Overview

For the past several years, business conditions have created a virtual “perfect storm” to increase compensation levels for architecture positions at US architecture firms. The national economic expansion has recently reached a record duration, the unemployment rate is near a 50-year low, and spending on non-residential construction activity has increased 40% over the past seven years.

As a result, US architecture firms have been expanding their staffing. Payroll employment at firms has grown by an average of 7,500 positions a year over the past six years. The AIA estimates that approximately 4,500 of this average annual increase in staffing is for architectural positions. Given the growing levels of retirement among our aging architecture staff, architecture schools have not been able to generate enough new graduates to meet this expanded need for staffing in recent years. As a result, firms have had to employ a range of strategies to attract new workers and retain their current employees, including:

- Increasing overall compensation levels across the profession;
- Relying more heavily on sign-on and retention bonuses to attract and retain staff;
- Increased willingness to hire candidates without professional architecture degrees for architectural design and paraprofessional positions;
- Increasing training programs and productivity-enhancing technology investments in an effort to make their staff more productive; and
- Increased benefits to staff when possible, while adding additional benefits that enhance the culture of the firm and help make it more employee-friendly.

Even with the general staffing concerns facing architecture firms, the pressures are much greater in some areas of the country than others. For example, of the 27 metropolitan areas detailed in this report where architectural compensation levels are estimated, average compensation in early 2019 (base salary plus incentives and bonuses) for unlicensed recent graduates of architecture programs was almost 20% above the national average in some areas, and close to 20% below the national average in others. However, these compensation disparities likely reflect cost of living differences as well as local area competitive pressures. For example, in several metro areas, a recent architectural graduate would need to devote 30% or more of their annual compensation to afford the typical rental unit in the area. In others, typical rents would account for well under 20% of average compensation for a recent graduate of an architectural program.

In addition to increased compensation and paid benefits to employees to attract and retain staff, many firms have increasingly relied on other benefits aimed at improving the work-life experience or enhancing the culture of the firm in the eyes of current or potential employees. For example, most firms offer telecommuting and flex-time options, as well as casual dress options, while a growing number of firms are offering a child-friendly or pet-friendly office, shorter summer or seasonal hours, and paid time to volunteer.

Even with signs of slower growth in design activity, there is potential for compensation pressures to continue to be an issue at architecture firms. The AIA’s monthly Architecture Billings Index (ABI) shows that new design work continues to grow at firms, and that project backlogs remain at their high-water mark of the past decade. A recently released AIA Consensus Construction Forecast survey projects that spending on nonresidential building will expand at least through 2020. Both trends point to increased need for architectural staff.
Overview

**EXHIBIT 1.1:**

**Architect compensation gains match strongest level of past two decades**

Average compensation, including overtime, bonuses, and incentive compensation, for staff architecture positions at US architecture firms.

While some of the growth in compensation is merely offsetting the pace of inflation in the cost of goods and services, average architectural compensation has seen substantial growth beyond mere inflation over the past two decades. In 2019 dollars, average architecture compensation in 1990 was just over $70,000, so real compensation for these positions has increased by almost a third over this two-decade period.
Overview

EXHIBIT 1.2:
Architecture staff compensation gains currently outpacing growth in broader economy
Index: Q1 2002 = 100; all figures for first quarter of year

Reflecting the volatile nature of the design and construction industry, architect compensation tends to fluctuate during the business cycle more than for most other industries. During periods of strong growth in the economy, architect compensation accelerates more rapidly than overall compensation, or compensation for other professional positions. During periods of weaker growth, gains in architect compensation tend to underperform other industries.

Given that the current economic expansion has lasted more than a decade, it’s not surprising that compensation for architectural positions has been building momentum. Between early 2017 and early 2019, compensation for architectural positions increased over 12%, twice the pace of growth in compensation for all workers in our economy, and 2.5 times the pace of growth for all professional and related staff according to the US Department of Labor’s employment cost index. (EXHIBIT 1.2)
EXHIBIT 1.3: Coastal metros generally had highest starting compensation levels
Average base pay plus additional cash compensation for recent graduates of architecture programs by metro area as of January 1, 2019

NOTE Includes the 27 metro areas where there were sufficient responses to estimate compensation for a recent college graduate (non-licensed); national average for a recent college graduate (non-licensed) $50,800.

