Meeting the Challenge of Ensuring Fair Compensation for Church Employees

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ABSTRACT: Even when serving in corporate America, Christian business professionals are routinely placed in charge of the financial operations of local churches. Whether full-time or volunteer, having been entrusted with the local church's finances, Christian businesspeople are obliged to ensure that the organization's pay structure is fair. This paper will explore the meaning of fair compensation and examine issues surrounding fair compensation for both clergy and non-pastoral church employees. A compensation study from the Southern Baptist Convention and Lifeway Christian Resources, along with Guidestone Financial Resources and other research will be used to identify appropriate determinants of clergy and non-clergy compensation based on position, education, budget, membership, and other factors. This paper will offer multiple strategies to assist Christian business professionals responsible for compensation fairness for church employees.

KEYWORDS: fair compensation, church compensation, clergy compensation

INTRODUCTION

The challenge to provide fair compensation to church employees dates back to biblical times. The Bible states, "Do not muzzle an ox while it is treading out the grain…. The worker deserves his wages" (1 Timothy 5:18, NIV). This paper will focus on analyzing compensation determinants related to clergy and non-clergy church employees and explore best practices for ensuring fair compensation. The purpose of this article is to empower Christian business professionals, both within church organizations and those pressed into service as volunteers, to ensure equity among church employees. To our knowledge, there is scant research examining fair compensation for non-clergy church employees. Hopefully this article will encourage conversations to further examine this important employee issue.

Although recent studies have examined compensation practices for clergy (e.g., Hadaway & Long, 2019), this paper will address the need for fair compensation for both pastors and non-pastoral church employees. The lead author has rendered a variety of accounting and consulting services for numerous Christian religious organizations, specifically for Protestant churches. One concern he often found among non-clergy church employees was a lack of fair compensation, which caused tension between pastors and non-pastoral employees. This dynamic is similar to that found in the corporate sector when employees are paid unfairly. According to Nehrbass (2010), "[I]t'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" (p. 19). When placed in the church context, however, unfair compensation and the resulting resentments it can foster can directly undermine the work of the church in advancing the Kingdom of God (Ephesians 4). By maintaining fair compensation for all church employees, Christian businesspeople will not only contribute to the healthy functioning of the church, they will also bring the church into obedience to Scripture (Colossians 4:1; James 5:4; Deuteronomy 24:1).

FAIR COMPENSATION

It is important for Christian business professionals responsible for church financial management to appreciate the importance of fair compensation for church employees. Previous research has defined fair compensation in various ways. For example, fair compensation is a human right that applies to both men and women working in profit and non-profit organizations (Almade,1990). Other research suggests that fair compensation involves both internal and external equity. External equity compares compensation for similar jobs in the local geographical area, while internal equity involves implementing pay policies in accordance with education, skills, and experience (Lockett, 2015). Moriarty (2012) suggests that just wages should be described as total compensation, which will include not only pay but also other benefits, such as retirement and health care. For the purpose of this study, our research will explore compensation practices for clergy and the non-clergy church employee. Fair compensation is determined as wages with health benefits, medical benefits, social security, and retirement packages. We will examine clergy and church staff job positions based on education, gender, geographic location, church budgets, and church membership. For the purpose of this research, job positions are limited to the following: part-time, interim, and full-time senor pastors; part-time, interim and full-time ministerial staff; and part-time and full-time custodial and office personnel.

As a former partner for two independent CPA practices and a certified fraud examiner, the lead author has been invited by many pastors and church leaders to render his expertise in the area of employee compensation. Common procedures by the lead author included entrance interviews with pastors to determine what services are needed for sustainability in church operations. One of the most common concerns was the need to financially invest in church employees. Church leadership (including pastors) should be well aware of the significant roles that all the employees have in church operations. Hence, with any church, as in a secular organization, employees who bring value to the workplace should be rewarded with fair compensation. This paper will examine internal and external factors that can influence fair compensation.

Equity theory (Adam, 1963) suggests individuals routinely assess the level of perceived fairness concerning their wages and contributions by making comparisons with referents. These referents may be individuals inside the organization (e.g., a colleague) or outside the organization (e.g., an acquaintance holding a similar position at another organization). When individuals perceive their outcomes (e.g., pay) are not similar to those of referents providing similar inputs (e.g., similar work hours, contributions), perceived inequity occurs. This same phenomenon occurs when individuals conclude they are receiving similar pay or other outcomes yet perceive they are providing more inputs (e.g., work hours, effort, credentials, etc.). When perceptions of inequity occur, low morale may follow (Fields, 2005). This may be particularly problematic for churches and other organizations that do not regularly assess employee compensation and job demands. As churches attempt to grow their ministries while also facing budget constraints, the concern of pay equity becomes ever more pressing.

Human capital is required for churches to grow their ministries, congregations, and communities, and church employees are vital to this endeavor. In business, employees provide valuable services to their employers, and because of these efforts, they are rewarded with fair compensation. Churches should consider the same approach. According to Henning (2022), "[G]ood employers understand they must pay fair wages to hire competent people to provide quality service to their customers" (p. 25). As Christians, we believe that we are created in the image of God (Genesis 1:26). This indicates that we are "thinking, productive people, desirous of entering into healthy relationships with employees and capable of making responsible decisions about the resources God has entrusted to us" (Busuttil & Van Weelden, 2018, p. 12). Church employees must not be seen as a mere means to an end. Church leadership can particularly depend on non-clergy employees to help sustain church operations, and due care must be given to these employees. Busuttil and Van Weelden (2018) state, "[P]eople as individuals must be cared for and treated with dignity as they contribute toward achieving organizational goals and goals of their own" (p. 12). The Scriptures suggest that all should be treated with fairness. Employers in the business world will strive to learn what motivates their employees, so those employees can continue to give their best efforts when completing job assignments. Church leadership can do the same. Employees at both business organizations and churches can be motivated by fair compensation, and church leadership have a particular calling to provide fair compensation for employees based on Scripture (1 Timothy 5:18).

