

I. OVERVIEW

With an upturn in the broader economy, the nonresidential construction sector has been very strong in recent years. Spending for nonresidential construction in the categories where building activity dominates—and therefore where architects play a significant role—increased by more than 42 percent between 2005 and 2008, according to U.S. Census Bureau figures. Construction activity was particularly strong in the commercial categories (office, retail, and hotel facilities), where spending increased almost 50 percent over this period.

One of the results of a strong nonresidential construction market was solid gains in compensation at U.S. architecture firms. Average compensation for architecture positions (licensed architects, unlicensed, and interns), when factoring in base salaries as well as overtime, bonuses, and incentive compensation, increased by more than 5.7 percent per year on average over this three-year period, the strongest period of growth since the AIA began collecting compensation information in 1990. The gains in compensation brought the average compensation figure for architecture positions up to more than \$73,000 nationally, more than double the average level of compensation in 1993, and nearly 50 percent higher than the average compensation level in 1999 (*Exhibit 1.1*).

In recent years, compensation gains for architectural staff positions have significantly outpaced compensation gains in the broader economy. Overall compensation gains among the private sector workforce increased less than 19 percent between the first quarter of 2002 and the first quarter of 2008, according to the U.S. Department of Labor's Employment Cost Index. For employees at businesses providing professional services—the broader category that includes architectural services—compensation grew no faster than compensation in the total private sector workforce.

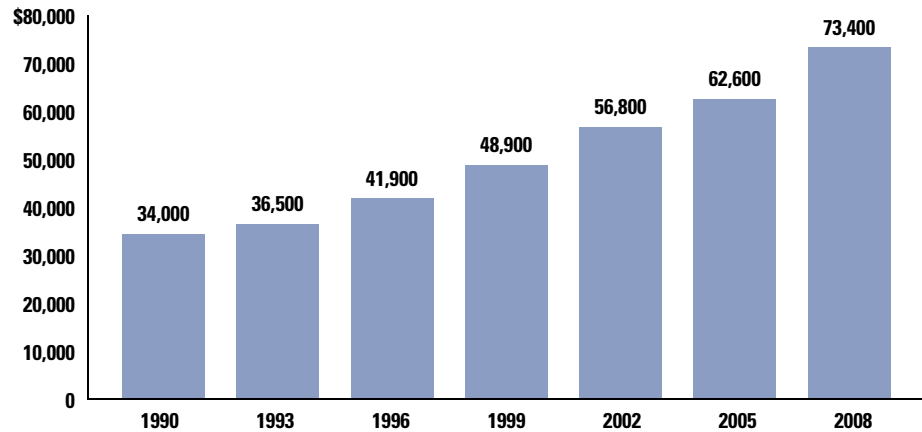
Comparing these results to those of the AIA national compensation surveys shows that compensation of archi-

tecture staff at U.S. architecture firms has surpassed these broader measures of compensation growth. AIA surveys point to gains approaching 30 percent over this six-year period, more than

half again as much as the gains for the private workforce, or for employees at professional and business services firms (*Exhibit 1.2*). Compensation growth among architecture staff has

EXHIBIT 1.1 Compensation for Architecture Positions Sees Strong Gains in Recent Years

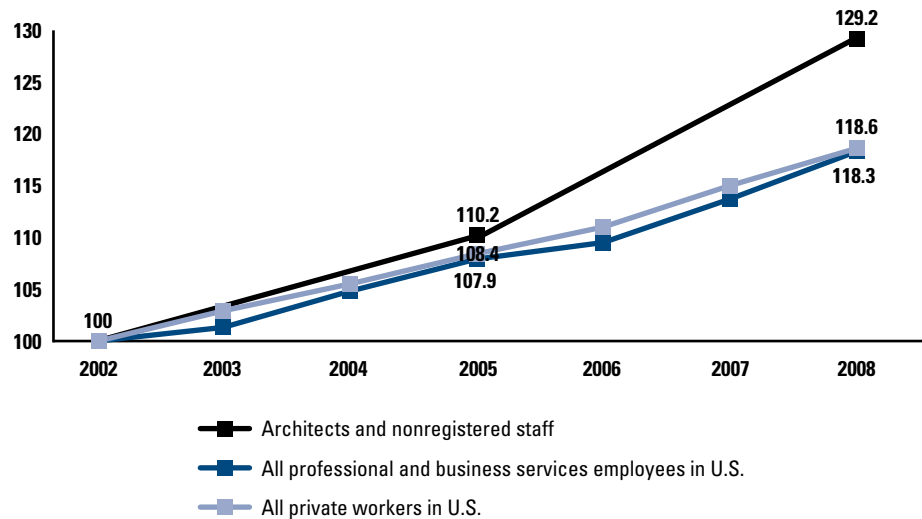
Average compensation including overtime, bonuses, and incentive compensation for architecture positions at U.S. architecture firms.



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

EXHIBIT 1.2 Architecture Staff Compensation Has Outpaced Gains of All Workers, and Workers at Professional and Business Services Firms, Since 2002

Index: Q1 2002 = 100.



