

# Overview

Compensation for architectural staff at US architecture firms essentially held flat over the 2019–2021 period despite a steep economic recession during the first half of 2020 and the corresponding weakness in the nonresidential design and construction sector of the economy resulting from that downturn. However, in an effort to manage expenses, many firms scaled back their traditional employee benefits, while increasing offerings to help address work-life balance issues.

Business conditions for the profession held up better than might have been expected as evidenced by the relatively modest payroll losses at architecture firms during the downturn. The overall economy lost over 21 million payroll positions between February and April of 2020, or 16.5% of total payrolls. The construction sector of the economy performed

almost as poorly, shedding almost 108,000 payroll positions during the downturn, or 12.6% of its total. Architecture firms in contrast lost 16,000 positions between February and their low in July 2020. That amounted to 8.0% of all payroll positions at architecture firms, or less than half the share lost economy-wide.

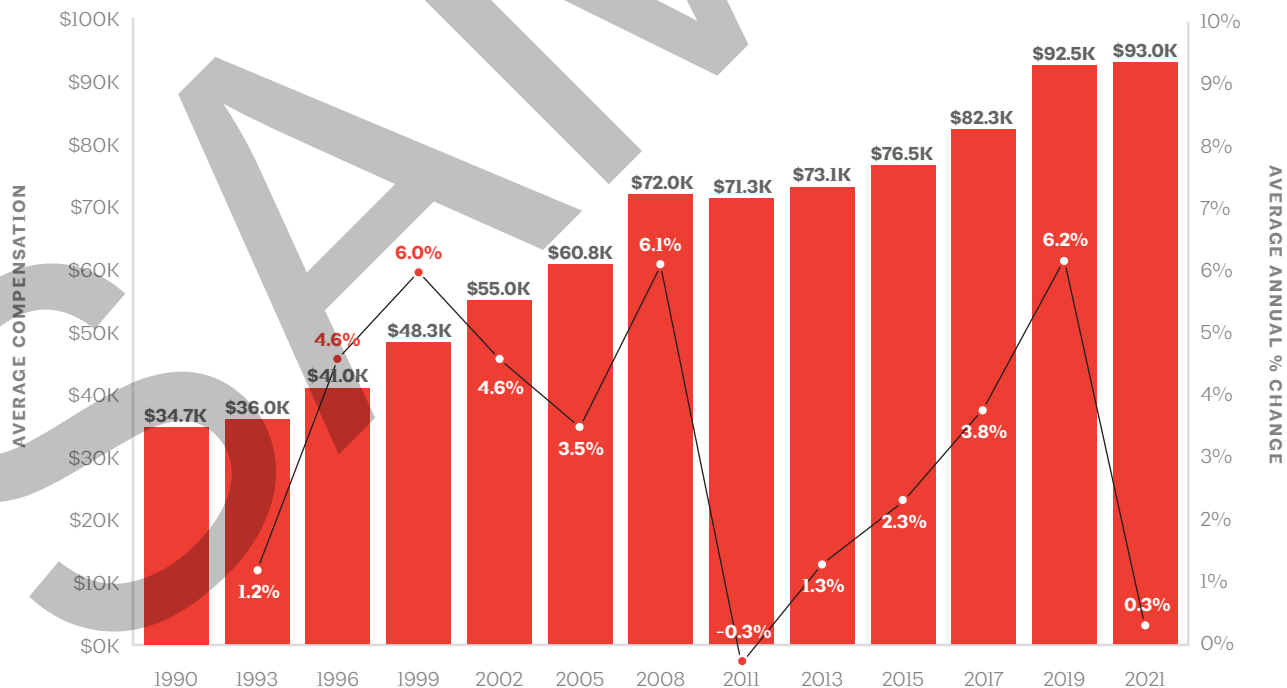
Average compensation across the profession has seen fairly stable gains over the past three decades, with a compound annual growth rate of just under 3.5% over this period. However, during periods of strong economic growth, compensation has typically increased in excess of 6% per year. Likewise, compensation generally stagnates during economic recessions, and in extreme cases it can even decline, as was the case during the Great Recession.

