Overview

As the US economy continues to improve, a broad range of businesses are discovering that finding qualified workers is a growing challenge, and that they need to offer incentives in order to attract top prospects. Increased compensation is typically part of that strategy. As of the first quarter of 2017, businesses reported that employment costs had risen 2.4% over the prior year, according to the U.S. Department of Labor, up from the 2.0% average annual increase of the prior six years. Employers also have had to consider enhancing traditional benefits, such as vacation time, health care coverage, and retirement contributions. Increasingly, businesses have been offering more quality-of-life benefits, such as wellness programs, transportation subsidies, childcare assistance, and flexible work options to attract and retain qualified employees in this more competitive employment environment.

One obvious sign of a more competitive labor market is the declining national unemployment rate. Falling below 4.5% in the second quarter of 2017, the unemployment rate is at its lowest level since 2006, near the peak of the last economic upturn. With an aging population, many businesses find that adding new workers is a growing challenge. However, with such pressure on finding additional qualified employees to accommodate additional growth, many are surprised that employee compensation nationally is not increasing at an even faster pace. Some reasons offered for this situation of an apparently tight labor market with modest compensation increases are:

- Increased globalization: Companies can shift production to other parts of the world where wages are lower.
- Lower productivity gains: Since much of the growth in the economy is in service sectors where worker output per hour has not increased much in recent years, it is difficult for employers to offer higher levels of compensation.
- Greater reliance on part-time, contract, and other underemployed workers: These individuals aren’t reported as unemployed, but they still may be seeking to enhance their employment opportunities.

However, even with these barriers to compensation growth, as long as the economy continues to exhibit even moderate gains, there is increasing likelihood that the need for additional workers will result in accelerating worker compensation levels in the coming quarter and years.

As with broader labor market trends, the architecture profession has seen tight staffing levels, particularly for skilled positions, and modest increases in compensation. In spite of the fact that architecture firms lost over 65,000 positions during the last recession, and have added back only slightly more than half of them to date, many firms report difficulty filling open positions. In an American Institute of Architects (AIA) survey conducted in late 2016, a quarter of architecture firms listed “identifying qualified staff” as one of their top three business concerns for the coming year, while over one in 10 firms listed “retaining current staff” as a top concern.

The AIA’s monthly Architecture Billings Index (ABI) survey also suggests that many firms may be looking to add additional staff because current staff are not sufficient to keep up with growing workloads. Through the first half of 2017, firms were reporting more new project activity (new design contracts) than work being completed (billings). The result has been an increase in project backlogs, which in the first quarter of 2017 reached their highest level since before the last downturn.
Overview

**EXHIBIT 1.1:**

**Architect compensation gains strongest since downturn**

Average compensation including overtime, bonuses, and incentive compensation for staff architecture positions at US architecture firms and average percent change in compensation for these positions.

![Bar chart showing average compensation and annual percent change from 1993 to 2017.]

**Note:** Architecture positions covered include project design and project management staff, architect and design staff, and emerging professional on the path to licensure positions. Average compensation weighted by number of positions.

**Source:** Unless otherwise noted, the source for all material in this report is the American Institute of Architects.

**Compensation for architecture positions beginning to accelerate**

Average compensation across all architectural staff positions averaged just under $84,000 at the beginning of 2017, up about 2.8% per year from early 2015 levels. This pace of increase is well above that seen since the last recession, but below averages for the profession over the 15 years prior to that downturn, when annual compensation gains for staff architecture positions were generally in the 3% to 5% range. (Exhibit 1.1) However, the past decade has been characterized for its overall low rate of inflation, so even modest compensation gains may support an increase in the purchasing power for these positions.

Compensation for architectural positions appears to be building momentum, and it has recently surpassed the pace of growth of broader compensation gains in our economy. Annual compensation gains across private-sector employment averaged about 2.4% since 2015, a bit above the under 2.0% average annual increases for all professional and related staff, according to the U.S. Department of Labor Employment Cost Index.
This stronger gain in architectural compensation breaks a pattern that has been in place since 2008, wherein compensation gains in the broader economy have outpaced those of architectural staff. Prior to the beginning of the last recession, however, compensation gains for architectural positions were growing much faster than in the broader economy. From a perspective of the past decade and a half, therefore, compensation for architectural positions has modestly exceeded the gains seen in the broader economy. (EXHIBIT 1.2)
EXHIBIT 1.3:
Across the board, architecture positions see strong compensation increases
Average compensation including overtime, bonuses, and incentive compensation for staff architecture positions at US architecture firms

<table>
<thead>
<tr>
<th>Average compensation</th>
<th>2013</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior design/project management staff*</td>
<td>$99,400</td>
<td>$103,400</td>
<td>$111,000</td>
</tr>
<tr>
<td>Architects/designers**</td>
<td>$73,000</td>
<td>$77,100</td>
<td>$82,800</td>
</tr>
<tr>
<td>Emerging professionals on the path to licensure***</td>
<td>$47,000</td>
<td>$48,900</td>
<td>$53,100</td>
</tr>
</tbody>
</table>

Average annual increase in compensation

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior design/project management staff*</td>
<td>Total</td>
<td>Net of inflation</td>
</tr>
<tr>
<td></td>
<td>2.0%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Architects/designers**</td>
<td>2.8%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Emerging professionals on the path to licensure***</td>
<td>2.0%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

NOTE Inflation measured as annual change in the U.S. Department of Labor Consumer Price Index. Average compensation weighted by number of positions.
* Positions in this category include Director of Design, Director of Operations, Senior Project Designer, Project Designer, Senior Project Manager, and Project Manager.
** Positions in this category include Architect 1, 2, and 3 and Unlicensed Architecture/Design Staff 1, 2, and 3.
*** Positions in this category include Emerging Professional on the Path to Licensure 1, 2, and 3 (formerly Intern 1, 2, and 3).

