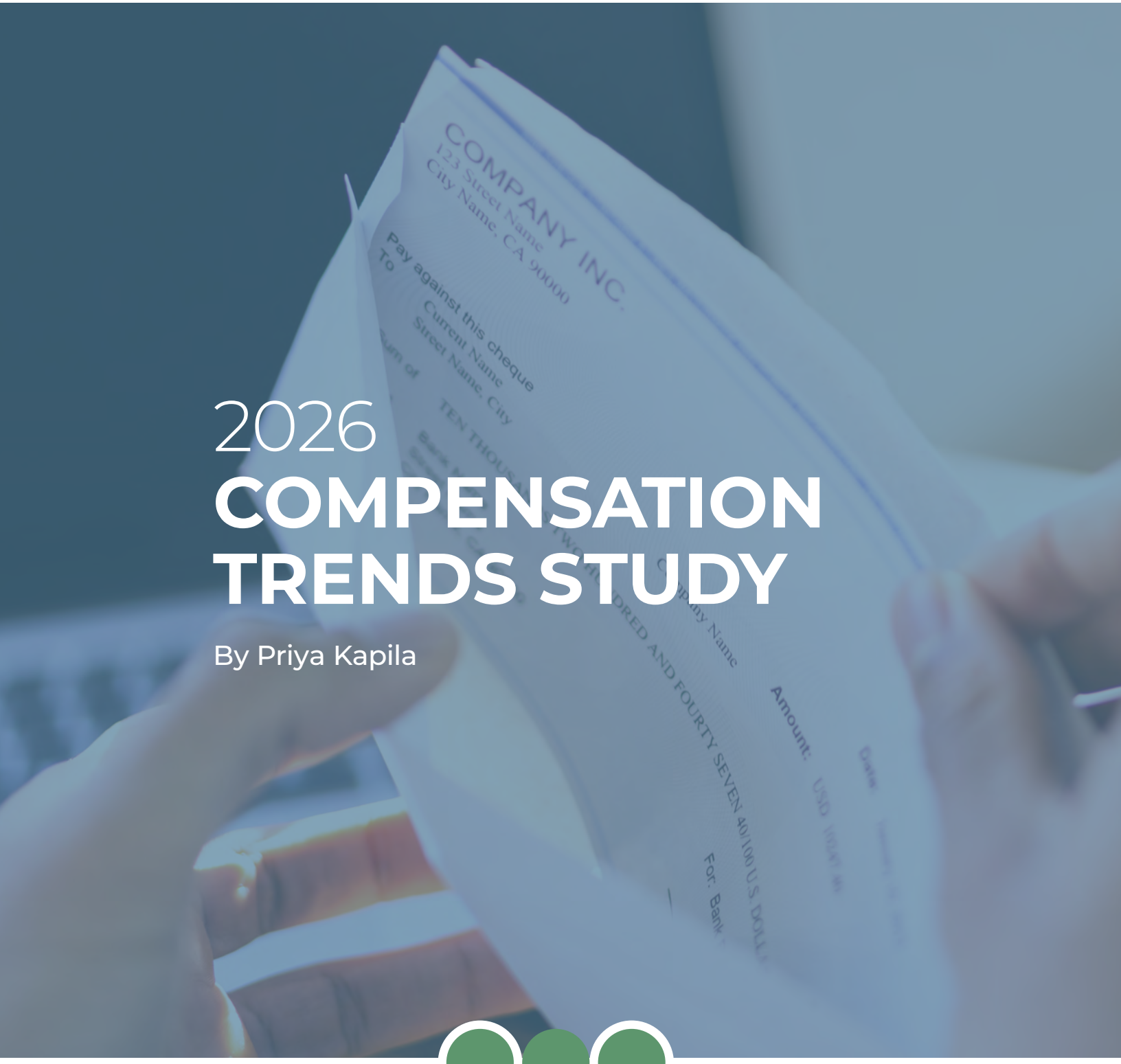
2026

COMPENSATION TRENDS STUDY



SEPTEMBER 2026



2026 COMPENSATION TRENDS STUDY

By Priya Kapila

EXECUTIVE SUMMARY

With U.S. construction spending now in its 14th year of growth, it's no wonder that AEC companies continue to look for every possible edge to attract and retain the talent they need to operate and compete. Staffing jobsites and offices with the right number of people who possess the necessary skills has evolved from an ideal to a strategic priority.

Employee compensation in the construction and engineering industry is extremely dynamic, due to factors beyond labor supply and demand. An aging workforce, fewer people entering the trades and construction projects of a scale never seen before compound the pressure on companies to attract and retain high-quality employees.

Managing talent in this environment requires a shift in perspective — considering compensation as an investment rather than a cost. When owners and leaders first consider market norms and then think creatively and strategically, they can establish compelling compensation and benefits programs that enable them to compete for and keep top talent.

In support of such initiatives, this report provides data and insights on:

- Compensation planning
- Short-term incentives (STI)
- Long-term incentives (LTI)
- Mobility and travel-related enhancements

Also included are suggestions for operationalizing the findings — all to inform your approach to talent compensation, whether you're just getting started or adjusting an existing plan.