(EXHIBIT 1.1)

## EXHIBIT 1.1:

### Architect compensation stalls but doesn't decline during pandemic downturn

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



**NOTE** Architecture positions covered include project design and project management staff, architect and design staff, and recent college graduates (non-licensed). 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.

# Overview

Compensation has held up relatively well during the pandemic downturn for several reasons. First, the government’s fiscal and monetary response early on targeted the sectors of the economy that would be hit the hardest by mandated restrictions and shutdowns (e.g., travel, tourism, hospitality, personal services, cultural, amusement, and recreation). Secondly, the pandemic-induced economic downturn, although very sharp, was fairly brief in duration. For example, even though the impact of the pandemic began to be felt by mid-March 2020, business payrolls nationally hit bottom and began their recovery a mere two months later. In contrast, during the Great Recession, payrolls declined monthly for over three years. Even during the relatively mild 2001 dot.com recession, payrolls declined fairly steadily for almost 18 months.

Finally, the steep decline in project revenue at architecture firms over this period was generally not reflective of their overall financial situation. Most architecture firms qualified for Small Business Administration loans under the Payroll Protection Program. These loans provided incentives to keep employees on their payrolls, and most firms were

eventually eligible to have a majority or all of these loans forgiven. Additionally, most firms were able to reduce some of their indirect costs during the pandemic. With travel restrictions, firms cut back on project client and site visits, as well as on some categories of marketing expenses.

## ARCHITECT COMPENSATION UNDERPERFORMS ECONOMY-WIDE TRENDS

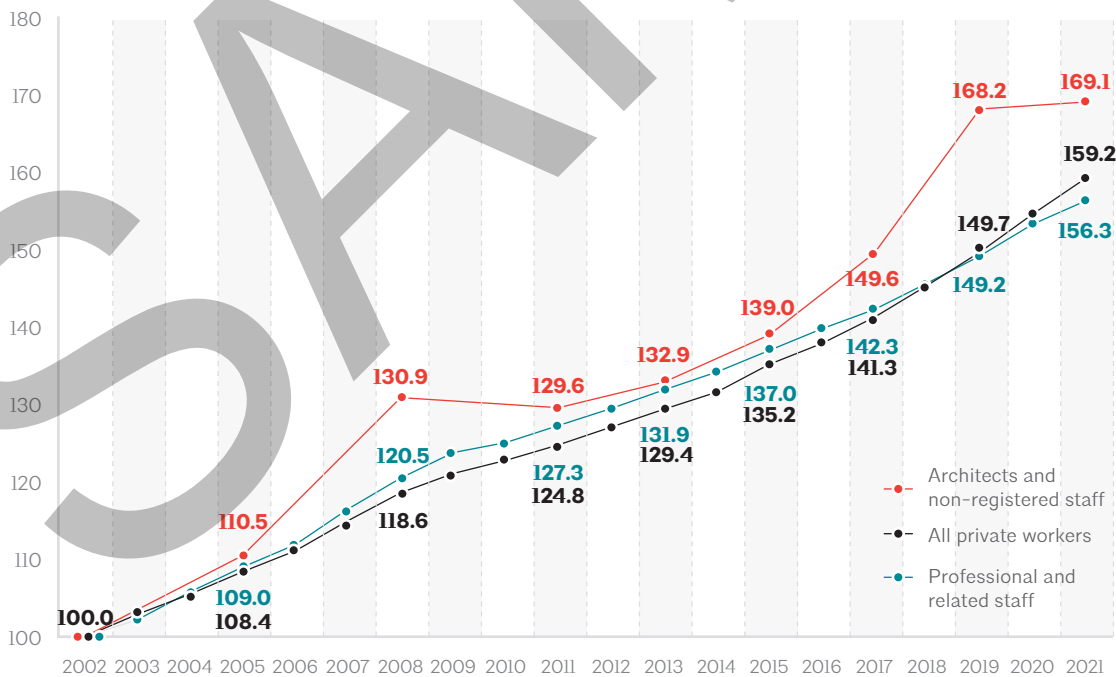
While architect compensation held up better than might have been expected during the pandemic, it followed the historical pattern of exceeding gains in the broader economy during periods of strong growth, and lagging the gains of most other industries during periods of slow growth or downturns. Between 2002 and 2021, compensation for all private workers increased nearly 60% according to the US Department of Labor’s employment cost index. Compensation for all professional workers grew just a bit below this pace at 56% over this same period. However, average architect compensation increased roughly 70% according to surveys conducted by the AIA.

