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NEWSLETTER OF THE SOUTH AFRICAN INSTITUTE OF ARCHITECTS

JULY 2001

STATE OF THE PROFESSION; SAIA SURVEY

The SAIA decided to do a comprehensive survey of the State of the Profession in April this year. Although our resources are limited and the 'normal' expertise associated with such a survey not available in-house, the process went ahead extremely successfully.

A first preliminary report was put together for a joint presentation by different organisations associated with the construction industry in May. Questionnaires, however kept on rolling in, and at the end of June the data was updated and evaluated again, and the full survey results have now been incorporated in a new report.

We received:

Encouragement and advice during the initial stages from Henk Langenhoven, an Economist and Director of SAFCEC;
Assistance from the Regional Institutes, who circulated the questionnaires on e-mail and surface mail;
Ample participation from members who shared sensitive and confidential information with us; and
Support from the President and Management Committee during the entire process.

An interesting picture emerged from the results and it is clear that if we plan to speak with any authority about the profession, we should update our findings regularly. We hope to do so at least annually, and if time permits, more often.

There would be no real value for the profession if we did not use the information in a proactive way for the benefit of members. This is being done, and the President, Llewellyn van Wyk was able to present some of the data to the Department of Public Works when we had a meeting with several of the Directors recently. (Refer *From the President's PC; SA Architect* May/June 2001 and more specifically July/August 2001)

We are grateful you shared your information with us, and gladly share the survey results with you in the following executive summary. The full report will be available in due course.

BACKGROUND

THE SOUTH AFRICAN INSTITUTE OF ARCHITECTS

The Institute's predecessor was established in 1927 (some provinces as early as 1899)

- Since 1996 SAIA is a nationally co-ordinated voluntary association of members. The national secretariat is run from the SAIA offices in Randburg. There is a limited staff component, and members rely heavily on the activities carried out by their elected office bearers closer to home.
- For this purpose there are 11 regional Institutes. In the larger regions the membership-figures are sufficient to support well-established regional offices, generally with two, sometimes three staff members, and they largely focus their efforts on regional activities.
- The national Board consists of representatives from each of the Regions and is the official mouthpiece and policy-making authority of SAIA.
- On the one hand SAIA is a learned society with a comprehensive committee structure to serve the wide range of interests and specialist skills associated with Architecture; and
- On the other hand SAIA has also more recently focused on providing professional support to practising architects in the country.

The SAIA is recognised internationally as the representative organisation for architects in South Africa and our representatives participate actively in the activities of the...

- AUA: African Union of Architects
- CAA: Commonwealth Association of Architects
- UIA: International Union of Architects
- ICOMOS: International Council on Monuments and Sites
(Incidentally, this is the body responsible for listing world heritage sites; Robben Island and the Sterkfontein Caves having been two of the more prominent recent listings)

REGISTERED ARCHITECTS (SACAP) & SAIA MEMBERSHIP

We make it clear when we present the findings to client bodies that we speak only on behalf of our members.

- There are currently 2 600 Registered Professional Architects in SA. I refer here to registration in terms of the previous and current Act for the Architectural Profession.
- SAIA has 2 200 Members in several membership categories, including a category for retired architects.
- 92% of our members are resident in South Africa, and
- 8% live outside the country; (3% in Africa; 3% in the UK, Ireland and Europe; 2% in America, Australia, New Zealand, and the East.)

The distribution of Architects throughout South Africa is perhaps of more relevance, as the figures correspond generally to the spread of Practices in the country:

- 46% are resident in Gauteng and Pretoria
- 27% live in the Western Cape
- 13% in KwaZulu-Natal
- 6% in the Eastern Province and Border-Kei (combined)
- 4% in the Free State
- and only about 1% in each of the smaller regions of Mpumalanga, NWP & NP
- There are 14 Architects in the Northern Cape