KEY TAKEAWAYS

- Making clear and consistent decisions on employee compensation is essential. More than three-quarters of study respondents meet this need by establishing formal base-pay ranges to act as a practical guide for setting pay.
- Cash compensation is still rising, and market variability has grown.
- Goals-based, short-term incentive programs remain most effective, offered by 76% of firms.
- Long-term incentive applications continue to expand, with just over half of companies offering them.
- Travel pay and benefit frameworks versus policy are optimal (for now). Many construction companies already employ traveling workers, and this is a growing trend.

Get more insights on how to reframe your approach to talent management and compensation.

METHODOLOGY

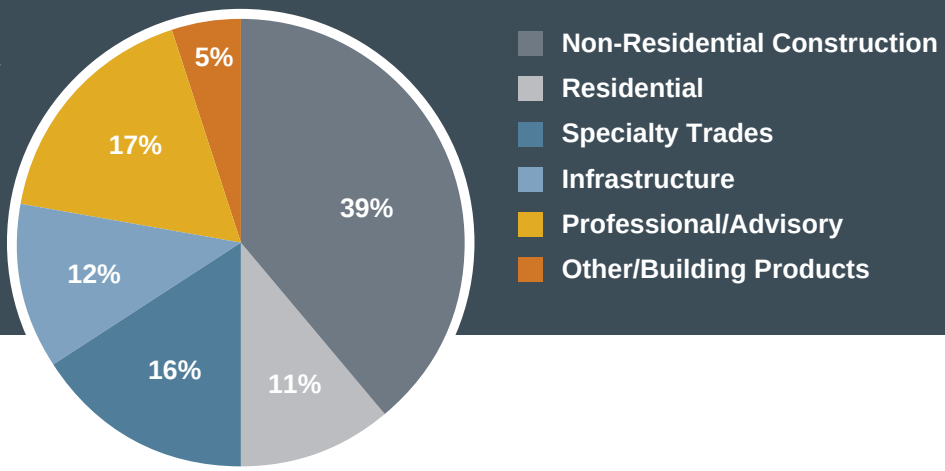
FMI's Compensation Trends Study was designed to identify and summarize prevalent and emerging compensation practices across the built environment. More than two-thirds of the 218 firms surveyed are closely held, and just over one-third are general contractors. Average annual revenues across the survey group are $1 billion. Responses were collected in February 2026.

The survey is conducted every three years as a supplement to FMI's primary annual survey offerings, providing additional perspective on compensation philosophy, incentive practices and select emerging pay trends. As in prior editions, this year's survey focused on compensation planning and short- and long-term incentives. FMI added mobility and travel-related pay this year, reflecting growing interest in how organizations structure travel expectations, assignment support and related compensation practices.

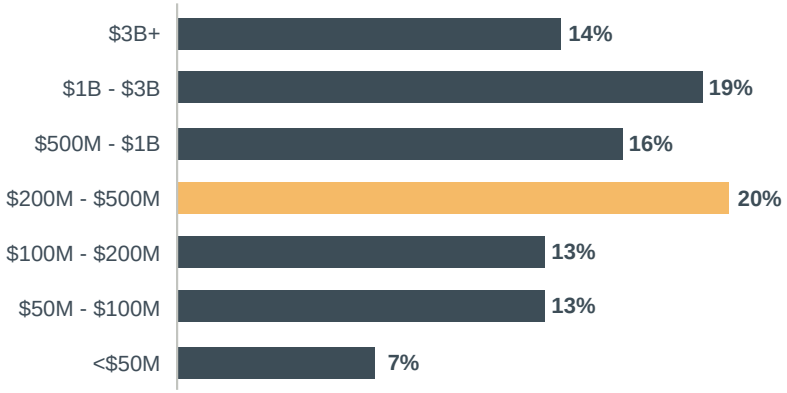
40 STATES

California, Texas, Florida, Ohio, Illinois, and Massachusetts are among the more represented states. Responses span the U.S. well, providing a broad view of compensation practices across the built environment.

