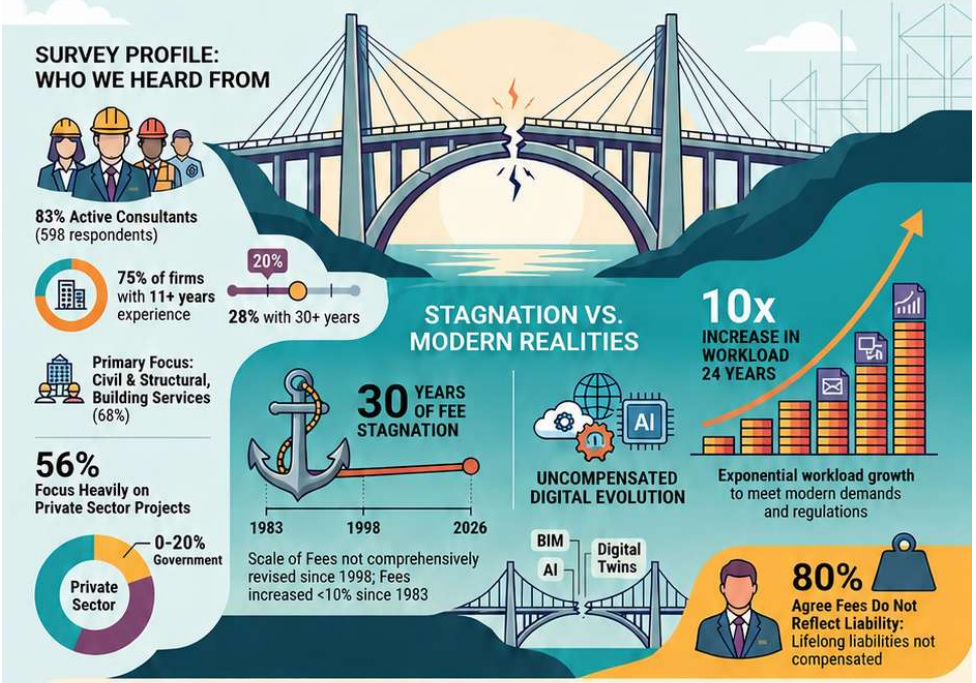
Continued fee pressures and relatively stagnant remuneration have contributed to growing concerns about the attractiveness of the profession to younger engineers, potentially affecting the industry's ability to attract, develop, and retain future engineering talent.

Need for Regulatory Modernisation

There is strong industry consensus on the importance of reviewing and modernising the existing Scale of Fees framework, last comprehensively reviewed in 1998, to better reflect current economic conditions, technological advancements, project complexities, and evolving industry requirements.

Overall, the survey demonstrates broad support for reforms that strengthen professional sustainability, enhance talent development, and promote procurement approaches including Quality-Based Selection (QBS), that place greater emphasis on quality, competency, experience, and long-term value alongside cost considerations. The findings provide an opportunity for constructive dialogue among industry stakeholders, regulators, clients, and policymakers to ensure the continued resilience, competitiveness, and excellence of Malaysia's engineering profession.

Scale of Fees for Engineering Consultancy Firms: The IEM Engineering Impact Survey 2026



SURVEY PROFILE: WHO WE HEARD FROM

83% Active Consultants (598 respondents)

75% of firms with **11+ years** experience

20%

28% with 30+ years

Primary Focus: Civil & Structural, Building Services (68%)

56% Focus Heavily on Private Sector Projects

STAGNATION VS. MODERN REALITIES

30 YEARS OF FEE STAGNATION

1983 — 1998 — 2026

Scale of Fees not comprehensively revised since 1998; Fees increased <10% since 1983

UNCOMPENSATED DIGITAL EVOLUTION

BIM, AI, Digital Twins

10x INCREASE IN WORKLOAD 24 YEARS

Exponential workload growth to meet modern demands and regulations

80% **Agree Fees Do Not Reflect Liability:** Lifelong liabilities not compensated

THE RACE TO THE BOTTOM: FEE COMPETITION

73% Describe Competition as Unsustainable/Critical

89% Report Selection is Driven by the Lowest Fee

Cost over Quality erosion

Cost over Quality prioritized

50% of Projects Awarded 36% Below Scale of Fees

MAIN DRIVERS OF EROSION:
Weak Enforcement (63%) | Client Cost Priority (59%)

IMPACT & TALENT CRISIS

QUALITY & SUSTAINABILITY

65% Significant Impact on Engineering Quality

78% Current Environment Unsustainable for Business

80% Report Frequent/ Occasional Project Issues Due to Low Fees

THE TALENT CRISIS

81% **Crisis in Staff Retention:** Low fees affect salaries

76% **Profession No Longer Attractive:** Stagnant salaries cause "brain drain"

81% **Reduction in Talent Development Investment**

THE PATH TO REFORM

97% DEMAND MODERNIZED FEE FRAMEWORK
Review to reflect present-day complexities

83% CALL FOR STRONGER FEE ENFORCEMENT
Gazette Scale of Fees into law

SHIFT TOWARD QUALITY-BASED SELECTION (QBS)

PROPOSED FINANCIAL SAFEGUARDS

FEE INCREASE: Raise consultancy fees by 40%–50%

PAYMENT TERMS: Mandatory payment within 30 days

FEE DISTRIBUTION: 80% total fee paid by tender stage

LIABILITY LIMIT: Reduce lifelong liability to 30-year maximum

SALARY BENCHMARK: RM10,000 minimum for engineers with 10+ years experience