

## Staffing Dilemma

*Too much work, not enough staff, and they cost too much*

*By Hugh Hochberg, The Coxe Group*



Hugh Hochberg

IN THE OREGON ARCHITECT ARTICLE, “Practice Made Simple,” that I wrote a few months ago, I noted that a firm’s success drops dramatically if either of two components is lacking: the right clients and the right talent.

Now we have a new reality with which to contend related to the talent component, and it has multiple facets. The overarching issue is rapidly raising salary expectations, which wouldn’t be an issue if two things were to occur:

1. If fees aligned with labor costs, which is not to say with the *cost* of the labor but rather with *value* that resulted from the labor; and

2. If labor costs truly reflected the value of the results such labor provides. Normally such alignment occurs, but when labor costs rapidly rise, as is the case currently, fees lag labor cost considerably, and the gap is particularly noticeable at entry and near-entry level positions.

Eventually those two things *will* occur, but it will be a while.

Let’s put it into financial perspective. First of all, for old-timers who remember their starting salaries of decades ago, it isn’t as bad as it might initially appear. According to the U.S. Dept. of Labor, a salary of \$7,000 in 1970 (which was about the norm at that time) has the buying power of \$36,046 today, which was about the average starting salary a year ago. That means that the equivalent starting salary didn’t significantly differ from decades ago.

There has been considerable salary inflation in the last year, most noticeably with the upcoming graduates. The average of starting salaries for this year’s graduates with professional degrees vary widely depending on the profile of the firm and where it is, but overall the increase from a year ago is considerable, about \$5,000–\$7,000. Two noteworthy observations:

- One firm in a major Midwestern city lost a potential new graduate to a large, multi-office national firm, and salary was, according to the candidate, an important issue. The salary offered by the Midwest firm? \$35,000. The salary accepted from the other firm? \$50,000. While we can play games with the numbers (a \$15,000 difference on a \$35,000 basis is 43 percent; on a \$50,000 basis, it’s 30 percent), any way it’s sliced, it’s still \$15,000 more in the pocket of someone to whom it is meaningful.
- One series of conversations on compensation suggests an average starting salary of \$41,000 to \$45,000, with \$43,000 being a reasonable distillation. At an average direct labor multiplier of 3.0, the billing rate will have to be \$62.00 per hour, which may in fact be reasonable in the eyes of clients. In firms targeting a stronger value-oriented multiplier—that is, a firm trying to convince clients of the value of its results rather than the cost of its efforts—of perhaps 3.4—this same individual’s time will be billed at \$70.00. The real question with either billing rate is whether the individual’s time is worth that amount per hour.

As far as whether to hire at these rates, it’s fairly simple. Pay the price, emphasize different selling points or don’t expect to hire. If some of the following things aren’t happening in your firm, it might be time to give them serious consideration.

1. Accelerate the ramping up of new hires. Concentrate on coaching, nurturing, training, and mentoring to assist in skill development and cultural inculcation.
2. Give attention to the notion of getting younger people to “manage themselves” and take more accountability for their professional growth (which has the added benefit of putting them on a faster path toward becoming licensed). Part of self-management is getting them to solicit help when it’s needed instead of waiting to be told when it’s needed.
3. Assure that project game plans provide clarity about project goals, team members’ roles, consultants, in-house resources, and other such things that will allow newcomers to the firm, irrespective of their level of experience, to acclimate quickly to the project process.

The salary inflation affects one- to three-year employees negatively, in that even the best of them may find they have lower salaries than the new graduates. Increasing their salaries for their current role is an obvious retention strategy, but it may not be the best. Some alternatives, which are not mutually exclusive, can make sense.

- Pay special “adjustment bonuses” that serve to increase compensation but not lock the firm into a higher salary structure that may be impossible to retain while also operating profitably.
- Adjust roles to expand accountability, with more challenges (but not so much as to invite failure) and a salary adjustment as a possibility.
- Institute higher bonus targets, with eligibility both experience- and performance-based (which sends the message that the firm pays primarily for performance, not for experience and tenure).
- Institute a sabbatical program in which non-owners, as well as owners, can participate. Tie staff sabbaticals to tenure, such as a one-month sabbatical after every ten years of service in the firm. The cost-benefit of such a paid benefit is very reasonable in terms of recruitment and retention advantages.

To upcoming graduates—if any are reading this article—a special message is warranted: When the market turns south, and firms are financially pressed and have too many people for the workload, the first people to be laid off will be those who are most overpaid relative to their performance and results. If this were not the case, each previous time of similar upward salary pressure would have resulted in the recently elevated starting salary remaining the norm. But that is not what has happened. During each previous period, salaries leveled for performers and dropped for those on the learning curve, reflecting basic economic laws of supply and demand. While those laws are not as rigid as the laws of physics, it is nonetheless likely that history will repeat itself. With a downturn likely in 2009, according to this author, who admittedly is not an economist, and 2008, 2009, or 2010 according to *bona fide* economists/forecasters, the advice to newcomers to the profession is not to press for high salaries because a downturn will also be a very challenging time to find a new position.

Focus instead on finding a practice that *for you* provides the best balance of opportunities for professional growth, involvement in projects that interest you, a culture of which you want to be a part, and reasonable compensation for your role. And to firms looking for such talent, the message is obvious. Compensation should be only one of several important selling points to new talent. While you can buy attention with compensation for a while, the strong firms offer a multi-faceted balance that not only will *attract* the right talent, but will also *retain* it. ■

Hugh Hochberg can be reached at [hhochberg@coxegroup.com](mailto:hhochberg@coxegroup.com), or 206-467-4040.

**MEC Electrical Engineering**  
Majid Engineering Consultants, L.L.C.

<p>Contact Information:</p> <p>Majid Habibi P.E. 2180 NW 159th Pl. Beaverton, Or 97006 (503) 250-4863 Fax: (503) 629-9747 mh@MECengineering.net www.mecengineering.net</p>	<p>Engineering Excellence within the Leadership in Energy &amp; Environmental Design (LEED) Guide Lines</p> <p>Engineering and Design for Reliable Power Distribution with 99.9999% of Power Availability</p> <p>Industrial, Microelectronics, Data Centers, Health Care, Educational, Retail, Commercial Buildings</p>
--	---

introducing  
seven  
new  
products  
designed  
by  
frog

landscapeforms® Tim Gish, Northwest Sales Office  
888.846.4474 503.292.9102 503.292.9103 fax  
timg@landscapeforms.com  
www.landscapeforms.com