REGIONAL DIVERSITY IN COMPENSATION LEVELS GROWING
There remains a considerable—and apparently growing—differential in starting compensation levels across major metropolitan areas. For example, average compensation for an unlicensed recent college graduate at architecture firms in San Jose was $65,900 in early 2019, almost 45% higher than the $45,800 average starting compensation in Pittsburgh. In general, metro areas with higher starting compensation were on the Pacific Coast or along the Northeast seaboard, with firms in Los Angeles, New York, San Francisco, San Jose, Seattle, and Washington, DC reporting the highest average compensation for unlicensed recent college graduates. (EXHIBIT 1.3)

However, the firms in metro areas that offer the highest starting compensation may be forced to do so to compensate employees for the higher cost of living in these metros, particularly in regard to housing costs. For example, the unlicensed recent college graduates in San Jose that recorded the highest compensation also were faced with some...
Overview

EXHIBIT 1.4:
Share of compensation for recent college graduates devoted to rent is high in many metro areas, even where compensation levels are the highest
Share of compensation devoted to rent using average compensation for recent college graduate (non-licensed) in that metro area, and median rent in metro area

NOTE: Includes the 27 metro areas where there were sufficient responses to estimate average compensation for a recent college graduate (non-licensed) in that metro area as a share of median rent in metro. Rents for 2017 from American Communities Survey. National average for rent burden for recent college graduate = 18.7%.

In contrast, in Pittsburgh the median annual rent was $7,800, or about $650 a month. With average compensation of $45,800, the average rent burden for recent college graduates would be 17.1%, one of the lowest burdens for any of the metro areas covered by this compensation report. In general, areas with higher average starting compensation also tend to be areas with higher average rent burdens. (EXHIBIT 1.4)

This relationship would be even more extreme by looking at the ability of recent college graduates to afford homeownership. Nationally, house prices in an area average about three to 3.5 times the average

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EXHIBIT 1.5:
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, 2002-2019

area income in a metro area. Even among recent college graduates, there are several metro areas—Charlotte, Detroit, Indianapolis, Pittsburgh, and St. Louis—where the typical starting compensation for a recent architecture graduate would be less than 3.5 times the median price of a home in those metros. At the other extreme, however, median house prices in Los Angeles, San Diego, San Francisco, or San Jose would be at least 10 times typical compensation for recent college graduates.

BENEFITS SHIFT TO PROMOTING FIRM CULTURE

With the growing competition to attract talented employees, most architecture firms have continued to offer a comprehensive package of benefits. However, the increases in staff compensation in recent years have created competing demands as to how to best maintain a competitive package of benefits.

Across the profession, the value of benefits offered as a share of employee compensation has been stable to modestly declining in recent years. At firms with fewer than 50 employees, the value of benefits as a share of compensation dropped by more than a percentage point as of early 2019, after remaining relatively stable in the 17% to 18% range over the prior 15 years. For firms with 50 or more employees, the benefits share has been declining since 2013, while the 2019 figure showed some stabilization in the benefits share. (EXHIBIT 1.5)
Overview

EXHIBIT 1.6:

More firms offering quality-of-life and firm culture benefits

Percentage of firms offering benefits to employees

Given the financial challenge of expanding the value of benefits at the pace of compensation gains, firms have been expanding a newer category of benefits: those that improve the quality of life for employees and enhance the culture of the firm in the eyes of employees, but that typically create only a modest financial burden for the firm. Casual office dress, telecommuting options, and flexible work hours are examples of these benefits. For each of these, over 80% of firms currently make them available to at least some of their employees, and the share of firms offering them has risen over the past two years.

(EXHIBIT 1.6)