ARCHITECTURAL PRACTICES

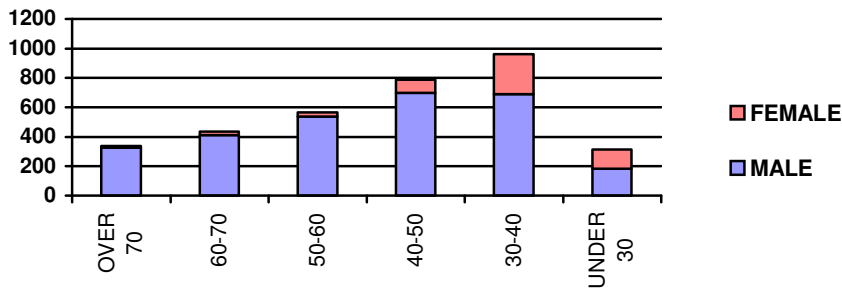
The Regulations affecting our profession and that of the Quantity Surveyors have always required a physical professional presence for each office location recorded by the registration body. The requirement had been introduced to protect the public, but also to assure a professional service, and in my opinion has contributed to the profession being well represented throughout the country. Architects have never run an office from a post box!

This requirement may also have contributed to the fact that such a large component of offices are single principal practices, which in itself has several disadvantages for the profession as a whole:

- There are currently 1 700 recorded office or practice locations with the required architect presence in SA
- Approximately 1 200 of these are recognised by SAIA in terms of the minimum requirements set by the Board

AGE & GENDER

Our profession has never identified architects by race. We are unable therefore to report on the racial composition of members (a requirement at certain levels). Age and Gender however are aspects we can easily establish from the database, and the detail breakdown of *all* architects shows that female architects have entered the profession in more significant numbers over the last two decades. From quite insignificant numbers training before the eighties, women Architects in the age groups 40-50 and 30-40, and especially those younger than 30 have increased from under 5% of architects in an age group to 11%, 28% and 41% respectively.



THE SURVEY

Several trends were identified, many of these in response to the current economic climate in the industry, some in response to the changing legislative environment, some as a result of globalisation, and some as a result of the electronic age and computerisation in the workplace. The sample was considered adequate and the results have been factored to represent the whole profession.

PROFILE OF THE PROFESSION BY PRACTICE SIZE

The survey confirmed that:

- Single principal practitioners have more than doubled over the last decade and now represent 40% of firms;
- 2-3 Person practices increased substantially until 1998 and then shed numbers downward; 20% of firms now fall in this category;
- After an initial increase there was a marked decline in the number of medium-sized practices over the decade; from over 30% to approximately 18%;
- An interesting phenomenon was the increase in the number of practices that consist of more than 10 people; from $\pm 8\%$ to $\pm 18\%$.
- And the decline in the number of practices of more than 20 people; from $\pm 15\%$ to $\pm 5\%$;
(We attribute this trend to the use of CAD- technology in the workplace.)
- And the number of practices that employ over 50 people has all but vanished.

AVERAGE TURNOVER

We are all acutely aware of the downturn in the building industry. The survey confirmed a few specific points:

- The average income of a large portion of practices remained almost static, and in real terms has obviously declined considerably over the past decade;
- Some practices have been more successful, but the chart confirms that these firms represent a small section of the respondents.

	1 PERSON	2-3 PERSON	4-10 PERSON	11-20 PERSON	21-50 PERSON	50+ PERSON
1990	R193 333	R607 500	R538 000	R1 175 000	R4 211 000	R7 500 000
2000	R425 510	R701 562	R1 569 000	R3 464 000	R13 500 000	R30 000 000

PRACTICES BY TURNOVER

The average turnover figures of practices over the decade indicate that generally firms have increased their turnover during the last decade. The figure for turnover below R500 000 dropped marginally from over 64% in 1990 to about 58% of firms in 2000. In 1990 more than 80% of practices had a turnover below R1m, and in 2000 the percentage went down to about 75%. The portion of firms with a turnover of R1-5m increased from about 12% to about 20%. Only about 8% of firms have a turnover above R5m.