A particular area in which church employees can suffer from unfair treatment is in expectations for working hours. Many employees in corporate America report working beyond a typical 40-hour work week. For example, the *Harvard Business Review* reports 72 hours is a more typical work week for professionals (Deal, 2013). In the church world, working hours can be just as demanding and often include weekends. To accomplish specific goals, church leadership may have growing ministries, community work, or special projects that require more working hours than the norm from their employees. This equates to church employees experiencing more time away from family, a heavier workload, and, most likely, more stress. If church leadership demands more working hours from their employees, they should at least consider compensating for their employees' sacrifices as an element of fair compensation.

There are many faith-based organizations that support fair compensation. For example, the Northern California Nevada Conference of The United Church of Christ issued its own 25-page resource to help its churches establish fair compensation for church employees (Northern California Nevada Conference, 2023). The conference saw its focus on fairness as a spiritual obligation: "As a church committed to justice and equity out of our Christian understanding, compensation for all employees of Local Churches in the Northern California Nevada Conference is a matter of spiritual significance" (p. ii). The Catholic Church also embraces fair compensation, which is determined by the "rights of employees" (Lockett, 2015). The rights of employees include the right to a "just wage," the right to pensions for the elderly, and insurance for sickness and any work-related accidents (Lockett, 2015). Almade (1990) stated that the concept of just wage was designed to provide "food, clothing, shelter, medical care, rest and relation, and the opportunity for education for oneself and one's children" (p. 179).

BIBLICAL PERSPECTIVE

According to the Bible, Christians have a financial responsibility to provide for themselves and their families. Churches that do not provide fair compensation to their employees may contribute to a serious violation of biblical standards by those employees. The Bible states, "If anyone does not provide for his relatives, and especially for his immediate family, he has denied the faith and is worse than an unbeliever" (1 Timothy 5:8). How can employees provide for their families and give them a better quality of life without fair compensation? A better quality of life can be achieved by having a fair salary along with insurance and other benefits, such as a good retirement plan. The Bible directs all Christians, including church employees, to store up an inheritance to provide for the future. According to Proverbs 13:22, "[A] good man leaves an inheritance for his children's children, but a sinner's wealth is stored up for the righteous." To store up for a future inheritance, the church community should also consider retirement income for church employees. Will there be enough income to sustain them during retirement? Christians may have a calling to work as church employees, and we must keep in mind that this is not a time for them to simply endure while waiting until retirement but to use these resources to plan for their future retirement income (Porter & Steen, 2023).

The Apostle Paul indicates that it is unjust not to pay fair wages for those who labor in ministry. According to 1 Timothy 5:18, "Do not muzzle an ox while it is treading out the grain…. The worker deserves his wages." If church employees are paid fairly, they can fully devote their time and energies to serve the congregation as directed by church administration. According to Seminary (n.d.), "[A] Christian employer should seek to provide a living wage for his employees, a wage sufficient for the employee to provide for the needs of his family and to prepare for the future" (p. 74). Church leadership should consider that compensation packages are designed to attract capable employees, motivate them to perform duties at a high level, and retain employees for long periods of time (Rotich, 2021).

The Bible contains several stories featuring equity issues. Cafferky (2017) indicates that Luke 15 (the prodigal son) highlights important aspects related to equity theory. The hard-working brother of the prodigal son rebuked his father for celebrating the return of his wayward, indolent brother (Luke 15). The workers hired early in the vineyard grumble about the recently hired help receiving the same pay for less work (Matthew 20). Both stories feature instances of perceived inequity and negative reactions from the offended party. In each instance, the disgruntled party perceived inequity in their outputs (rewards, praise, etc.) relative to their inputs (effort, contributions, etc.), when comparing themselves to a referent other. Astute observers may note that the slighted individual(s) in the above examples likely either undervalued their outputs or overvalued their inputs. Yet the perceptions drove subsequent attitudes and behavior, particularly complaints and dissatisfaction. While extreme reactions to inequity are fortunately rare in the marketplace, employees today still tend to react negatively to inequity in workplace outcomes (e.g., pay) when inputs are perceived as similar. Such perceptions may reduce job satisfaction and drive turnover or counterproductive work behaviors (see Fox, Spector, & Miles, 2001). This is why it is particularly important to better understand the extent to which pay inequity exists in church positions and explore potential remedies to address any shortcomings.

