

Design Salary Schedules in Jeopardy As Demand for Talent Exceeds Supply

Tax law changes and a softening dollar push expatriate wages up

As many design firms work at or near full capacity, they increasingly are finding it difficult to find qualified people to do all the work. This has led to heavy pressure on firms' salary structures. But those structures now are threatening to shatter from the increasing threats of the first round of retirements of the Baby Boom generation and, for those working in the international market, a weakening dollar and changes in tax laws.

Base salaries for senior managers at architectural, engineering and environmental firms are continuing to climb, according to a recent survey of design firm compensation published by ZweigWhite, a Natick, Mass.-based management consultant to the design market. "People are having a tough time finding professional and technical people on every level, and it is taking longer to find qualified managers," says Jill Stoodley, man-

aging editor of ZweigWhite's management surveys. The biggest pay movement is for project managers, whose median total compensation now has hit the six figure mark, and whose base salaries have risen 24% in the past five years, according to the survey.

Stuttering

"Stuttering is the biggest new trend among design firms when they hear new engineering grads' salary demands. F-f-fifty thousand to start?" says Bill Fanning, Atlanta-based research director for PSMJ Resources. This is not a pie-in-the-sky number, he warns. "Design firms aren't competing with their competition down the block for engineering grads. They are competing with corporations with big construction programs that are paying an average of \$56,000 to start and giving better benefit packages," he says.

Tax changes and the falling value of the dollar have made

ing firm. Firms with tax equalization policies to protect their expatriate employees from sudden changes in taxes may find they are hit with unexpected costs under this new tax law, she warns.

In addition, the dollar now is trading at a 20-month low against currencies such as the Euro, effectively increasing the cost of living for American designers working abroad. "This has put increasing pressure on salaries for project managers working on the big projects around the world. You can't get a good project manager to work overseas for less than \$180,000," says **Ed Cloutier**, President of American Executive Management Inc., a Salem, Mass. based executive recruiter. "All the packages for employees going abroad are negotiated on a one-on-one basis without regard to existing pay scales," adds Fanning.

This doesn't bode well for U.S. designers. "Clients like and respect project managers from the U.S., Canada, the UK, and Australia because they share a culture of integrity, openness and communication," Cloutier says. But the burdens put on American firms and individuals working abroad slowly are eroding the US position in the market. "In 10 years, you'll see all the commodity engineering in the international market being done by foreign firms, with Americans running only the most complicated joint venture projects requiring a high level financial and legal management in addition to the technical demands."

Pressure on compensation will only continue. "This is a service industry," says Fanning. "You can't simply increase the number of widgets you crank out when demand rises." That means that for design firms, it will continue to be a sellers' market for the foreseeable future.

compensation issues particularly difficult for design firms that have top managers working abroad. In May, Congress passed a tax law that changed the methodology for calculating the expatriate tax exclusions for Americans working abroad. "This could result in higher taxes for individuals working in low tax countries with a high cost of living," says Patricia Schwan, director of expatriate services for Grant Thornton LLP, a Chicago-based account-

How Design Firm Managers' Salaries Look

MEDIAN BASE SALARIES	2004	2005	2006
TITLE	(\$)	(\$)	(\$)
PROJECT MANAGER	84,000	90,500	93,000
FINANCIAL MANAGER	82,000	90,000	88,000
IT MANAGER	70,000	78,000	82,000
HR DIRECTOR	70,000	76,960	75,000
MARKETING DIRECTOR	80,000	86,000	82,500
SATELLITE OFFICE MANAGER	100,000	110,000	105,000
PRINCIPAL	120,000	115,000	130,000

And How Their Bonuses Look

MEDIAN BONUSES	2004	2005	2006
TITLE	(\$)	(\$)	(\$)
PROJECT MANAGER	4,000	5,000	5,000
FINANCIAL MANAGER	4,000	6,500	7,000
IT MANAGER	2,500	3,000	5,000
HR DIRECTOR	2,000	3,500	4,000
MARKETING DIRECTOR	3,000	3,000	5,000
SATELLITE OFFICE MANAGER	5,500	7,000	6,500
PRINCIPAL	10,000	10,000	20,000

SOURCE: ZWEIFWHITE INFORMATION SERVICES COMPENSATION SURVEY