Note: Average compensation for architecture positions includes overtime, bonuses, and incentive compensation; compensation for all private workers and professional and business services employees includes overtime, bonuses, incentives, and commissions, as well as fringe benefits.

Sources: AIA and U.S. Department of Labor, Employment Cost Indexes. Compensation presented as of the first quarter of the year.

obviously been influenced by recent strength in the nonresidential construction sector. Growth in nonresidential construction activity has increased the need for architectural staff at firms, and the simple economics of increased staffing needs has helped to force up compensation levels. In spite of the recent strong gains, architect compensation remains below many comparable professions. For example, according to the U.S. Department of Labor, architect compensation in 2007 was slightly below civil and mechanical engineers, and about 60 percent below lawyers.

Overall, compensation for architectural positions increased almost 6 percent per year on average between 2005 and 2008. The positions that saw the greatest increases were Architect 1–3 positions and design staff (unlicensed) positions with comparable years of experience. These midlevel positions generally have five to up to fifteen years of architecture experience. Compensation gains for these positions averaged 7.5 percent a year between 2005 and 2008, or more than 4 percent above the overall rate of inflation over this period. These gains were about twice the rate of the 2002–2005 period for these positions.

Senior architecture positions, as well as those of interns, saw somewhat lower levels of gains over the 2005–2008 period, increasing an average of 5.4 percent annually for interns and 4.8 percent for senior design and project management staff. Gains for both of these position categories were well above those of the 2002–2005 period, and well above the rate of inflation in the economy over the 2005–2008 period (*Exhibit 1.3*).

EXHIBIT 1.3 Compensation Rising Fastest for Staff Architect and Designer Positions

	Average Compensation			Average Annual Increase in Compensation			
	2002	2005	2008	2002–2005		2005–2008	
				total	net of inflation	total	net of inflation
Senior design/project management staff*	\$77,300	\$85,800	98,800	3.5%	1.3%	4.8%	1.6%
Architect/designers**	52,600	57,700	71,600	3.1	0.9	7.5	4.2
Interns***	35,300	38,800	45,400	3.2	1.0	5.4	2.2

Note: Average annual compensation including overtime, bonuses, and other incentive compensation. Inflation measured by consumer price index. All items from U.S. Department of Labor.

*Includes director of design, director of operations, senior project designer, project designer, senior project manager, and project manager. In 2002 and 2005, includes department heads, senior managers, and project managers.

**Includes architects 1–3/designers 1–3. In 2002 and 2005, includes senior project architects/designers.

***Includes interns 1–3.

Larger Firms Offer Higher Compensation

Larger firms generally offer higher levels of overall architectural staff compensation. For senior design and project management staff, firms with 250 or more employees offer compensation levels about 18 percent above the national averages, while firms with fewer than 10 employees report compensation more than 21 percent below the national averages. These differentials are not as great for less senior positions. For staff architect and designer positions, compensation at larger firms is about 17 percent greater than the national average, while running about 18 percent lower at small firms. For intern positions, compensation at large firms is almost 12 percent higher on average, and about 11 percent less at smaller firms (*Exhibit 1.4*).

Previous compensation surveys conducted by the AIA have shown similar patterns. Larger firms routinely offer higher levels of compensation for positions with similar responsibilities. One

reason for this may be that employees at larger firms may have more specialized responsibilities and therefore are able to perform these responsibilities more efficiently. A related reason is that larger firms generally have greater resources to invest in productivity-enhancing information technology and communication equipment, enabling their staff to work more productively.

Information from this compensation survey does not suggest what might be the optimum size of an architecture firm to realize these efficiency and productivity gains. Compensation differentials between firms with 250 or more employees and those with 100 to 249 employees are just as great as are the differentials between firms with 50 to 99 employees and those with 100 to 249 employees. It may well be that firms with 500 or even 1,000 employees are even more efficient, allowing them to offer compensation even above what firms with 250 or 300 employees offer.

Just as architectural staff compensation moved up sharply at architecture firms between 2005 and 2008, so did compensation for other positions. Compensation for technical positions (e.g., IT, CAD, and BIM staff) moved up the fastest, increasing by an average of 8.5 percent a year over this three-year period. Compensation for financial, business, and administrative staff moved up at the same pace as that for architectural staff, while compensation for other design professionals (e.g., engineers, interior designers, planners, landscape architects) increased at a slightly slower rate (*Exhibit 1.5*).