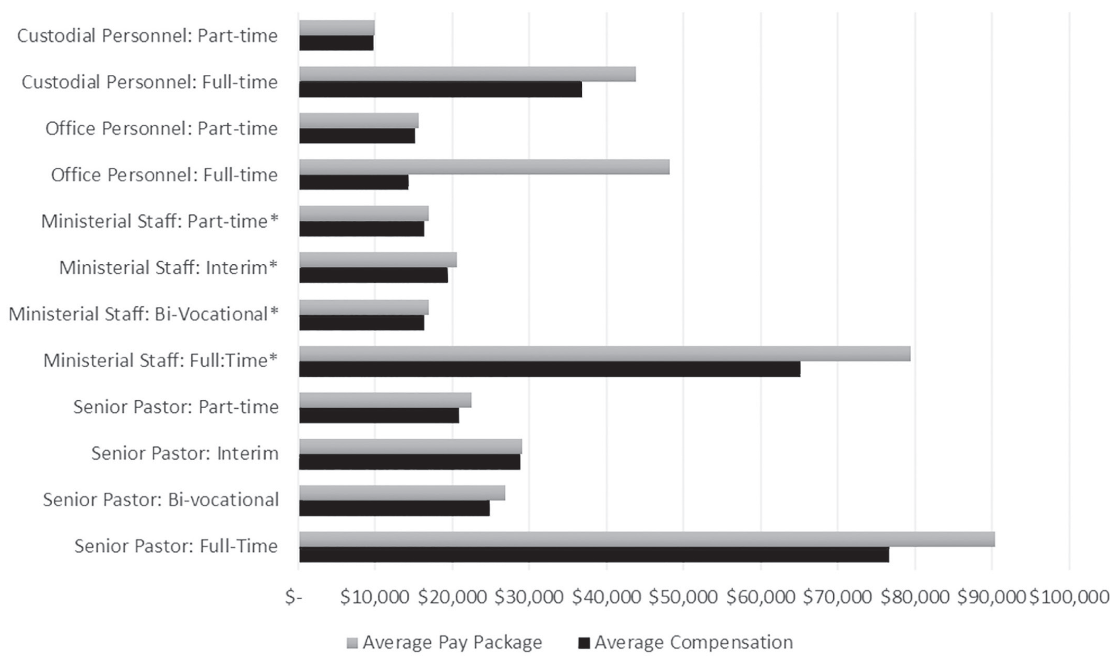
DATA ANALYSIS

When placed in charge of church compensation policy, what determinants should Christian businesspeople utilize to establish fair compensation levels? Understanding which determinants are most closely associated with compensation in the existing market can go a long way to establishing a fair compensation scheme. At the very least, it will enable church leaders to look church employees in the eye and assure them that their compensation is based on the same factors as those performing similar roles at other churches. This assurance can indicate a level of external equity that can help motivate church employees, limit turnover, and render obedience to scriptural mandates. Understanding determinants of compensation in the current church environment can also enable Christian businesspeople to establish compensation policies for the local church that can support internal equity. When church employees understand why their compensation differs from one another's and can be assured that these distinctions are predominate across churches, that understanding can help mitigate the jealousy and resentment than result from perceived unfairness. This kind of internal equity supports the goal of unity to which Christ called us all (John 17:21).

Clergy Compensation

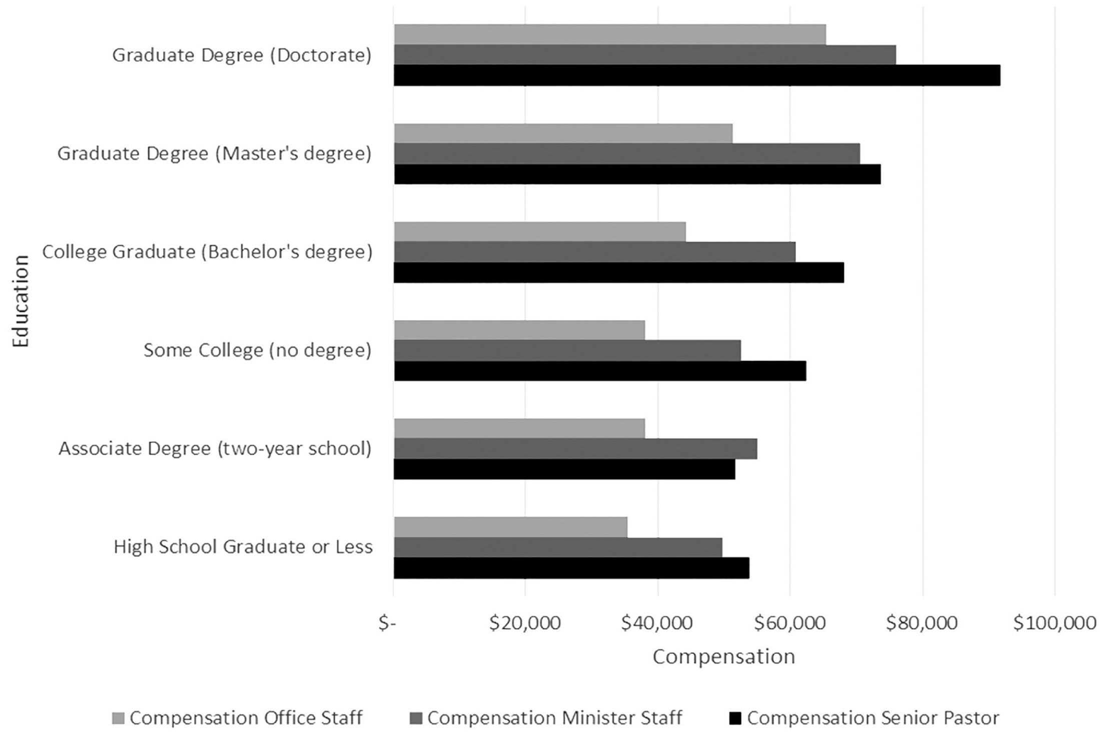
The Southern Baptist Convention and Lifeway Resources, along with Guidestone Financial Resources, have accumulated significant data relating to church compensation levels. The Lifeway 2022 Compensation Study is a collaborative effort between state Baptist conventions, Lifeway Christian Resources, and GuideStone Financial Resources. This data set reflects input from more than 10,000 respondents from 40 state conventions. The report provides compensation data for a variety of church roles, from the pay of senior pastors to the pay of secretarial and custodial staff. Churches of various sizes and budgets are represented in the data

Figure 1: Compensation—Summary by Position



In figure 1, per position, the top horizontal bar represents the average pay package, and the bottom horizontal bar represents the average compensation.

Figure 2: Age Compensation Based on Level of Education



In figure 2, per level of education, the top horizontal bar represents the compensation for the office staff, the middle horizontal bar represents the compensation for the ministerial staff, and the bottom horizontal bar represents the compensation for the senior pastor.

set (Lifeway Compensation Reports, 2022). Various factors potentially influencing clergy and senior minister compensation are reported, including church-related attributes (congregational size, budgets, location) and employee characteristics (e.g., role, gender, education, experience). In this section, the authors present some of the determinants from the Lifeway Study and other research they found most common for establishing compensation policy.