(EXHIBIT 1.2)

### EXHIBIT 1.2:

#### Recent architect compensation slowed more than economy-wide averages

Index: Q1 2002 = 100; all figures for first quarter of year



NOTE Compensation for all private workers and professional and related staff includes wages and salaries, incentive pay, but not overtime and bonuses.  
SOURCE US Department of Labor Employment Cost Index, and the AIA.

# Overview

Even while generally outpacing compensation growth in the broader economy in recent decades, architect compensation remains much more volatile across the business cycle. For example, between 2019 and 2021, architect compensation increased a mere 0.3% per year, while all professional compensation increased 2.4% annually, and 3.1% for all private workers. This same pattern was exhibited during the Great Recession, when architect compensation declined between 2008 and 2011, while increasing over 1% annually for professionals and nearly 2% for all private workers during these years.

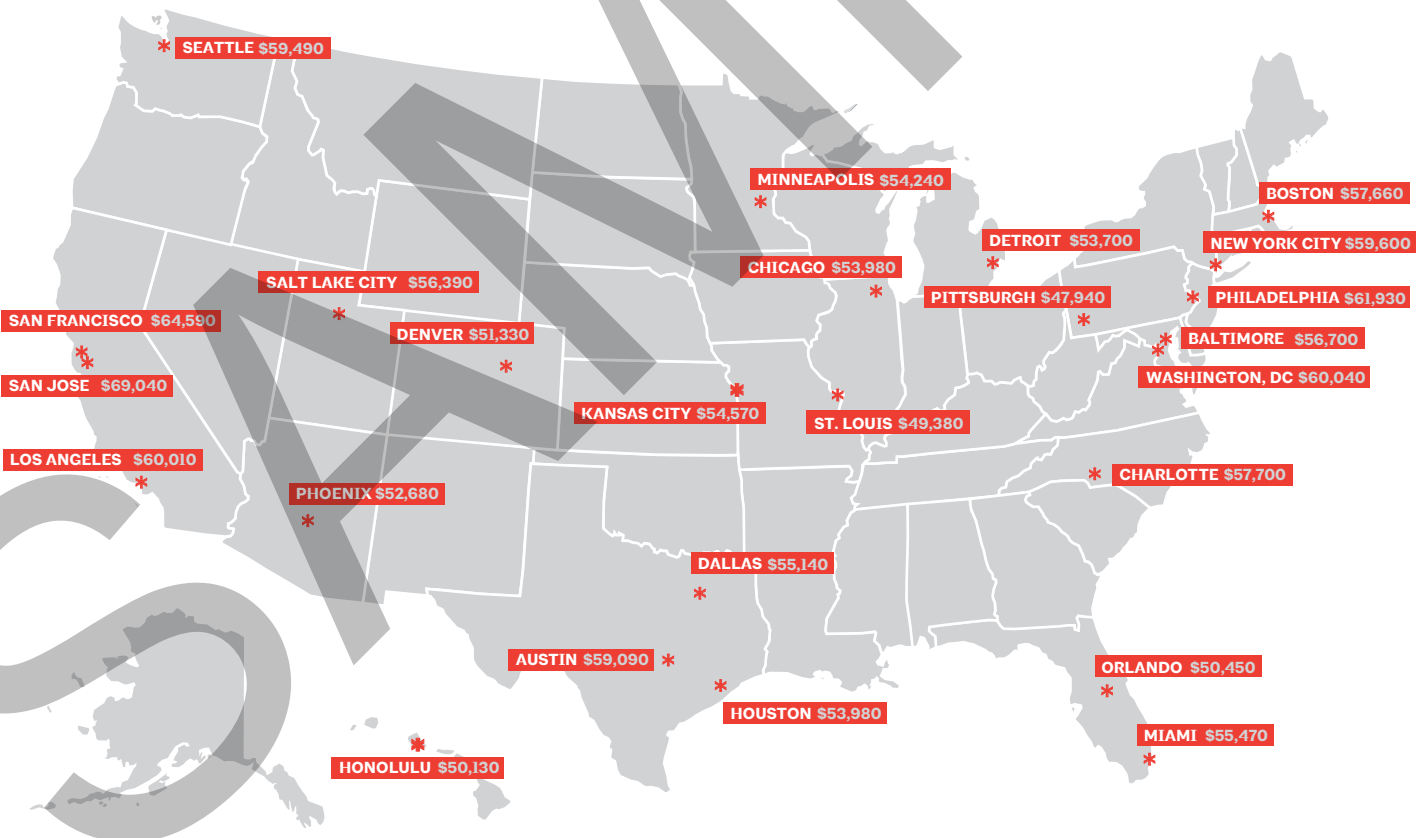
## CONTINUED REGIONAL VARIATION IN COMPENSATION