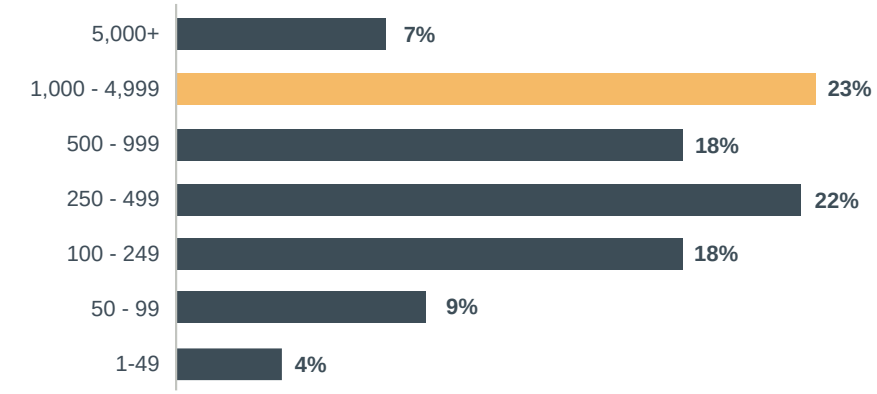
Industry Segment



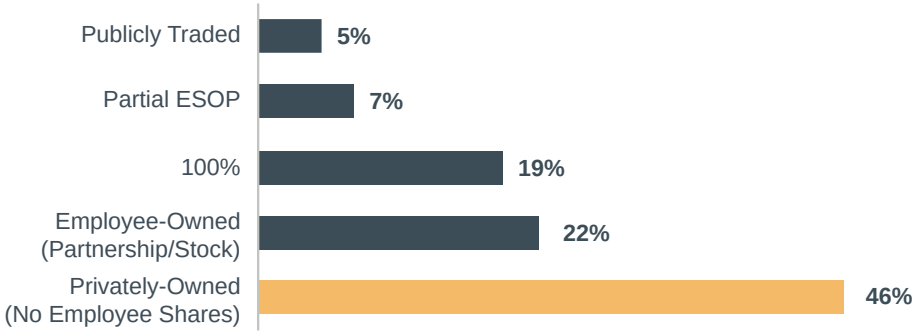
Company Revenue



Employee Count



Ownership Structure Categories



COMPENSATION PLANNING: CONSISTENCY & CLARITY ARE CRITICAL

Gone are the days when compensation decisions were made behind closed doors and kept a closely guarded secret. Today's employees expect consistency, transparency and clarity when it comes to communication about pay and benefits. Yet most companies limit conversations about compensation to annual review periods (68%). The 25% of organizations that communicate frequently are more likely to meet employee expectations.

A compensation philosophy is more than just a statement to justify the payroll budget. Instead, it serves as the foundational strategy for establishing a clear and intentional approach for pay decisions. Our data show a growing number of firms (45%) are formalizing their approaches. The most effective plans are designed to attract the right talent and motivate them to stay.

45% of firms have a formal compensation philosophy

78% of companies have base-pay ranges

4.3% average increase in base pay

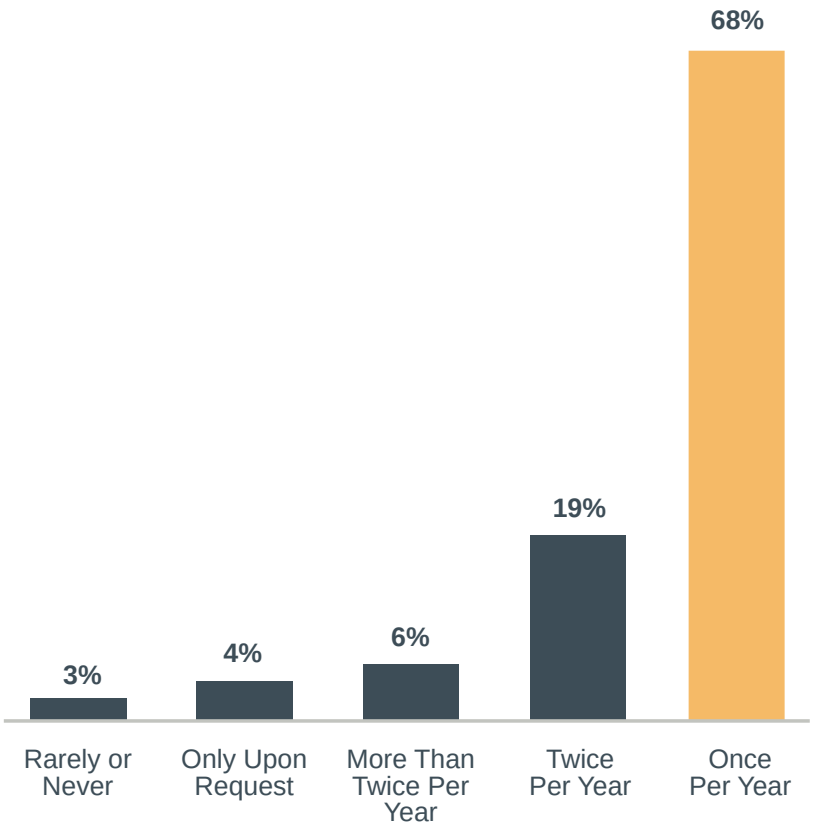
REGULATIONS DRIVE FORMALIZATION

Geography has undue influence on firms' moves toward clarity and consistency. In jurisdictions with pay equity and transparency requirements, companies are establishing formal pay ranges and defining appropriate pay levels at a faster rate to comply with regulations.

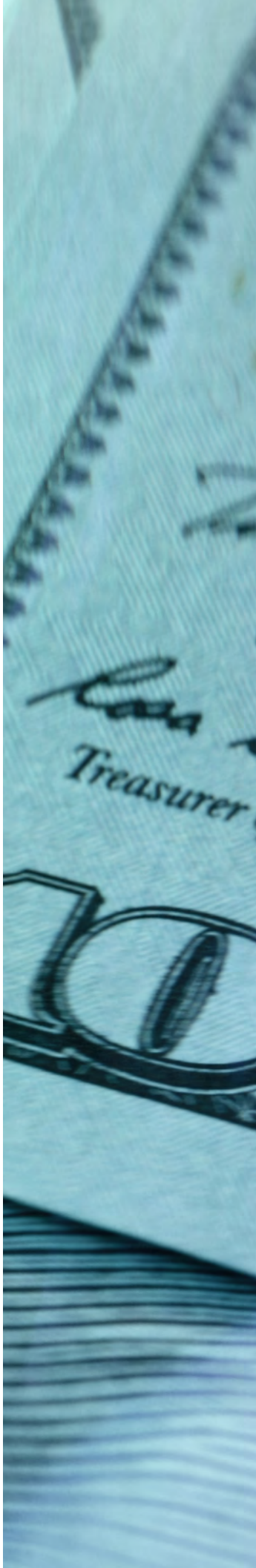
More than one-third of companies communicate pay plans internally to some degree; 20% do so during external recruiting, and 10% communicate plans both internally and externally. The remaining companies do not disclose pay ranges.