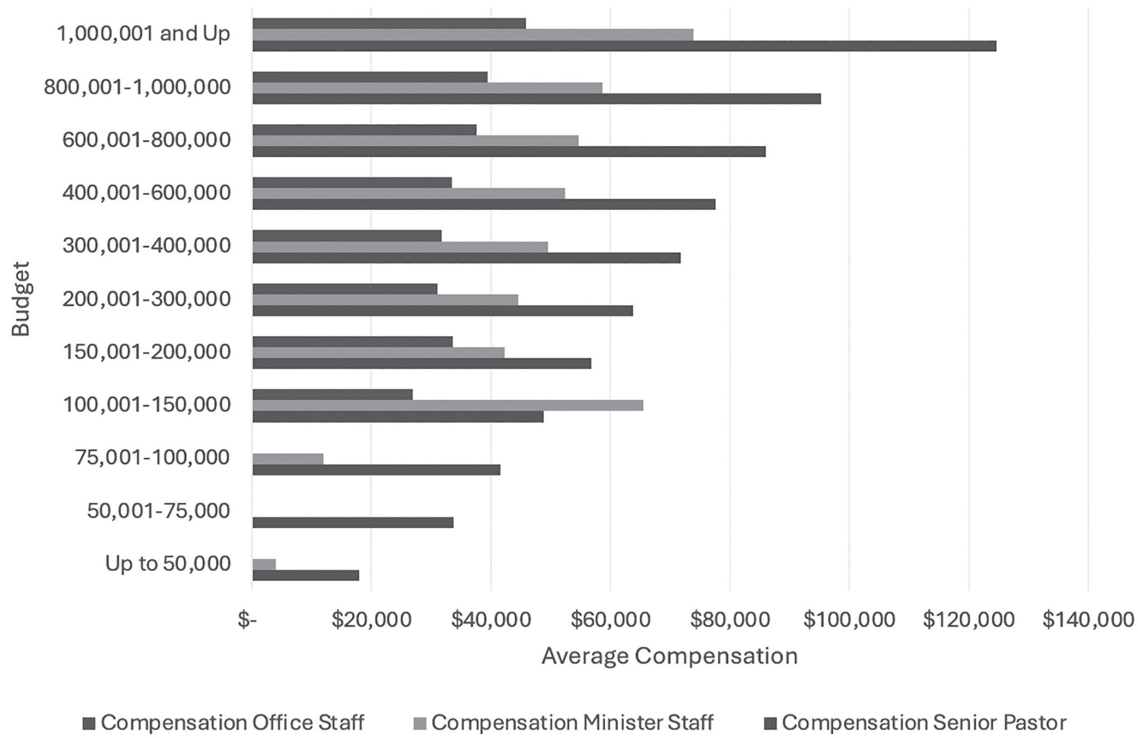
Professional role. Perhaps not surprisingly, ministers' salaries fluctuate considerably based on ministry role. For example, one study found the average preaching pastor's salary in 2023 was $75,961, whereas the average salary for children's pastors was $56,284 (Siburt Institute for Church Ministry, 2023). Figure 1 indicates a significant difference between office personnel, ministerial staff, and senior pastors.

Education. Research examining youth pastor compensation practices found those with stronger educational achievements and experience report higher incomes (Navarra, 2023). Figure 2 reveals that the higher the level of education, the higher the compensation for all areas of professional church employees. There is also a significant difference between senior pastors holding a master's degree and those holding a doctorate.

Gender. Research also suggests gender pay disparities exist in church settings. Male youth pastors, in particular, when compared with their female peers, tend to be paid higher wages (Navarra, 2023). These findings should present a caution to Christian businesspeople establishing church compensation policy and monitoring compensation levels. Disparity of pay based on gender may violate both US federal law and run contrary to Galatians 3:28.

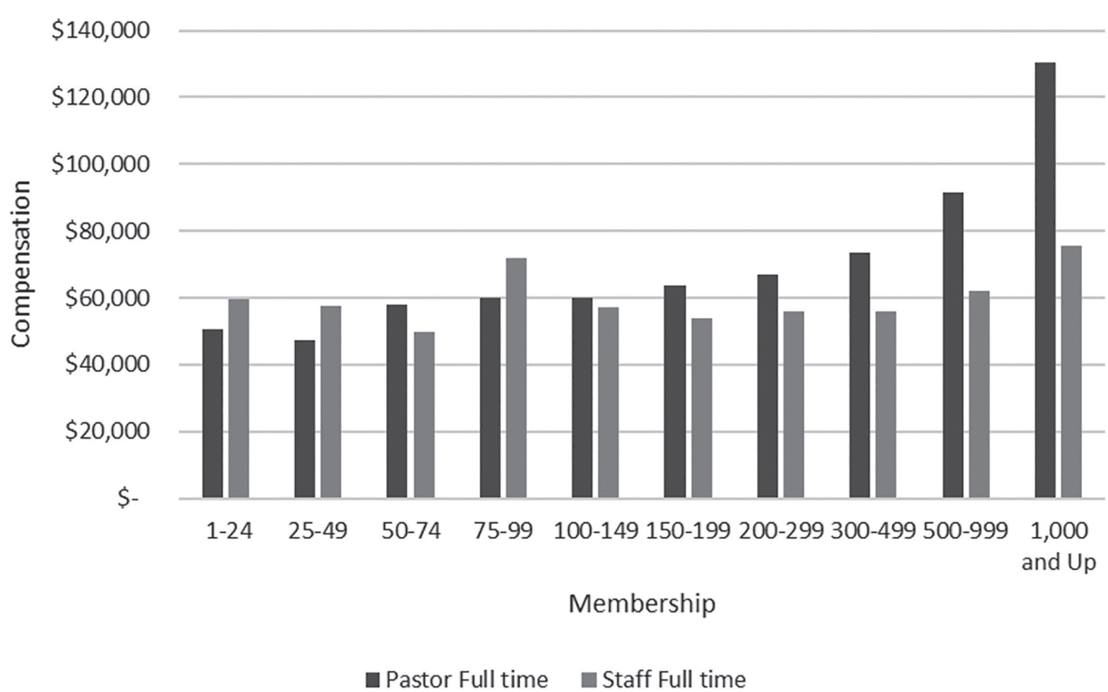
Geographic location. Compensation practices often reflect a church's geographic location. The average salary for full-time ministers in the Northeast in 2023 was $73,598, compared with $62,842 in the Midwest (Siburt Institute for Church Ministry, 2023). One could assume these differences reflect the varying costs of living in different parts of the U.S. Christian businesspeople should be mindful of the cost of living in the area of their local church when establishing the church's compensation policy.