This profile differs slightly from the previous, but confirms the general trend in the profession, and suggests that fewer people are required to run a practice effectively.

THE TYPICAL MAKE-UP OF A PRACTICE

The typical make-up of a practice changed in a variety of interesting ways:

- The make-up of 2-3 and 4-10 person practices remained reasonably static, but the administrative component increased in relation to architectural staff;
- The average size of an 11-20 person practice increased from roughly 12 to 14. This is mainly due to one additional architect and one extra administrative staff member being employed;
- The average size of practices over 21 persons, went down from 36 to 30. The architect component went up from 9 to 10, the admin and general staff component went up marginally, CAD/draughtspersons came down slightly, but the number of technologists came down from 8 to 4;
- Large practices increased dramatically in size, and the composition differs from the other categories. The administrative component increased substantially, and the number of technical staff in relation to architects increased from 1:1 to 1,5:1.

We tend to classify single, 2-3 and 4-10 person practices as small firms, those who employ more than 10 people as medium sized, and over 20 people as large practices. The survey confirms that in each category (except medium and large practices) the average total employment figure dropped. Note however, that the Architect component increased in all but the large practices, and the figure of technologists dropped except for 50+ practices. This trend is an interesting one, which warrants further investigation.

Very few Architects can boast excellence in all 5 'fields of competence' required of an Architect in practice today. The basic competencies are for design, technical documentation, project management, practice management and marketing (as identified by past President Bryan Pringrove). Medium-sized practices that comprise of amongst other staff, 4-5 Architects, and large practices with an average of 10 Architects, if carefully structured, should be able to practice extremely effectively. The survey confirms that it is so. It is a great pity that so many firms are too small to allow individuals to concentrate on one or at most two, aspects of practice.

STYLES OF PRACTICE & REGISTRATION

A breakdown of the sample shows that apart from a few sole Practitioners, 22% of the firms are registered as Pty, Ltd or Inc companies. Nearly 57% are registered as Close Corporations, 18% are run as Partnerships and 2% operate under other styles.

The greatest portion of firms practises as Architectural Consultancies. Only 5% are multi-disciplinary Practices, and 2% provide specialist services, like Arbitration.

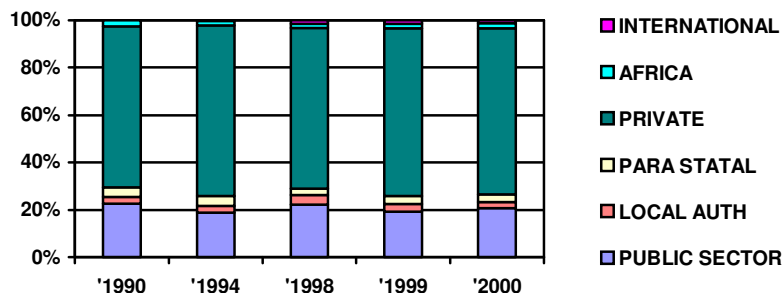
REGISTRATION IN TERMS OF GENERAL LEGISLATION

The survey suggests that the vast majority, over 80%, of firms are registered for VAT and 80% of those for PAYE and the Skills Levy. Only a handful however have submitted a Workplace Skills Plan or appointed a Skills Development Facilitator.

Nearly 20% of firms are registered in terms of the requirements of the Employment Equity Act. This could be as a result of those circumstances having been in place a little longer. SAIA may have to be more proactive about the CETA's activities, and we will investigate this matter further.

CLIENT BASE & EXPORT OF SERVICES

The following chart shows that there were slight fluctuations in the capital expenditure of the different sectors over the past decade. Fewer Architects however accepted work outside SA.



REGIONAL BREAKDOWN OF CLIENT BASE

The survey confirmed that the client profile differs by region. It follows therefore that development by the Public and Private sectors affect the profession differently throughout the country.

GAUTENG

The profile followed the national chart very closely, but the Public Sector component was considerably lower.

WESTERN CAPE

Public Sector spend dropped from below the national average to about 6% in 1999 and increased again to about 14% in 2000. The figures for Parastatals are generally double that of the national average.

