



# Seven Models for Church Employee Compensation

by DAN NEHRBASS

One of the young adults in our church asked me, "How much do pastors get paid?" My rambling answer helped me to realize that compensation in the church is often complicated, unpredictable, and disparate.

It's not unusual for staff to develop resentment toward leadership because of compensation inconsistencies. They don't know how they'll be evaluated or how raises (if any) will be determined. Even though the church I serve had not suffered any major problems over compensation, I thought it prudent to name and describe the following seven models of compensation and to share them with our church leadership.

## 1) Average Compensation

When a mid-sized suburban church needed a secretary, its search committee members called several other churches in the area and asked how much they paid their secretaries.

This is the **Average Compensation Model**. It asks, "What's the average compensation for people in this position, in similar churches, for our area?" One advantage of this model is that the staff

knows what type of raises to expect. Another advantage is that the justification for compensation is objective rather than subjective. Another disadvantage is that it down plays performance. Churches that use this model assume their staff are fit for the job. If staff fails to provide "average" performance, they are not the right fit for their positions.

## 2) Budget Based

A church wanted to call a children's minister. The church already had a pastor, a music minister, and a youth director. Some leaders believed the church didn't have enough money. Finally the board decided that it could make available an additional \$30,000 from the budget for the position. The search committee's responsibility was to find the best candidate for the amount available.

This is the **Budget Based Model**. It asks, "How much money do we have for this position?" A disadvantage of this model is there can be wide disparity of compensation among staff. Another disadvantage of this model is that employees don't have a clear picture of how, when, or why raises will be administered

or justified. Because of the unclear future, the staffer may sense that he or she must become the only advocate regarding future compensation. In other words, staff in this environment learn that the "squeaky wheel gets the grease."

## 3) Head Hunter

A traditional church was looking for an organist. They were proud of being one of the few churches in the area preserving classic forms of worship. The church board decided to pay a premium for a highly skilled organist.

This is the **Head Hunter Model**. It asks, "What will it take to attract one of the best organists in the area?" In the case of the organist, the board determined the average compensation, and then subjectively added on another 20 percent. They advertised in professional publications and church staffing web sites, and ultimately hired a professor of music.

One advantage of the Head Hunter Model is that the justification for compensation is more objective than some of the other models, because it assumes an above average salary (a quantifiable figure). But future compensation is unclear. The staff member will either have to negotiate compensation, or the church will have to include a future pay schedule into the initial package.

One disadvantage of this model is that most churches cannot afford to use it for every employee. Perhaps the greatest disadvantage is that leadership may lose sight of the mission of the church in the hiring process. A desire for superior technical skills may trump serious inquiry into the candidate's commitment to Christ, Scripture, and living a life above reproach.

## 4) Trade Union

Gene is an ordained senior pastor at a mainline church. He has served in his denomination for almost 30 years. He's employed by the conference of that denomination, rather than the local church. The bishop appointed him to a local church, and has power to move Gene in the future. The local church has some control over his compensation, but the denomination ensures that Gene's is

equitable with the other pastors in the conference.

This is the **Trade Union Model**. It asks, "What level of compensation is fair for employees in this industry with similar years of experience?" It's different from the average compensation model because there's an external authority that enforces equitable compensation.

One advantage of this model is that salary is predictable for all involved. The obvious disadvantage of the model is that it is that it can only be implemented in denominations that have hierarchal power over the local church. Another disadvantage is that there's no strong correlation between performance and compensation.

### 5) Executive Negotiation

Rob is the pastor of education at a megachurch. The church wanted an above-average candidate so it offered an above-average salary, which Rob gladly accepted. But he soon realized in his first year that there was no plan for the future.

Since there were 50 other employees at the church, he heard rumors that in December the executive pastor would inform him of his salary for the next year. Other pastors at the church had quietly told Rob that they had objected to the raises in the past, and had negotiated higher ones. Some of the pastors appealed to need: "I have five kids!" Others appealed to performance: "Involvement in my small groups has doubled!"

This is the **Executive Negotiation Model**. It asks, "What's the perceived value of this employee to the organization?" A disadvantage is that compensation becomes directly related to a staffer's negotiation skills. Another disadvantage is that staff are expected to keep compensation confidential to maintain a positive working environment, but this is probably an unrealistic expectation.

### 6) Performance Based

Jan was called as a senior pastor at a mid-sized church. She had a clear understanding from the elder board for measuring her performance. Two associate pastors were also measured with the same criteria. Every six months the elders met with each of the pastors and worked through

a four-page evaluation. This evaluation had a section for the pastors and elders to write mutually agreed-upon goals for the next performance period. They were evaluated on how well they met the goals from the previous period. Based on these criteria, the elders granted the largest raise to the pastor with the highest numerical performance rating, and smaller raises to the pastors with lower performance ratings.

This is the **Performance Based Model**. It asks, "What level of compensation is appropriate for the level of performance?" One disadvantage of this model is there no clear biblical basis for measuring the performance of church staff. The only criteria listed in 1 Timothy 3 concern the leader's character (above reproach, not given to wine, not a lover of money, and so on), rather than actual performance. Another disadvantage is the criteria will inevitably be based on the "ABCs" (attendance, buildings, cash flow), which are often beyond the control of staff.

One advantage of this model is that it connects results and compensation. This model helps staff to set measurable and specific goals. Staff may be more effective when they have specific goals to accomplish.

### 7) Needs Based

At Jim's first interview for a youth director position, he was asked how much money he needed. The church board had already decided on a maximum amount they could afford, but they weren't necessarily going to spend it all. Jim was newly married and without kids, so his needs were considered below the average compensation for youth directors. So, below-average compensation was offered and accepted. During his first five years his salary barely grew. When at the end of year five he reminded church leadership that he now had two children and had purchased a home, the church agreed to double his salary.

This is the **Needs Based Model**. It asks, "How much does the employee need to get by?" One of the disadvantages of this model is the wide disparity of salaries among staff. For example, a staffer could have many "needs" and receive a lot

more compensation than a more gifted staffer who has less financial need.

This model is not predictable. In fact, there is a disincentive to manage money well, so that staff can justify their financial need.

One advantage to this model may be its compassion. We know that the world's economy is not the Lord's economy, so it's noble to replace the world's idea of compensation and with one based on compassion for staff needs. Paul was mindful that workers should be paid enough to cover their needs.

### Choosing a Model of Compensation

First, identify your church's current model(s). Is there a stated (or unstated) philosophy and practice of compensation? Have church leaders had a conversation about their philosophy of compensation? Are there problems with compensation, such as the thoughtless use of multiple compensation models?

Second, become familiar with biblical passages regarding compensation. Realize that this is a theological issue. Don't simply mimic the secular world; implement a biblical view of staff compensation.

Third, strive for a positive work environment, and minimize the risks of resentment. Your church's practice of compensation should achieve a reasonable level of predictability. Strive for low disparities among staff, especially if there's little justification for disparities.

Fourth, choose one of the seven models. Make sure church leaders are aware of the advantages and disadvantages of each model. As you implement a model, set a date (six months or a year) to evaluate the model. Every church needs to have this evaluation, and to give a coherent explanation to staff. Rather than feeling uncertain about the future, staff will more likely be consumed with passion for the mission of the church.



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