Average compensation nationally for recent architecture graduates was just under \$56,000 as of early 2021, with nearly \$54,000 in base salary and slightly over \$2,000 in nonguaranteed pay (overtime, bonuses, profit-sharing, etc.). However, there continues to be considerable variation in starting compensation nationally, with average starting compensation ranging from around \$48,000 to \$69,000 across the 25 metro areas with sufficient responses to estimate compensation.<sup>1</sup> (EXHIBIT 1.3)

### EXHIBIT 1.3:

#### Compensation for recent architecture graduates continues to show significant regional variation

Average base pay plus additional cash compensation for recent graduates of architecture programs by metro area as of Jan. 1, 2021



**NOTE** Includes the 25 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): \$55,960.

<sup>1</sup> Estimates of starting compensation for recent graduates do not attempt to adjust for factors such as firm size, firm type, and firm's location within a metropolitan area. These figures are based on a limited sampling of positions, and as such the variation around these estimates should be assumed to be substantial.

# Overview

Higher starting salaries for recent graduates are generally provided in areas with elevated costs of living, particularly in those areas with higher house prices and rents. Housing affordability has become a serious problem in many areas of the country, with house prices rising at a double-digit annual pace so far in 2021 in most areas. Rents have seen less dramatic increases, but even the relatively modest 3% to 4% annual increases in recent years have outpaced the growth in compensation for many architectural graduates just beginning their careers.

Major West Coast metros dominate the top compensation markets for recent graduates, with San Jose, San Francisco, Los Angeles, and Seattle all in the top 10 of the 25 markets reporting. The other major concentration is along the Northeast seaboard, with Philadelphia, Washington, D.C., New York City, Boston, and Baltimore all ranking high on average starting compensation.

Similar to the national trends, average compensation for recent graduates has seen very modest gains or even declines in most metro areas in recent years. Only four metros of the 22 with sufficient responses to provide estimates in both 2019 and 2021 have seen average annual increases in compensation for recent graduates of 5% or more over the past two years: Kansas City, Austin, Philadelphia, and Baltimore.