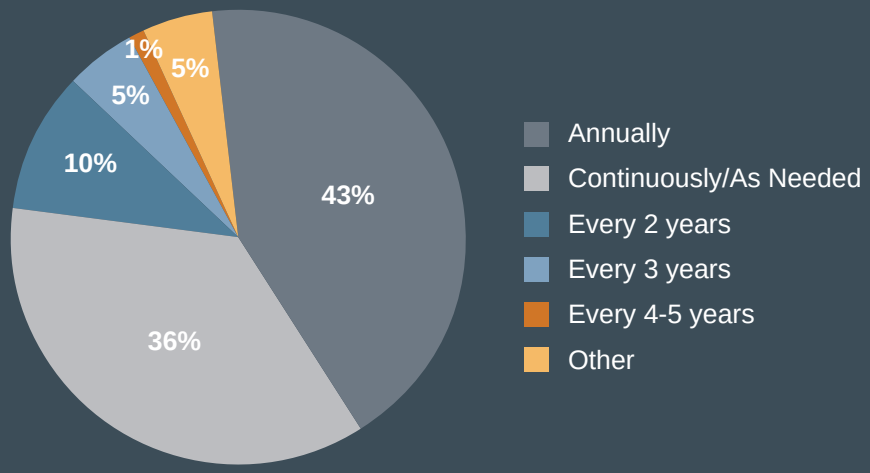
Frequency of Manager-Employee Compensation Conversations



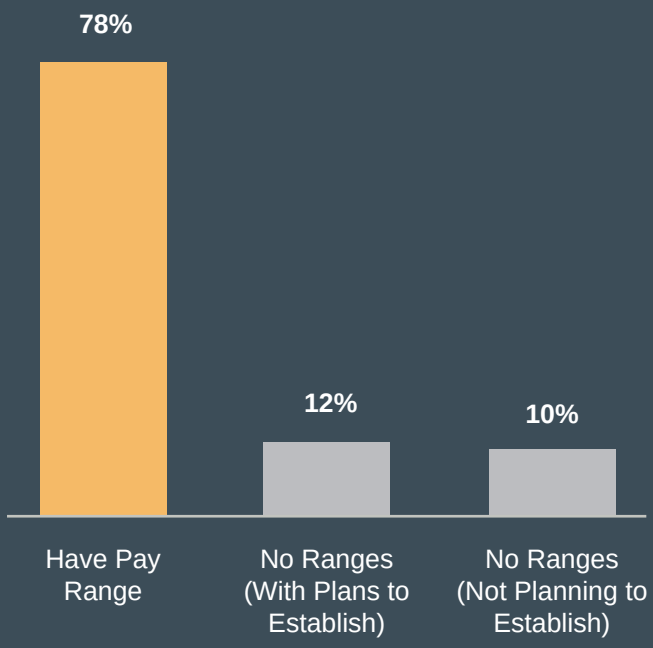
Sound compensation practices generally start with addressing base pay. For nearly all non-executive employees, base pay is the largest component of their compensation package and, currently across the industry, is most valued. Companies with formal base pay ranges typically update them annually (43%) or continuously (36%). The majority (86%) rely on surveys from FMI and other sources. Peer group and peer reviews (38%) and prior-year values also influence decision-making.



How Often Companies Evaluate Market Pay Data



Base Pay Range Adoption

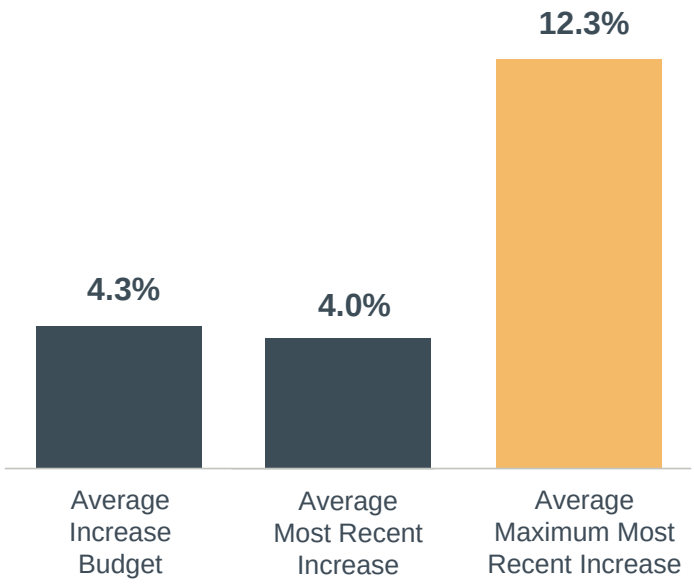


CASH COMPENSATION IS ON THE RISE

By knowing the going rate in your local market and across your region, your company can remain competitive in attracting top talent.