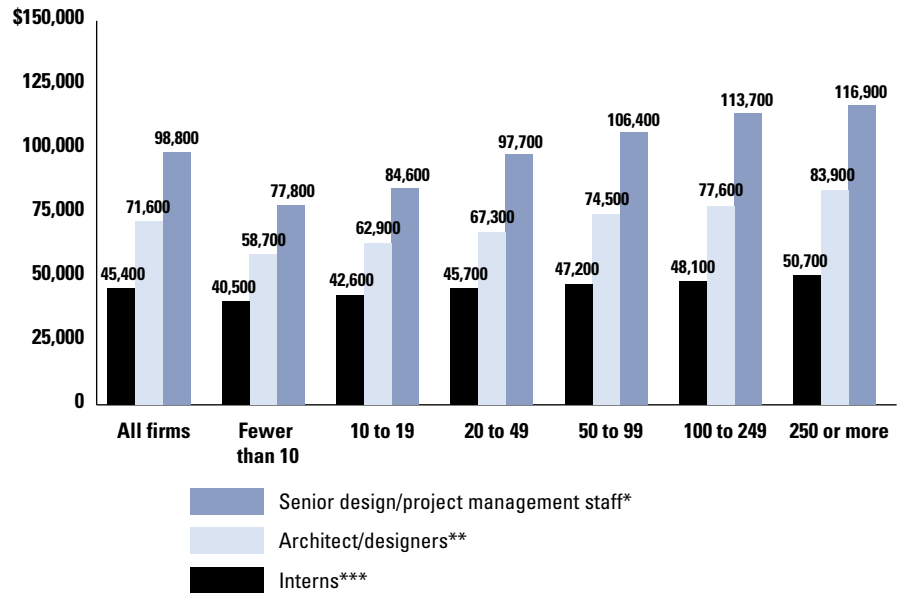
Other Cash Compensation Supplements Base Salaries

Overtime, bonuses, and other incentive compensation averaged almost 11 percent of total compensation for architecture positions as of early 2008. The relatively high proportion of non-base pay in total compensation likely is due to the volatility of the nonresidential construction sector. During peak workloads, more overtime is necessary to meet project deadlines. Also, during profitable years, bonuses and incentives are often used rather than building the compensation into base pay, which may create financial problems at firms when the industry slows.

Even though nonbase pay compensation is a relatively high share of total compensation for architecture positions, it does vary by type of position and by firm size. For senior design and project management staff, non-base pay compensation amounted to almost 14 percent of total compensation, while for interns, it amounted to less than 7 percent. Larger firms relied more on nonbase pay compensation than did smaller firms. At firms with fewer than 10 employees, non-base pay compensation averaged just over 8 percent of total compensation for architecture positions, climbing to more than 12 percent at firms with 250 or more employees. For senior design and project management staff,

EXHIBIT 1.4 Larger Firms Offer Significantly Higher Levels of Compensation at All Experience Levels

Average annual compensation including overtime, bonuses, and other incentive compensation by number of employees at firm.



*Includes director of design, director of operations, senior project designer, project designer, senior project manager, and project manager.
 **Includes architects 1-3/designers 1-3.
 ***Includes interns 1-3.

EXHIBIT 1.5 Technical Staff at Architecture Firms Seeing Greatest Gains in Compensation

Average compensation and average annual change; includes only comparable positions from 2005 and 2008 AIA compensation surveys.

	2005	2008	Average annual increase, 2005-2008
Architecture staff	\$62,600	\$73,400	5.7%
Other design professionals*	\$59,000	\$68,000	5.1%
Technical staff**	\$47,700	\$59,900	8.5%
Financial, business, and administrative staff***	\$59,500	\$69,700	5.7%

*Includes engineers, interior designers, planners, landscape architects, and graphic designers.
 **Includes IT, CAD, and BIM staff.
 ***Includes financial, marketing, and human resources staff.

nonbase pay compensation averaged almost 14 percent at larger firms and less than 11 percent at smaller firms. Even for intern positions, nonbase pay compensation averaged almost 9 percent at larger firms, but only about 5 percent at smaller firms (*Exhibit 1.6*).

Just as compensation levels generally are higher at larger architecture firms, so too are the levels of fringe benefits offered to employees. At firms with 50 or more employees, fringe benefits offered totaled more than 25 percent of base pay for professional design staff. This compares to just over 18 percent of base pay at firms with fewer than 50 employees. Relationships are similar for technical and administrative staff, as well as hourly employees. For these positions, the value of benefits offered averaged 5 to 8 percentage points higher at larger firms than at smaller firms. Benefits for technical and administrative staff averaged just a bit less in terms of share of base pay than for professional design staff, while benefits as a share of base pay for hourly staff averaged 2 to 4 percentage points below the share of salary for technical and administrative staff (*Exhibit 1.7*).

EXHIBIT 1.6 Employees at Smaller Firms Received Smaller Share of Compensation in Overtime, Bonuses, and Other Incentive Compensation

Overtime, bonuses, and other incentive compensations as a percentage of total compensation, 2008.

	All firms	Fewer than 10 employees	250+ employees
Senior design/project management staff*	13.7%	10.5%	13.6%
Architect/designers**	9.0%	7.8%	12.3%
Interns***	6.6%	5.1%	8.8%
All architecture staff	10.7%	8.3%	12.2%

*Includes director of design, director of operations, senior project designer, project designer, senior project manager, and project manager.

**Includes architects 1–3/designers 1–3.

***Includes interns 1–3.

EXHIBIT 1.7 Larger Firms Offer More Employee Benefits

Benefits as percentage of base pay by firm size and employee category, average across all firms, 2008.