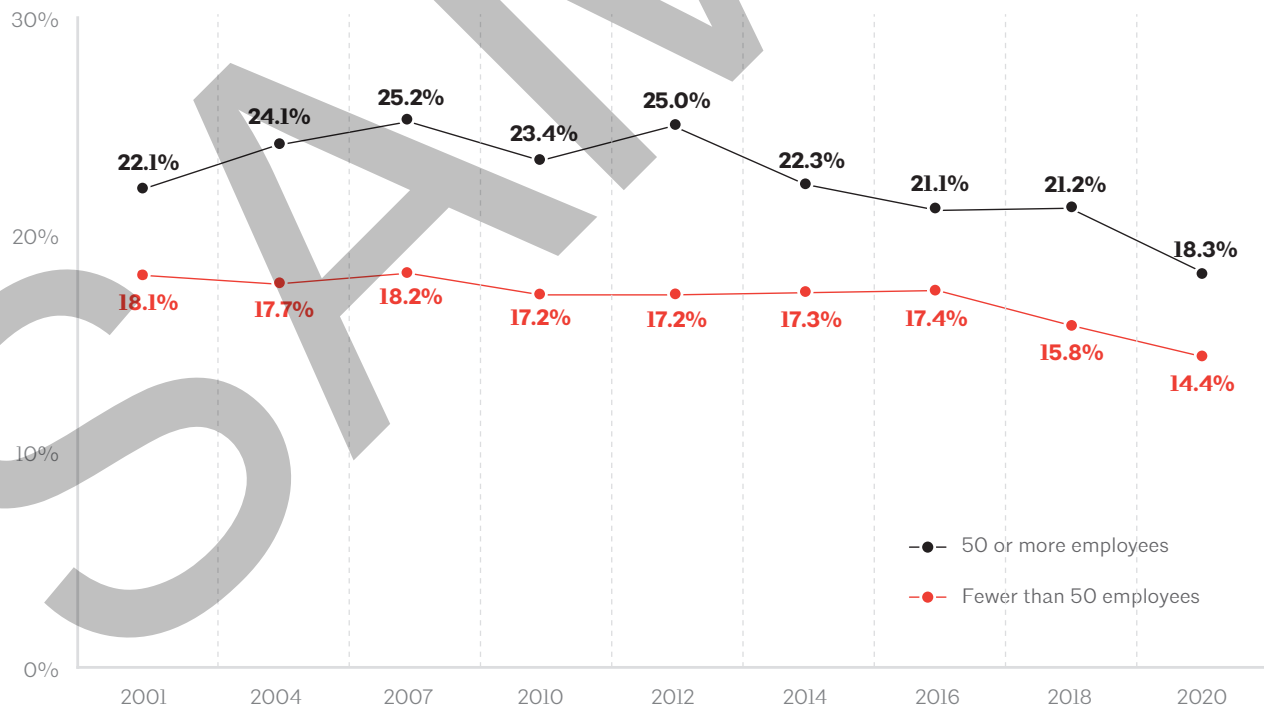
### BENEFITS TAKE A PANDEMIC HIT

While architect compensation generally has held steady in recent years, benefits as a share of base pay continues their downward slide. At firms with fewer than 50 employees, benefits as a share of base pay averaged just over 18% nationally two decades ago. As of 2020, the share had fallen to 14.4% on average. At larger firms, benefits as a share of base pay averaged 18.3%, but have seen a comparable decline over the past two decades. (EXHIBIT 1.4)

#### EXHIBIT 1.4:

### Benefits as share of base pay continues their downward slide at architecture firms

Benefits as a percentage of base pay for professional staff by firm size, 2001–2020



# Overview

There are at least two likely reasons why benefits as a share of compensation declined during the pandemic. The first is that some traditional benefits, such as office outings or retreats, professional development programs, fitness club discounts, and travel to conventions and other professional events, were not available to most employees during the pandemic. Additionally, many firms were making efforts to conserve resources during the downturn. During uncertain economic times, firms often will freeze salaries, reduce hours for hourly staff, and scale back on discretionary expenses, including staff benefits, in an effort to retain as many of their employees as possible until business levels recover.