Figure 3: Average Compensation Based on Church Budget



In figure 3, per budget range, the top bar corresponds to the compensation for the office staff, the middle bar corresponds to the compensation for the ministerial staff, and the bottom bar corresponds to the compensation for the senior pastor.

Figure 4: Average Compensation Based on Church Membership



In figure 4, for each range of membership, the first bar represents the full-time pastor while the second bar represents the full-time staff.

Church budget. The perceived health of the church's budget is a major contributing factor when considering clergy compensation (Hargrove, 2021). Church budgets reflect organizational income. Decreased giving was the factor most cited for churches that cut wages and benefits in 2023 (Hill et al., 2023). As observed by Schleifer and Chaves (2016), "[D]eclining participation in congregations, increasing concentration of people into larger and larger churches, and financial stress within congregations all will affect the clergy labor market in general and clergy compensation in particular" (p.20). As demonstrated by Figure 3, senior pastor compensation particularly increases along with the church's budget.

Church membership. Compensation for full-time pastors is positively associated with church membership. However, in the case of the full-time (non-clergy) staff, the positive relation between church membership and compensation is weaker. Comparing both pastors and staff, the compensation difference becomes larger with the number of attendees. This disparity presents an opportunity for perceived internal inequity and warrants attention.

Church Staff Compensation

Academic research examining compensation practices within church settings has almost exclusively examined factors influencing ministerial pay. Few studies have focused on the pay practices of other critical staff positions. Non-clergy church employees may be employed to work in a variety of positions, such as secretary, treasurer, maintenance, and musicians. Limited research suggests the lack of fair compensation practices for non-clergy church employees are an ongoing concern. Churches advocating for living wages from the pulpit have made headlines for paying their own staff members wages near the national minimal requirement (Ward, 2015). Less than half of teachers in Anglican and Catholic schools in England receive a living wage (Archbishops, 2022). It is unknown if the factors influencing ministerial compensation impact the pay of church staff in similar magnitude. The scant research in this area suggests limited generalization.

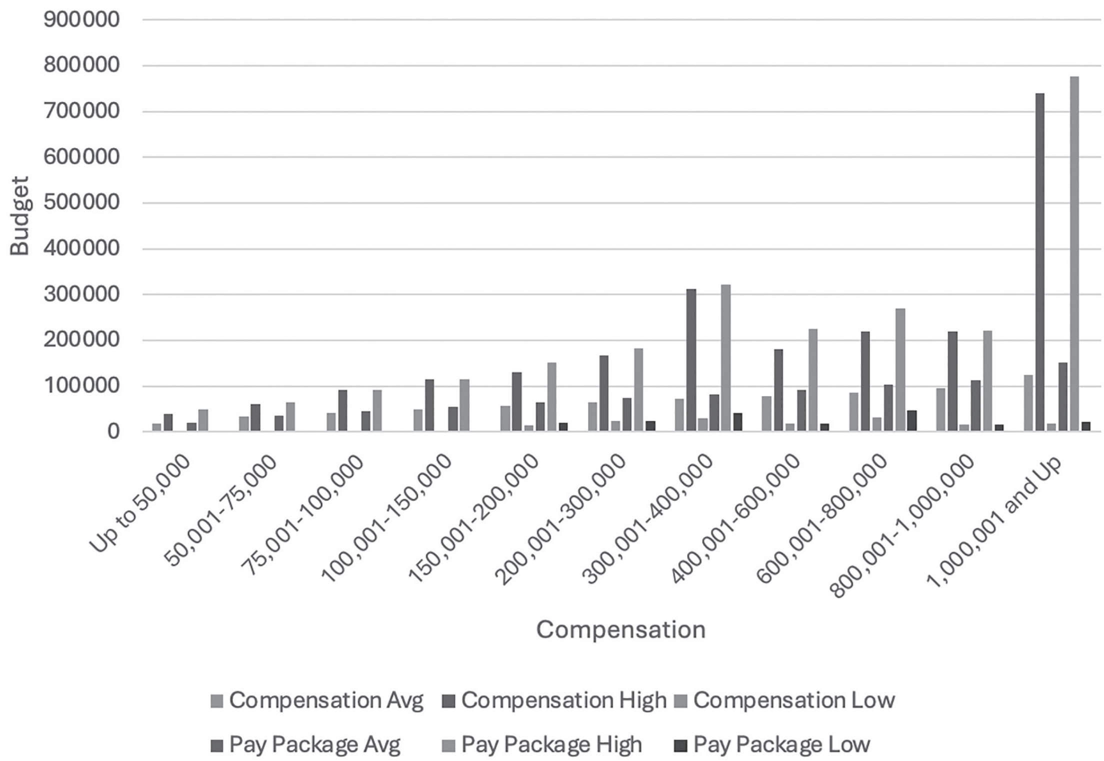
There are many potential reasons why church staff may fail to receive fair compensation. Senior church leadership often has discretion concerning the pay of staff workers. Yet, these individuals may be ill-equipped when considering salaries and hourly pay levels. Many individuals overseeing church employee compensation decisions likely receive inadequate training. Church staff compensation may be associated with the churches' management practices. Many individuals working in churches may not receive regular reviews of their performance. In 2023, more than half (53%) of youth pastors received no annual performance reviews and lacked the opportunity to discuss their compensation (Navarra, 2023). Those having annual performance reviews earned 7.5% higher compensation than their peers that did not have such evaluations (Navarra, 2023).