Median increases for 2026 were about 4% of base pay, leveling off after heightened raises prompted by the post-COVID hiring resurgence and record-setting inflation. In tight markets where poaching key roles is standard practice, however, increases are higher. There was some variation by segment: Commercial general contractors and the specialty trades reported the highest increases, while heavy civil charted slightly less.

Base Pay Increases



99% of respondents plan to give raises this year. Merit/performance increases (89%) and promotional raises (74%) continue to be the most popular offerings, followed by market (64%) and COLA (51%) adjustments.

Types of Increases Included in Budgets (% of respondents)

89%	Merit/Performance
72%	Promotional Increases
64%	Market Adjustments
51%	COLA Adjustments

Primary Determinants of Increases Eligibility and Amount

83%	Performance Evaluation
46%	Cost of Living
39%	Job Level
31%	Job Function
17%	Tenure

INCENTIVES: BOTH LONG- AND SHORT-TERM OPTIONS ARE EFFECTIVE

For the last several years, employees have been telling employers that base pay matters, and companies have acknowledged this by establishing formal ranges and more consistent increase practices. However, it's very apparent that base pay isn't everything – incentive opportunity is still expected.

Employers are responding accordingly. Almost all (94%) of surveyed companies provide STIs, and 59% rate them effective or very effective. Fewer (55%) deploy LTIs, but more firms (71%) say they're effective or very effective.

The larger the firm, the more robust the incentive program. Companies with higher headcounts and revenues are more likely to offer a compelling blend of STI and LTI. In fact, companies with greater than $500 million in annual revenues are more than twice as likely to have established short- and long-term incentive plans in place than companies at lower reported revenue values.

SHORT-TERM INCENTIVES: ALIGN WITH BUSINESS GOALS

Firms offer STI for a number of reasons, including rewarding employees for exceeding performance standards (35%), reinforcing company priorities (39%), engaging and motivating employees (40%), and sharing in the firm's success (41%). Program effectiveness improves when plans are prescriptive while still allowing flexibility for manager discretion. More than three-fourths of firms report that their plans allow for moderate to significant manager input in determining short-term incentive awards.

94% of participating firms offer STI plans

75% tie STI to a corporate strategy

13% median pre-tax net-income spend on STI

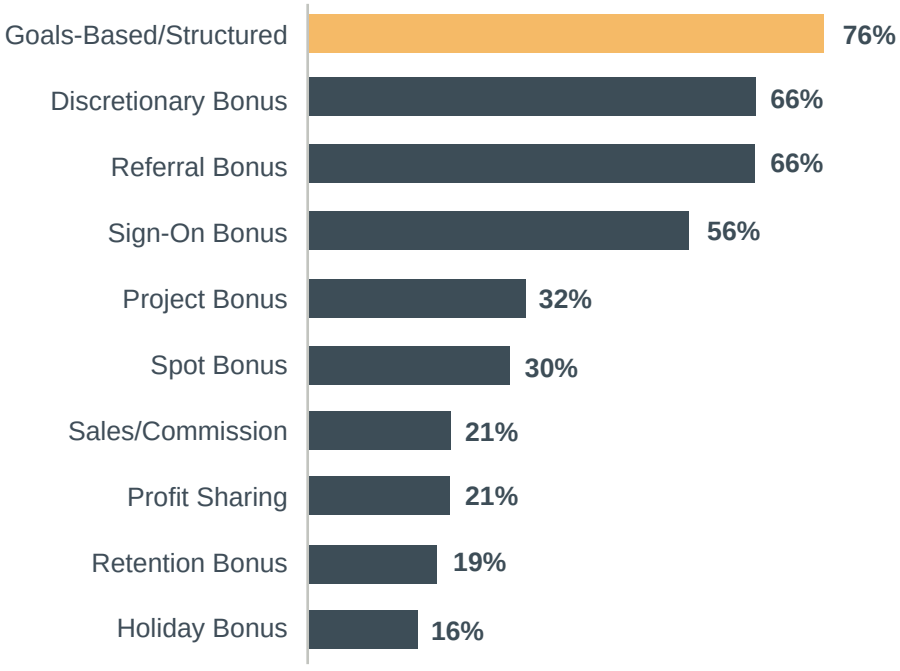
Primary STI Objectives



Survey respondents were asked to identify the top three goals for the short-term incentive plan offered. The most frequently cited objectives are clearly linked, particularly sharing company success (#1) and aligning with company goals (#3).

More than three-quarters of respondents tie their STI programs to corporate goals or business plans. In this tight labor market a case could be made that offering referral bonuses (66%) and retention bonuses (19%) also supports organizational goals.

STI Plan Types Offered (% of Companies Offering the Plan)



Although retention bonuses do not appear highly prevalent, none of the companies offering them indicate that they are not effective.

