Economics

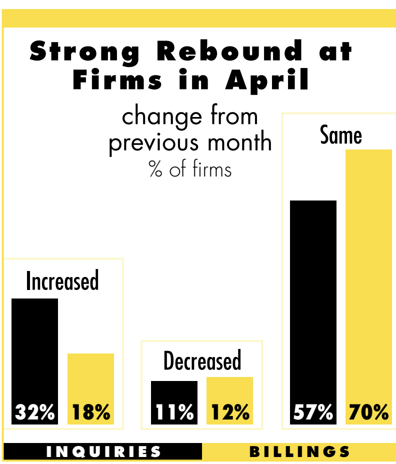
Work-On-The-Boards survey

Solid Improvement in Business Conditions at Firms in April

Close to 5% annual increase in compensation for architect positions at firms

Business conditions at U.S. architecture firms took an unmistakable turn for the better last month. After stabilizing in March, billings increased in April, accounting for the first reported increase in billings since October 2000. Coupled with the growth in billings was the sharpest increase in inquiries for new projects in a year, creating evidence that improved billings at firms will continue over the coming months.

The rebound in business conditions was paced by a sharp upturn by firms in the Northeast and South. Firms in the West, however, reported a slight easing in business conditions. Firms focusing their practice in the institutional and commercial/industrial sectors reported the sharpest increases. Institutional firms were more likely to report billings increases rather than declines by a ratio of five-to-one; for commercial/industrial firms, the ratio was two-to-one.



SOURCE: AIA

ARCHITECT COMPENSATION UP ALMOST 5%

average increase in compensation at firms over past year

Licensed architects	4.4%
Nonregistered	4.8%
Interns	4.8%
Inflation	3.3%
All professional, speciality, and technical	4.4%

Overall economy still soft

While business conditions for architects have dramatically improved in recent months, the broader economy is still soft. The employment report for April showed a sharp downturn in payrolls at U.S. businesses: payrolls declined by 223,000 in April, on top of 53,000 in March. This produced the greatest two-month decline in jobs since the heart of the 1991 national economic recession. The national unemployment rate rose to 4.5% in April, up from 4.3% in March and 4.2% in February. The manufacturing sector is the principal source of weakness in the economy, as industrial production figures declined for the seventh straight month in April.

Still, there are a few encouraging signs. Some were expecting an overall decline in the GDP figures for the first quarter of this year, but the initial estimate of growth was 2.0% at an annual rate, ahead of average growth through the second half of last year. Also, preliminary figures from the University of Michigan show consumer sentiment turning up in May, which bodes well for future consumer spending trends.

Compensation up at firms

Architect compensation gains have been reflected in the generally solid business conditions at firms over the past year. Overall, firms report increases in compensation of between 4.5% and 5% over this period, with higher increases for nonregistered and intern positions. While these gains are well below the close to double-digit average annual gains of the late 1990s, they still are quite respectable given the overall sluggishness of wage gains throughout the economy.

Compensation gains have been the greatest for architecture staff at residential firms. Licensed architects have seen gains of 5.2%; nonregistered, architecture-trained employees have seen gains of 7.1%; and interns have gained 6.4% at firms that get half or more of their billings from residential projects. Architects at firms with a mixed practice (where no major sector accounts for half of their business) have seen compensation gains slightly above average, architects at institutional firms have seen slightly below-average gains, while architects at commercial/industrial firms have seen below-average gains.

—Kermit Baker