SOURCES U.S. Department of Labor; AIA

Compensation gains for architectural positions across experience levels have remained relatively uniform over the past two years. The strongest gains have been from more junior emerging professional on the path to licensure (formerly called intern) positions, which have increased at a slightly faster pace than for architect/designer and senior design/project management staff. For all position categories, compensation gains net of inflation have been significant recently. With economy-wide inflation running at a modest pace, compensation gains net of inflation have averaged about 1.5% annually over the 2015-16 period. (EXHIBIT 1.3)
Overview

EXHIBIT 1.4:
Coastal metros generally had highest starting compensation levels
Average base pay plus additional cash compensation for Emerging Professional on the Path to Licensure I position by metro area as of January 1, 2017

NOTE: Including the 21 metro areas where there were sufficient responses to estimate compensation for an Emerging Professional on the Path to Licensure I position, the national average for Emerging Professional on the Path to Licensure I position was $47,330.

LOCATION STILL CRITICAL FOR STARTING COMPENSATION

There remains a considerable differential in starting compensation levels across major metropolitan areas. Firms in Washington, DC, reported the highest compensation levels for Emerging Professional on the Path to Licensure I positions—almost 12% above the national average—and Philadelphia reported the lowest at almost 10% below national levels of the 21 major metro areas covered in this report (metro areas with sufficient responses to the 2017 AIA Compensation Survey needed in order to estimate compensation for this position).

In general, firms in coastal metros with strong economic growth reported the highest starting compensation. The top five metros for starting compensation are Washington, DC, San Francisco, Los Angeles, Seattle, and New York City. In contrast, metros with lower starting compensation often were areas with a lower cost of living. (EXHIBIT 1.4)
Starting compensation for architectural positions has seen strongest growth in Washington, DC, Chicago, and Los Angeles in recent years

Average annual change in base pay plus additional cash compensation for Emerging Professional on the Path to Licensure position by metro area between January 1, 2015, and January 1, 2017

Many of the metro areas that have seen the strongest growth in starting compensation are the same as those that currently have the highest compensation levels. Others, however, are metros that have seen a recent recovery in economic conditions but aren’t currently areas with high compensation levels. Of the 17 major metro areas with sufficient responses to both the 2015 and 2017 AIA Compensation Surveys to estimate compensation levels for entry-level positions, areas where starting compensation increased by at least 10% between 2015 and 2017 (or at least twice the national average for growth over this period) include Chicago, Los Angeles, and Washington, DC. Also, metros with growth in entry-level compensation between 7.5% and 10% include a diverse set of areas, some with high levels of starting compensation (e.g., New York), and others with moderate or relatively low starting compensation (e.g., Kansas City, Pittsburgh, San Diego, St. Louis).

**EXHIBIT 1.5**

**NOTE**
Includes the 17 metro areas where there were sufficient responses to estimate compensation for an Emerging Professional on the Path to Licensure position in both 2015 and 2017; national average annual growth for Emerging Professional on the Path to Licensure position between 2015 and 2017 was 4.9%.
Overview

EXHIBIT 1.6:  
As business conditions strengthen, ratio of CEO/President to entry-level architectural compensation increasing

As in all industries in our economy, income disparities exist in the architecture profession. However, the architecture profession continues to avoid the extremes that exist in other professions. As of early 2017, the average compensation nationally of almost $220,000 for a CEO/President position at architecture firms was 4.7 times the average compensation of just over $47,000 for Emerging Professional on the Path to Licensure I position. As economic conditions in the profession improve, income disparities are beginning to creep back up.

In 2008, at the height of profitability and compensation growth at architecture firms, the ratio of average CEO/President compensation to an Emerging Professional on the Path to Licensure I position was 5.2. This ratio fell to 4.2 in 2011, when business conditions were near the bottom for this past cycle, and have picked up in subsequent years, to 4.5 in 2013 and 2015, and climbing to 4.7 as of early 2017. (EXHIBIT 1.6)
Overview

EXHIBIT 1.7:
Value of benefits as share of compensation had been declining at larger firms in recent years, while remaining relatively stable at others.
Benefits as percentage of base pay for professional staff by firm size, 2002-2017

A SHRINKING BENEFITS GAP
While higher levels of compensation for virtually all architecture positions persist for larger firms, the gap in benefits offered is beginning to narrow. Larger firms are finding it challenging to maintain the historic growth in benefits, and as a result the value of benefits as a percentage of base pay for professional staff at these firms has been trending down in recent years. By contrast, in an effort to compete for and retain qualified employees, smaller firms have seen the need to retain benefit levels.

Benefits as a share of base pay for firms with 50 or more employees grew during last decade’s expansion, and peaked at just over 25% in 2008. Since then they have generally been trending down, falling to just over 21% in early 2017. Firms with fewer than 50 employees didn’t see the run-up in benefits during last decade’s expansion, but also haven’t seen much of a decline during the past recession and subsequent recovery. The value of benefits as a share of base pay has been largely unchanged at under 50 employee firms for the past decade and a half. (EXHIBIT 1.7)