While scaling back or even cutting some traditional benefits, firms often emphasized and even added

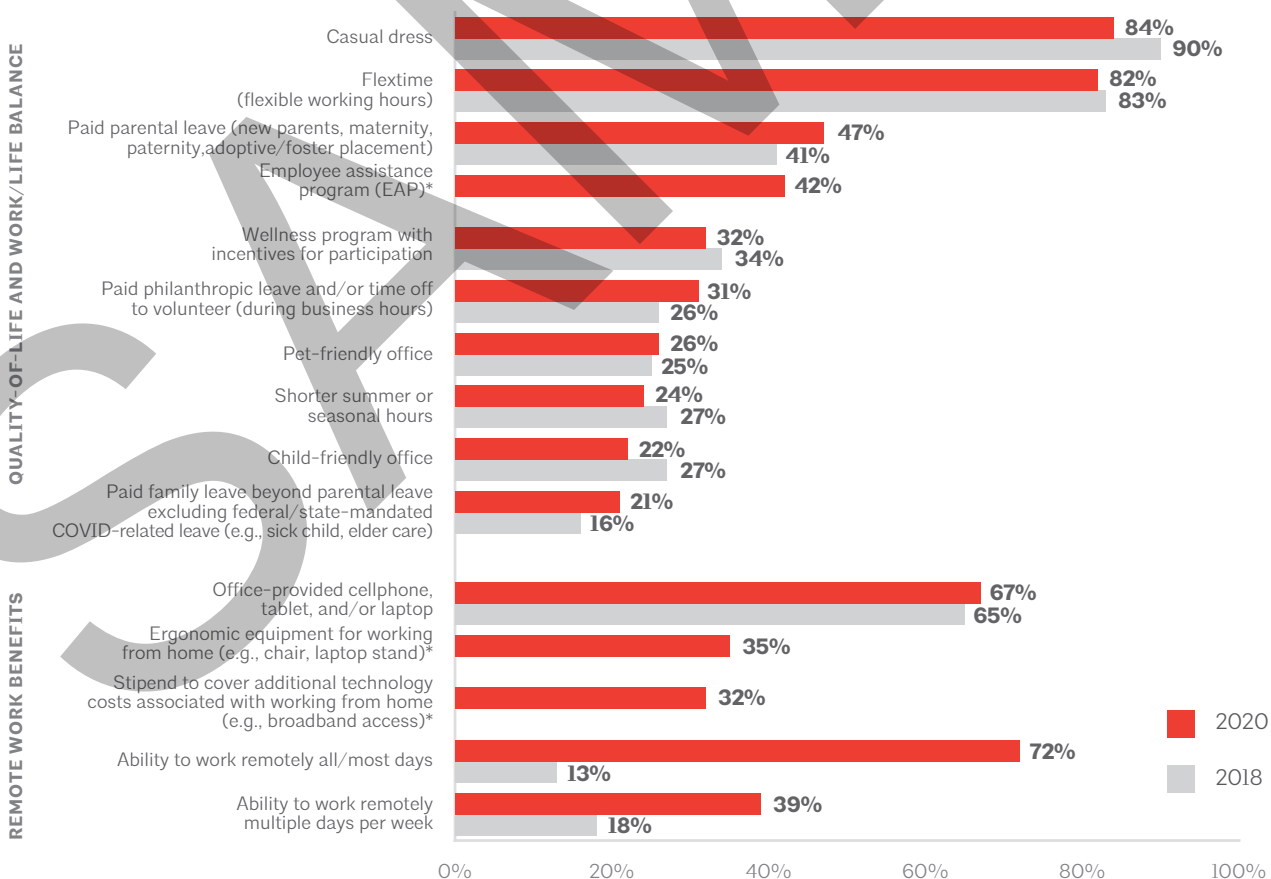
other quality-of-life and work-life balance options for their employees. While most firms already offered traditional quality-of-life benefits such as casual dress and flexible working hours at the office, an increasing share of firms are now offering paid parental leave, paid time to volunteer, and paid family leave beyond parental leave even as their overall benefits packages are being scaled back. **(EXHIBIT 1.5)**

Additionally, many firms are offering benefits related to remote work. This may include reimbursement for equipment or furnishings for a home office, as well as added opportunities for working remotely. Since numerous firms have found that remote work has been successful during the pandemic, it is likely many will continue developing options for remote work, at least in the immediate post-pandemic period.

**EXHIBIT 1.5:**

**With some traditional benefits scaled back, more firms offering increased quality-of-life and remote work benefits**

Percentage of firms offering benefits to employees



\* Not asked in 2018.