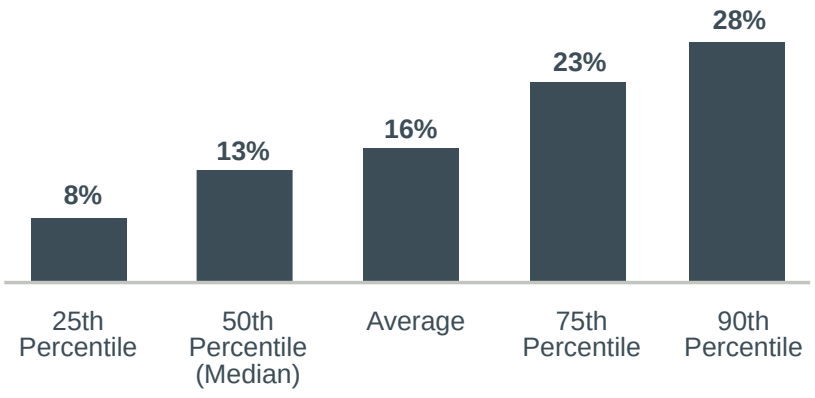
STI eligibility is fairly widespread throughout the organizational chart. All respondents include superintendents and supervisors among STI-eligible employees. Most also enroll operations managers (99.5%), executives and business unit leaders (97%) and non-operations managers (96%). Many companies also expand participation to lower-level team members, including non-exemp hourly office (78%) and non-union field staff (65%). Providing STI opportunity to field crews can be a competitive advantage and improve recruitment and retention because the practice is less common.

Positions Eligible for STI (% of STI-Offering Companies)

100%	Superintendents/Supervisors	**91%**	Exempt Const Professionals
99.5%	Operations Managers	**78%**	Office Hourly (Nonexempt)
97%	Executives/BU Leaders	**65%**	Non-Union Field Hourly
96%	Non-Operations Managers		

Last year, 90% of AEC organizations awarded performance bonuses with an 80% payout frequency.

STI as % of Pre-Tax Net Income



LONG-TERM INCENTIVES: APPLICATIONS CONTINUE TO EXPAND

For the first time since FMI launched this survey, more than half (55%) of respondents deploy LTI — a dramatic swing after hovering in the 35–40% zone for several years. Almost all companies (89%) award LTI on an annual basis to eligible employees, and the same percent made payouts last year.

Retaining talent is the top goal for LTI programs, distinguishing them from their STI counterparts that focus primarily on performance. At 63%, retention far outpaces other objectives, including alignment with firm goals (38%) and sharing in the company's success (36%). This may be due to companies' growing need to keep experienced leadership to better ensure ongoing success, maintain strong connections to long-time customers and manage increasingly complex or growing operations.

55% of firms offer LTI plans

Long-term/deferred cash programs dominate market prevalence, reflecting privately held companies' reduced preference for equity grants