KWAZULU-NATAL

Public Sector work was 30% in 1990, went up slightly in '94, and dropped back to about 24% in 2000. Local Authorities made a minimal contribution, and there was no development for the Parastatals.

EASTERN CAPE

Development by the Public Sector amounted to nearly 40% of work, remained at that level in '94, but shot up to over 55% in '98. The figure came down to just over 40% in '99 and 2000. There was virtually no development by the local authorities or Parastatals.

FREE STATE

Development by the Public Sector amounted to 45% of work in 1990, came down to about 40% in '94 and '98, and dropped to 20% in '99 and 2000. The local authority component was about 5% in 1990, slightly lower in '94, and has remained at about 10% or over in '98, '99 and 2000.

NORTHERN PROVINCE

Development by the Public Sector amounted to just under 60% of work in 1990 and '94. It increased steadily during '98 and '99 and peaked at 70% in 2000. The local authority component was about 5% in 1990, 10% in '94, and has remained at about 5% in '98 and '99 and increased to nearly 10% in 2000. Work carried out for clients in Africa, was about 8% in 1990, and steadily declined to 3% in 2000.

MPUMALANGA

Development by the Public Sector amounted to 60% of work in 1990 and declined substantially to below 40% in 2000. Local authorities and Parastatals did very little development in the early nineties, but since '98 the figure was about 5%.

NORTHWEST AND NORTHERN CAPE

The figures received for Northwest Province and Northern Cape were not representative enough, and the regional breakdown for these two provinces could not be included.

OUTSTANDING FEES

With regard to outstanding fees, the current situation, reported by the respondents, is as follows:

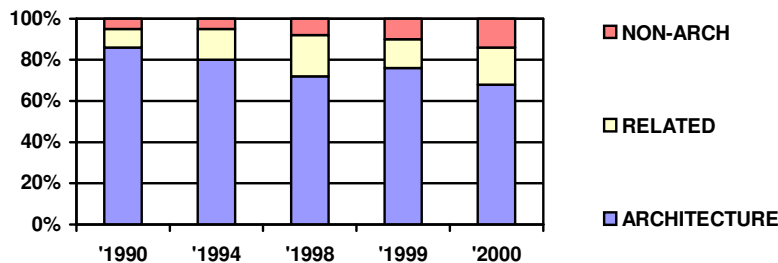
- The Public Sector generally pays on time, and 90% of respondents receive fees within 60 days. If a delay is experienced however, fees can remain outstanding for more than 6 months, and often no interest will be paid.
- The Parastatals generally pay within a reasonable period. Only relatively small amounts go beyond 60 days.
- Clients in the Private Sector are generally slower when it comes to paying fee accounts. If the value of work carried out for this sector is taken into account there is a substantial amount that is more than overdue.

AVAILABLE CAPACITY & DIVERSIFICATION

There is a vast pool of experience, skill and expertise in the profession. Not all the respondents answered this question, and where no answer was given a 0% spare capacity was entered. A disconcertingly high number of respondents reported spare capacity as high as 'more than 25%'. The trend is of extreme concern.

Income from other sources has increased over the last decade, and personal testimony received from the respondents confirmed that this trend was born out of necessity.

DIVERSIFICATION



OUTSOURCING

An interesting finding is that although there is a substantial level of spare capacity, firms are increasingly making use of services provided on contract, and the figures for work undertaken by others increased substantially over the last decade.