Further Analysis

The authors conducted additional analysis using the 2022 Lifeway Compensation Study dataset to assess the variables influencing non-clergy church staff compensation. Many of the factors strongly correlated with non-clergy church staff pay supported the generalization of prior findings concerning senior pastor compensation. Specifically, church staff's level of education, geographic location, and church attendance were strongly correlated with pay levels. There were a few exceptions. The strength of positive correlation between church budget and pay was slightly weaker for office staff (r = .89) relative to senior pastors (r = .92). Despite the strength or weakness levels of the correlations, the Pearson r values are all greater than .7, demonstrating that the correlations are strong. Figure 5 demonstrates the average compensation depending on budget. The average compensation of senior pastors is steeper as it increases with the budget compared with that of the office staff. This distinction in correlation between compensation for pastoral and non-pastoral employees as church budgets increase represents another opportunity for perceived internal inequity, particularly for larger churches. Christian businesspeople responsible for compensation policy at larger churches may want to consider imposing a limit on pastoral compensation equal to a fixed multiple of staff compensation. This strategy has been employed at businesses like Whole Foods Market to increase employee solidarity and provide incentives for organizational leaders to improve compensation for the rank and file (Whole Foods, 2006).

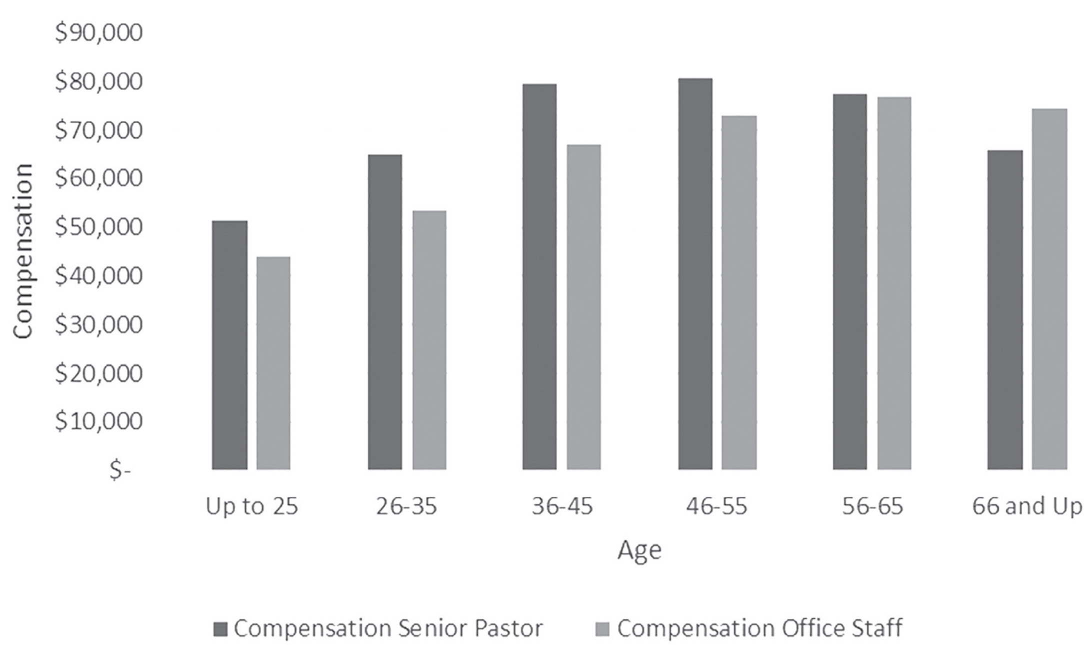
On the other hand, the positive correlation between an individual's age and pay level was considerably stronger for office staff (r = .98) when compared with senior pastors (r = .86). Figure 6 reveals an increase of compensation with age for both senior pastors and office staff. However, in the 56-65 range and older, there is a decrease in compensation. That decrease is steeper for senior pastors compared to office staff. As individuals over 40 constitute a protected class under U.S. law, Christian businesspeople responsible for the pay of older church employees should be careful to avoid implications of discrimination based on age.

Figure 5: Senior Pastor Based on Budget



In figure 5, per compensation range, the first bar corresponds to the compensation average, the second bar corresponds to the highest compensation, the third bar corresponds to the lowest compensation, the fourth bar corresponds to the average of the pay package, the fifth bar corresponds to the highest pay package, and the sixth bar corresponds to the lowest pay package.

Figure 6: Average Compensation Based on Age



In figure 6, for each age range, the first bar represents the compensation for the senior pastor while the second bar represents the compensation for office staff.

Unfortunately, the available data did not permit for the examination of other potential factors impacting church staff pay, such as race, job tenure, etc. However, these limited findings suggest churches should devote additional attention and resources to ensuring church staff are fairly compensated. Christian businesspeople responsible for Church compensation should ensure they have the proper processes in place to realize these commitments.

BEST PRACTICES

There are many actions churches can take to ensure church employees are fairly compensated. These practices include proper budget preparation and allocation, thorough financial analysis, financial reporting and assessment, strong internal control systems, comprehensive job analyses, and a review of relevant employment law.

Church Budgets

Annual church budgets are used to allocate funds to various ministries and discipline spending when necessary. These budgets can help determine over-or-under spending for each budgeted line item. However, one of the best uses of budgets can be a monthly or quarterly review. Shorter periods of budget analysis can lead to better financial decision-making for church leadership. According to Larkin and Ditommaso (2020), one of the best ways to allocate budgets into shorter periods is to first analyze the actual income and expense for the prior period, and then allocate the current year's budget based on the previous year's actual numbers. This process will allow calculations for percentage changes between annual or interim budget reports. The objective of budget preparation is to re-allocate funds where necessary and to hold leadership accountable for overspending.

According to Marden (2019), budget presentations should include the following:

- a summary of actual expenses for the previous period, year to date, or year-end-estimates
- an estimate of projected income for the subsequent year
- proposed expenses for the subsequent year (p. 58)

Churches can utilize these interim budget reports to monitor fair compensation through a line item for "Employee Benefits" that includes staff salaries, insurance benefits (health, medical, and life), and retirement plans. This line item should be regularly assessed by church leadership. Continual assessment will allow church leadership to determine the need for proper allocation from church funds to mitigate any increase in the employees' own expenses, such as rising food or health costs.