#1 objective of LTI is retention

Top 3 Primary LTI Objectives

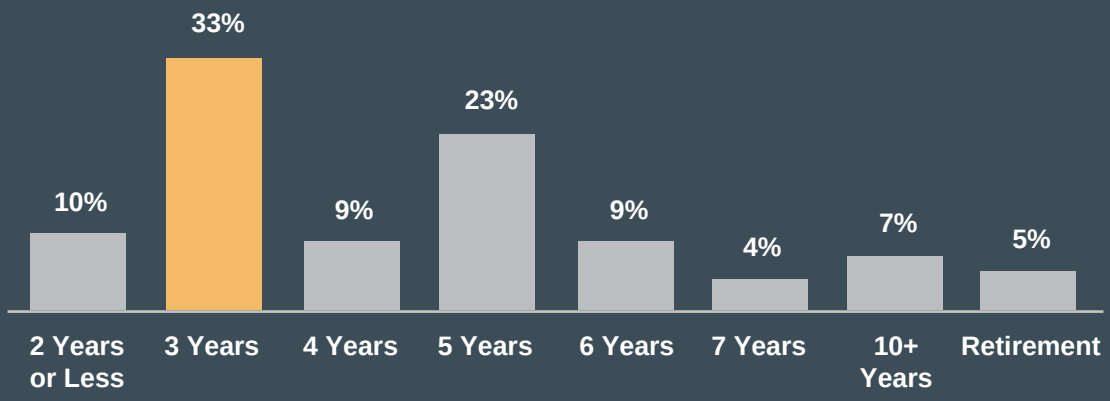
63% Retain employees

38% Align with company goals

36% Share company's goals

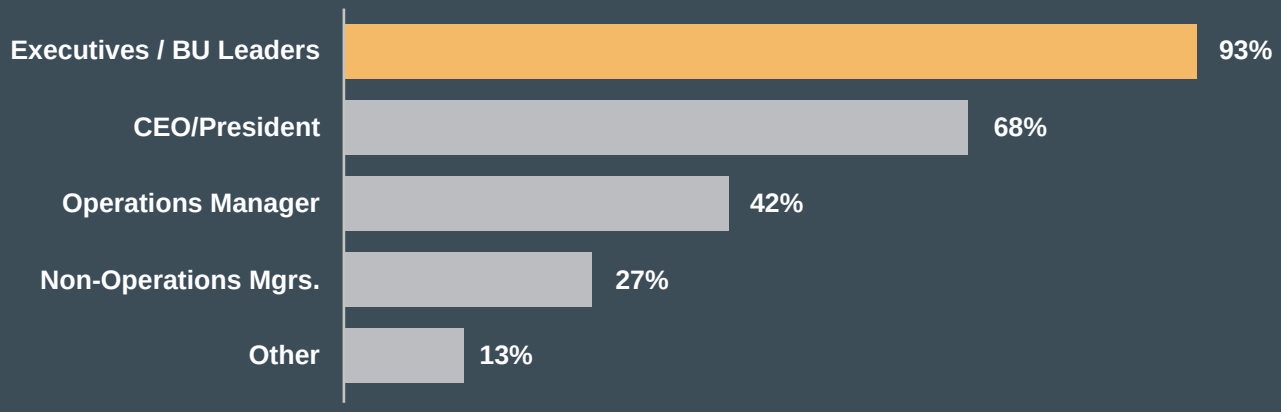
Learn more about how firms use compensation during ownership transfers.

Vesting Period Distribution



Vesting periods range from two years to retirement, with most being three years (33%) and five years (23%). LTI awards are usually given annually (89%), in amounts determined most often by company performance (84%).

Positions Eligible for LTI (Among companies offering LTI)

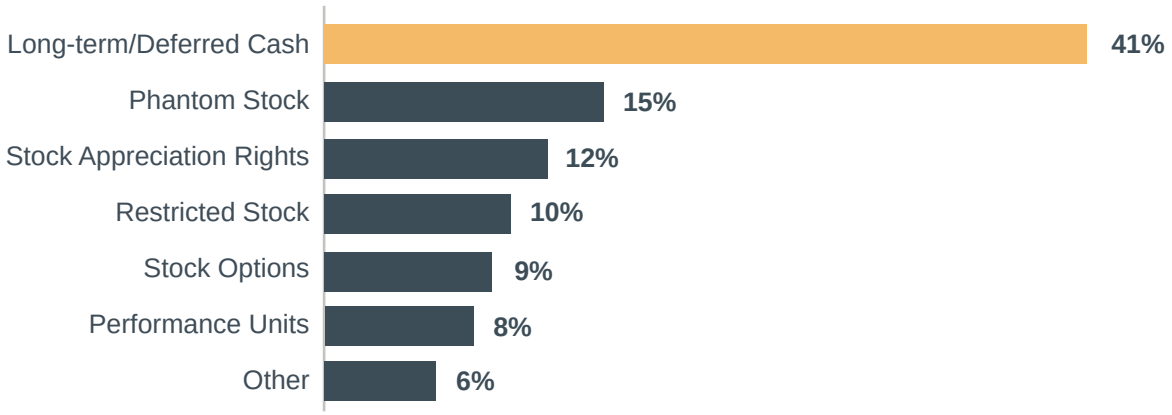


LTI Award Frequency and Decision Factors

Frequency of LTI Awards	
Annually	79%
3 or more years	5%
Every other year	1%
Discretionary	8%
How LTI Amounts Are Set	
Company Performance	84%
Individual Performance (Subjective)	62%
% of Base Salary	56%
Business Unit Performance	52%

Long-term/deferred cash payouts remain the most frequently offered LTI, but equity options are also offered, including phantom stock (15%), stock appreciation rights (12%), restricted stock (10%) and stock options (9%). The AEC industry is dominated by private, often closely-held, companies that are frequently less inclined to offer ownership to employees. As a result, non-equity LTI can be an essential substitute if programs are structured to resemble the benefits of ownership. In fact, since LTI awards generally have little downside risk, some plan participants may express a preference for this structure.

LTI Plan Types Offered (% of Companies Offering by Type)



The survey results reveal growing prevalence for stock appreciation rights. Given the common appearance of SARs among ESOP companies, and the growing number of ESOP companies within the AEC industry, this is not a surprise. However, SARs are among the LTI structures most likely to be misunderstood by employees. This indicates a need for companies to educate employees on the benefits of participating beyond the initial eligibility phase.

MOBILITY AND TRAVEL-RELATED PAY: OPTIONAL NOW, BUT NOT FOR LONG

While key positions matter most, traveling employees at large are increasingly important to driving successful project execution. As competition for projects gets tighter and complexity expands, many firms (58%) are opting to send these MVPs to sites instead of relying on local talent. However, only 28% have established policies, meaning the majority are doing individual negotiations based on role or level (35%) or handling requests on a case-by-case basis (40%). This approach may work in the near term, but operating with little or no framework can create friction among employees and frustration among budget-makers.

Mobility Policy Governance & Eligibility Structure

Formal Written Policy ~28%
A minority of companies have a formal written policy governing travel or assignment benefits — representing a significant opportunity for standardization.

Benefits Vary by Role/Level ~35%
The most common approach: benefits are differentiated based on the employee's role, function, or seniority level, allowing flexibility.

Case-by-Case Determination ~40%
A large proportion of companies determine travel benefits case-by-case, creating potential inconsistency and employee relations risk.

Varies by Project/Location/Customer ~25%
Project-specific factors (including location remoteness, customer requirements, and market conditions) drive benefit levels in many organizations.

No Formal Policy/Ad Hoc ~22%
A notable share of companies offer travel benefits on a purely informal basis with no documented governance structure.