- Single practitioners: from 1% to 10%
- 2-3 Person firms: from 3% to 5%
- 4-10 Person firms: from 1% to 6%
- 11-20 Person firms: from 0% to 15%
- 21-50 Person firms: from 0% to 2,5%
- Over 50 Person firms: from 0% to 10%

AVERAGE INCOME PER INDIVIDUAL

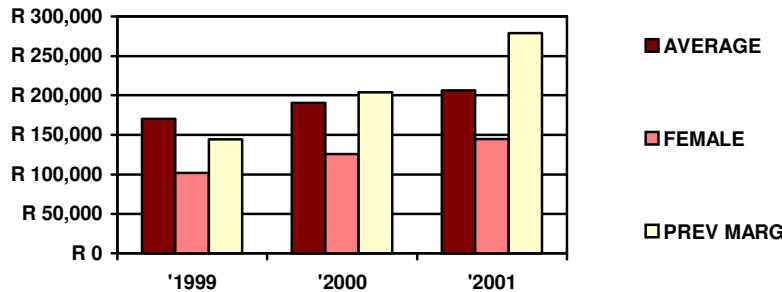
Architecture used to be one of the high-income professions. The situation changed radically over the last two decades, and some of the respondents reported personal taxable income as low as R40 000 per year. There are also those who are more affluent and the highest reported annual income was nearly R800 000. Several individuals also reported off-shore income in addition to their SA remuneration.

Two separate categories were identified in the sample: Female Architects and members who categorised themselves as Previously Marginalised (or PDI's). There had been a suggestion that the income figures for female architects had been influenced by their relatively younger age. This was investigated further (based on first registration dates) and no age-related discrepancy could be

identified. The sample could have been more representative for these two categories, but the results are included because the overall figures are in line with general representivity in the profession.

The highest average income age group was for architects with 20 years experience. They earn on average 20-25% more than more experienced colleagues with 25 and more years postgraduate experience. The average income for those with 5 years experience is about half of the high earners. The survey also confirms that architects do not retire. Comparative figures based on experience, include practitioners with over 50 years experience!

AVERAGE ANNUAL PERSONAL INCOME



EDUCATION & EXPERTISE

The average personal income figures for the last two years and the expected income for this year do not reflect the level of education, training and expertise required to enter the profession. Nor do these figures reflect the level of post-graduate and further qualifications achieved by architects. More than 20% of the respondents have additional postgraduate degrees and qualifications; 85% of these are SA qualifications and 15% foreign. The breakdown is as follows: 38% M Arch, 7% Doctorates, 14% Project Management; 10% T & RP; 10% M Urban Design, 5% MBA, 5% M Environmental Planning, 7% Arbitration, and a few postgraduate diplomas in specialist fields, like Heritage.

SA qualifications in Architecture enjoy international accreditation, and the professional competence of SA Architects is highly regarded internationally. As a result of this, many in the profession, especially younger architects, who have recently or not yet completed their in-service training, and were unable to find employment in SA, are earning in excess of R500 000 abroad.

A recent presentation the Institute attended included several graphs on Confidence Indexes published by the Bureau for Economic Studies in Stellenbosch. The graph for Architects is much flatter than that of any other group in the Industry. We think this points to the fact that Architects see the entire picture; always. We do not ONLY look at the economics, we do not see ONLY the downturn in the economy, we do not ONLY see the current lack of clients. . . . or the fact that they sometimes pay poorly.

We are generally extremely optimistic people. We must find ways to make the most of this.

THE FUTURE?

New legislation affecting the built environment professions and the construction industry is now in place.

The Minister of Public Works has said on more than one occasion that the Construction Industry was a national asset, one to be developed and improved. We support this view and welcome the new legislation that was put in place for the industry and the built environment professions. We trust that the newly established Construction Industry Development Board (CIDB) will address the problems of the Industry in a holistic manner, and wish them much success.

The Architectural profession is an integral part of the construction industry and needs to be maintained along with every other sector of the industry.

The education and training of Architects prepare them specifically for the overall and integrated design of projects, the technical specification and quality control of the delivered product and the co-ordination of expert professional services of other disciplines that may be required.

There is an incredible level of highly trained professional skills available in the profession.

The most important contribution Architects can make to the development of the built environment is their ability to act in the best interest of society, the environment and cultural heritage. This is what sets us apart from many of the other Built Environment Professions.

Let us create a better built environment.

SU LINNING EXECUTIVE OFFICER SAIA

AUGUST 2001