Proper allocation of funds to employee compensation can also be demonstrated through budget preparation. At the beginning of the budget cycle, church leadership can approve specific budget line items. This is a good place to start when considering fair compensation for church employees. Consideration for fair compensation can be determined by addressing the following questions:

1. Why should we offer fair compensation to our employees?
2. Can we afford fair compensation for our employees? If not, what attempts can be made to provide fair compensation?
3. If approved for budgeting, how can we budget and continue to budget for fair compensation in an environment of rising costs of living?

Christian businesspeople have the opportunity to help churches operate according to sound financial principles. Whether we look at the operations of business functions or the operations of church functions, a common attribute to the success of either of these operations is sound financial management. Although a misstatement of 1 Timothy 6:10, there is an old saying that "money is the root of all evil." For some churches, this can be unfortunately true if monies are not properly allocated for their intended use. For example, restricted church funds raised for building improvements would be misapplied if used for a youth function. However, money can play a very positive role when allocated for its intended use. According to Henning (2022), "[B]usinesses and their leaders as well as their employees should always see themselves as stewards of their customer's money" (p. 24). Good stewardship will contribute to ethical decisions made in the best interest of the stakeholders. What is in the best interest of the church employee who consistently sacrifices family time and themselves for the betterment of church ministry?

Financial Analysis

If churches seek to afford fair compensation for the non-clergy church employee, church income becomes a determinant factor. If incoming church funds are minimal, the following steps can be taken to provide fair compensation (assuming budgets are properly prepared):

1. Research the cost for health benefit packages (HBP) for non-profit organizations.
2. Select and customize HBP that will serve the employees.
3. Revisit the budget and review any underspent

account items. Any underspent funds can be reallocated to HBP.

4. Revisit the budget and review all account items. Reduce budgeting for less critical account items and reallocate those funds to HBP.
5. Eliminate dormant account items and reallocate funds to HBP.
6. Invest a percentage of church income to fund HBP and commit to use these funds only for HBP.

The steps above may not be applicable for churches that are "just surviving" but can help those churches that may consider HBP for their employees. If church operating income reflects a consistent surplus, in addition to steps one through six above, churches can forecast and prepare for rising costs of insurance premiums in budget preparation.

Financial Reporting

Financial reporting involves financial transactions, data collection, financial assessment, and financial statement preparation. We should not expect pastors to be experts in understanding the nuances of financial reporting. However, they should become familiar with how and why financial data is reported. Financial literacy among clergy and church leadership is much needed in churches. According to Lockett (2014), "[I]n consultation between accountant and client, a great concern has been exposed which exists among church leadership: the lack of education in financial literacy and the understanding of financial reporting" (p. 18). This has become an ongoing problem in churches, which can result in the misappropriation of funds. If churches can ward off the misuse of funds (misappropriation), those funds can be reallocated to budgeted line items that are needed for ongoing church operations, including providing fair compensation to church employees.

Internal Financial Control Systems

Fair compensation for all church employees, including non-clergy employees, requires robust control over church income and disbursements. Internal financial control systems (IFCS) are designed to safeguard the church's assets, ensure accurate financial reporting, and establish controls for cash management (Metropolitan Community Churches, n.d.).

The lead author's experience as a church consulting accountant indicates that a common area of concern stems from the potential misuse of church funds and the contribution that misuse of funds makes to unfair compensation. As Christians, we may want to believe that no Christian would steal funds from anyone, let alone from a church organization. Sadly, examples abound. One publicly reported example is that of CareEd, a nonprofit Christian organization whose Chief Operating Officer (COO) stole from the organization's funds. Its mission was to provide training and technical support services for missionaries throughout the world. The COO was found guilty of fraud and embezzlement, using the funds to support his lifestyle. He admitted to his wrongdoing and agreed to replace stolen funds in the amount of $35,000 to $40,000 (Balda, 2005).

A common source of fraudulent activities in churches includes the misuse of cash, so the handling of cash is paramount to ensuring effective IFCS and having the financial wellbeing available to provide fair employee compensation. Without strong IFCS, cash can be embezzled, misappropriated, or misclassified. Strong IFCS are demonstrated through cash collections and check disbursement guidelines.

Cash Collections

According to Whittington and Pany (2022), some general guidelines for cash collections include the following:

a. Do not permit any one employee to handle a transaction from beginning to end.
b. Separate cash handling from record keeping.
c. Centralize receiving of cash to the extent practical.
d. Record cash receipts on a timely basis.
e. Encourage customers to obtain receipts and observe cash register totals.
f. Deposit cash receipts daily.
g. Make all disbursements by check or electronic funds transfer, with the exception of small expenditures from petty cash.
h. Have monthly bank reconciliations prepared by employees not responsible for making cash payments or custody of cash. The completed reconciliation should be reviewed promptly by an appropriate church officer.
i. Monitor cash receipts and disbursements by using software to identify unusual transactions, and compare recorded amounts to budgeted amounts. (p. 429)

Check disbursement. Check disbursements should have the approval of church leadership (officers) along with an invoice for documentation signed by an officer and the recipient. According to the amount requested, one or two signatures from the officers should be required. For some churches, $250 or less requires only one signature. Any check that exceeds this amount will require two signatures. Officers who may sign on behalf of the church should be rotated every two years to help protect the integrity of transactions.

Internal financial control systems. Good internal financial control systems (IFCS) will allow organizations to budget and allocate their funds with greater confidence. According to Lockett (2014), IFCS among churches are designed to safeguard the church's assets, ensure accurate financial reporting, and establish controls for cash management. The readiness level to effectively apply IFCS is based on the following factors: a) records of donations, b) payment of bills, c) petty cash transactions, d) reconciliation of all bank accounts, e) records of inventory, f) review of insurance policies, g) annual budgets, and h) annual audit reviews. Christian businesspeople who ensure the church for which they are responsible has effective cash controls have completed a necessary prerequisite to fair compensation.