58%

of surveyed firms have employees that are required to travel.

52%

of companies lack a formally defined structure for travel expectations.

79%

of short-term assignments include per diems.

70%

of long-term assignments include per diems.

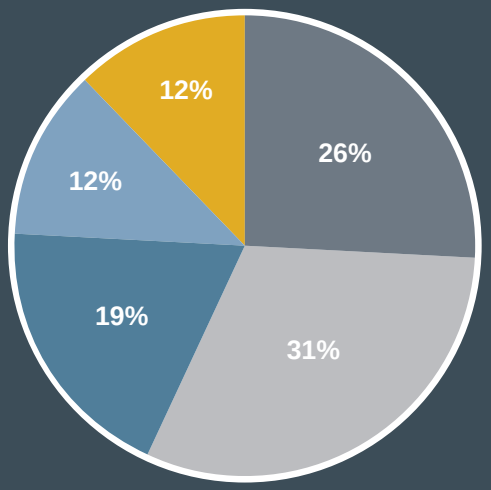




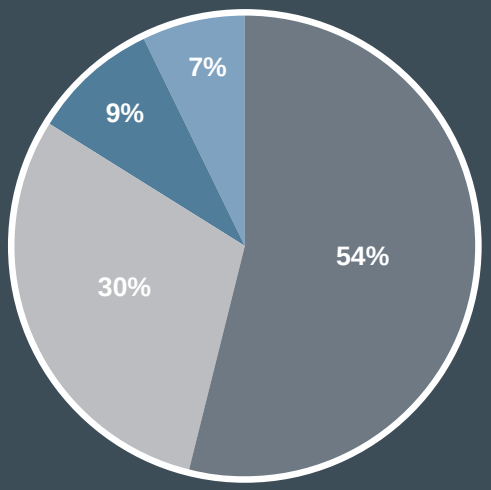
Creating a policy can be challenging. Short notice of travel assignments and the challenges of distinguishing between roles, job levels and projects make standardizing an approach difficult.

Our data shows that the application of mobility and travel-related benefits varies depending on length of assignment — and more than half of organizations have yet to formally define the distinctions.

Advance Notice of Travel Assignment



Travel Expectations Differentiated by Level



The most frequently offered travel-related benefits remain per diems and mileage reimbursement, whether the assignment is short- or long-term. Firm-paid trips home, paid travel time to/from, housing allowances and company-provided housing are the next most commonly offered benefits for both timeframes.

Travel & Living Benefits: Short-Term vs. Long-Term Assignments

	Short-Term	Long-Term
Per Diems	79%	70%
Mileage Reimbursement	60%	49%
Housing – Allowance	38%	44%
Housing – Co. Provided	33%	36%
Travel Stipend	22%	25%
Rental Car/Transport	21%	20%
Housing-Related Expenses	19%	21%
Meal Reimbursement	24%	18%
Other Special Pay	8%	12%

Time, Travel & Family Support (% with Travelers)

	Short-Term	Long-Term
Trips home — company paid	52%	61%
Paid travel time to/from	44%	40%
Family visit travel — company paid	10%	22%
Rotational schedules	17%	16%
Additional PTO/rest days	11%	10%

Premiums, Incentives & Bonuses (% With Travelers)

	Short-Term	Long-Term
Project/assignment completion bonus	28%	30%
Geographic/location pay premium	25%	31%
Travel pay premium (varies by project)	21%	21%
Cost-of-living adjustment	13%	18%
Hardship bonus	6%	7%
Extended assignment premium	5%	6%

Premiums, incentives and bonuses are also utilized for short- and long-term travelers, including completion bonuses and geographic and travel pay premiums. With adoption below one-third across our survey group, it's clear there is not a single optimal program.



CONCLUSION

Regardless of size or sector, AEC companies are looking for an edge. Much of the attention goes to input prices, ballooning inflation and general market uncertainty — and those are critical considerations. But with an unemployment rate slowly trending higher over the past 12 months to 4.3% in April 2026, making employee compensation a strategic priority is also a wise financial move. Turnover is costly, and not just in terms of recruiting expenses. Lower productivity, leadership loss, wider skills and knowledge gaps, and more overtime drain company coffers. And that's before you consider the likelihood that turnover can increase the risk of potential fines and fees for compliance issues, rework or late deliveries.

Preserving leadership and field talent, then, is paramount to successfully navigating current conditions and building a business that's successful and sustainable for the long haul.

FMI's consultants can help you identify opportunities to upgrade your strategy for executive and employee compensation, integrate compensation into succession or ownership transfer plans, and design a benefits and compensation package that positions your firm for long-term performance.



AUTHOR



Priya Kapila is a partner with FMI and head of the Compensation and Rewards team. This discipline is dedicated to conducting annual compensation and benefits surveys exclusive to the built environment, performing compensation benchmarking studies and developing effective and rewarding compensation programs.

Clients benefit from Priya's considerable expertise in building strategically aligned approaches to fairly and competitively compensating employees at all levels. Initiatives regularly performed include executive compensation review, organization-wide salary structure development, short-term and long-term incentive plan design, FLSA audits, performance management consultation, pay equity testing, ownership and management succession planning, and compensation policy and procedure documentation.

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