Job Analyses

In addition to strong financial management and internal control practices, churches are encouraged to engage in thorough job analyses to ensure that church employees are adequately compensated. A job analysis examines the functions and responsibilities of a particular role in addition to the requisite knowledge, skills, and abilities required for the position. This process helps with the identification of compensable factors and helps ensure both internal equity (i.e., fairness in pay between employees within a particular church) and external equity (i.e., pay fairness when considering how church staff are compensated when compared with peer institutions).

Reynolds (2003) provides eleven compensable factors when classifying church positions:

1. Complexity of work
2. Work volume
3. Responsibility
4. Degree of supervision provided
5. Degree of supervision received
6. Required experience
7. Specialized knowledge
8. Required judgment
9. Acquired training
10. Budget oversight
11. Interpersonal aspects

Senior church leaders may consider these factors when determining staff compensation. Regular review of peer institution compensation practices is also encouraged. The Lifeway Compensation Report utilized for this study is a useful resource for church leaders looking to promote external pay equity.

Churches should consider using evaluation committees when reviewing roles and determining compensable factors (Job, 2010). These committees are responsible for engaging in a thorough job analysis for each position and documenting all job requirements. All job requirements and compensable factors may be listed in a table, whereby each requirement is scored according to the extent to which it involves particular skill sets. The utilized skills and intensity of usage are multiplied to determine compensable factor scores and remuneration is directly tied to cumulative job evaluation scores. This process, albeit far from perfect, promotes a degree of internal pay equity in the organization. Pay levels (outputs) are directly tied to the inputs each position holder contributes through their skill sets and responsibilities.

Formal pay surveys are commonly utilized to capture this data for external equity considerations. Elson and Ferrere (2013) discuss how executive boards use pay surveys and peer grouping when determining senior leader pay. They indicate boards will often identify peer institutions that are similar to their own and establish metrics that are then used in analyzing how the senior leader's pay is structured relative to pay practices at peer institutions. Often these boards will create a pay package consisting of salary, bonuses, and long-term incentives. The pay package may target the 50th, 75th, or 90th percentile of peer institutions' pay for the position. Although particular uses of pay surveys certainly vary across institutions, their use promotes external equity and is thought to encourage senior staff retention and motivation. While it may be less common to engage in such formal approaches with more junior positions, churches (and other organizations) may still consider forming a compensation committee to regularly review (and, if necessary, create) external pay surveys to ensure fair compensation practices.

Employment Law

The purpose of employment law is to protect the employee's rights in the workplace and to establish a working relationship between the employer and the employee. There are several specific employment laws that are applicable to fair compensation. Title VII of the Civil Rights Act of 1964 protects employees from discrimination, including pay discrimination, based on sex, gender, race, age, religion, and national origin. The

Age Discrimination in Employment Act forbids pay and other employment discrimination for individuals age 40 or older, and the Americans with Disabilities Act prevents similar discrimination towards individuals with disabilities. Employment laws also provide employers with guidance concerning which employees are entitled to health and retirement benefits (e.g., The Affordable Care Act). Employment laws often refer to the Bureau of Labor Statistics (BLS) for comparability of compensation packages (Carson, 2023). The BLS reflects monthly and annual average data on employment for payroll and job classification purposes (United States BLS, 1989). This should be a management tool used for churches to compare industry and church wages on an annual basis.

DISCUSSION

The need for fair compensation for non-clergy employees has been a particular concern for many years. In past years of rendering professional accounting services to churches, the lead author has engaged in many conversations with many disgruntled non-clergy church employees. They may ask, "If pastors have other benefits besides their salaries, why can't we?" "Why are we not considered for medical, dental, or health insurance?" "What happens after the many years we served the church, giving our all to the ministry, when we retire?" These questions are often sadly ignored.

This article has highlighted an area of concern among churches related to the fair compensation for non-clergy church employees. Our research explored fair compensation practices for this overlooked group within church staff. We examined clergy and church staff job positions based on education, gender, geographic location, church budgets, and church membership. This examination suggests that while ministerial and non-clergy staff compensation practices are influenced by many similar factors, the strength of correlation for certain factors (e.g., church membership, age) was different for the two groups. It would be appropriate for decision-makers to examine how these factors influence compensation across all employee groups and address any equity issues to promote job satisfaction and employee retention.

To promote fair compensation for all church employees, churches should consider a number of "best practices," including proper budget preparation and allocation, thorough financial analysis, financial reporting and assessment, strong internal control systems, comprehensive job analyses, and adherence to relevant employment law. By applying best practices, churches not only will ensure fair compensation but also will bring satisfaction to non-clergy employees and hopefully facilitate increases in job performance and staff retention.

Further exploration is needed to compare fair compensation for the non-clergy church employee among church denominations and organizations. For instance, the lead author's accounting and consultation services focused on Protestant churches. The data set explored in this paper featured pay practices reported by Baptist churches. Church compensation practices reported by these churches may not be similar to those found in other faith traditions. There are likely many factors that influence non-clergy staff compensation that weren't available to analyze using the Lifeway data set. Future research may consider exploring how certain HR practices (e.g., specific recruitment practices, use of performance appraisals) impact non-clergy compensation practices. In addition, researchers may consider how church doctrine related to role-taking (e.g., gender roles) impacts staffing decisions and related compensation considerations.

Those who serve in church financial management must keep in mind that the church's work is critically needed to build the Kingdom of God. Let us give God our best and let us practice being what Christians are—people of integrity. Let us treat each other fairly through just wages and decrease inequity of all kinds in church compensation. For pastors and church leadership, let us consider the idea of "Christ-centered leadership," which considers leaders to be selfless, focused on serving others, and committed to treating all stakeholders with fairness (Grimes & Bennett III, 2017). With this in mind, Christian businesspeople serving their local churches can be faithful to their calling and contribute to building the Kingdom of God.

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