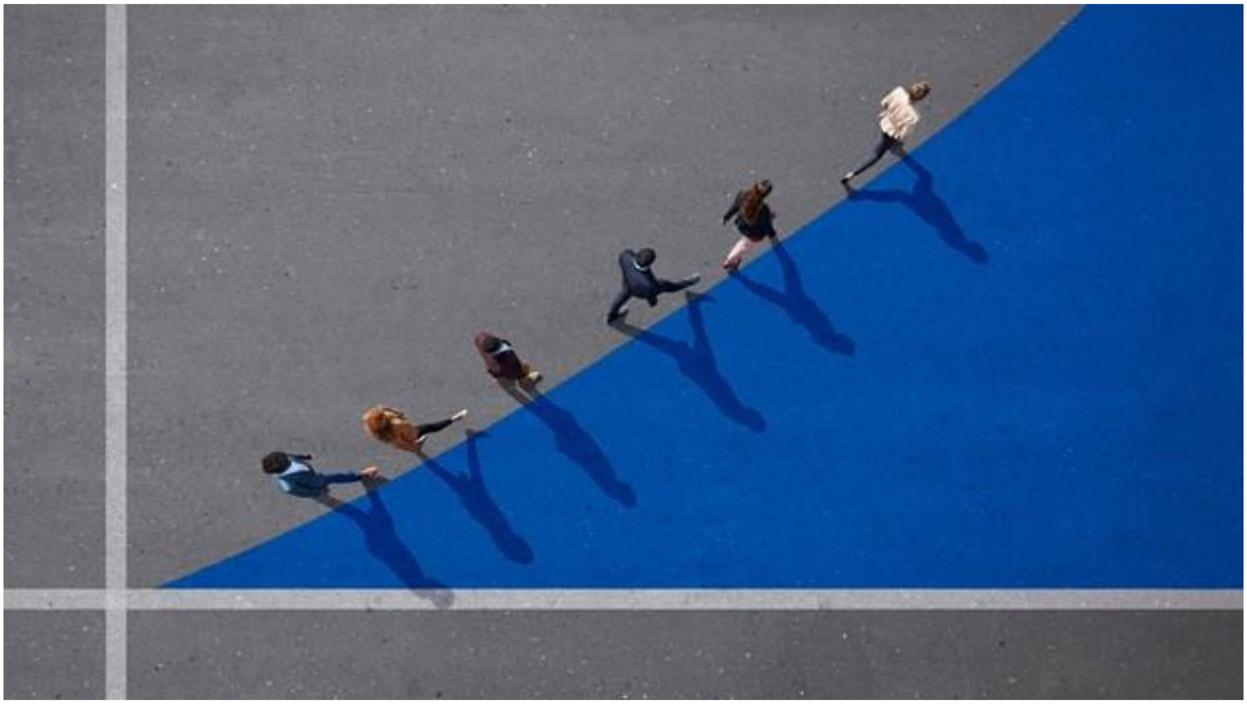
Two Major Pressures on Church Pay in 2022: Scarcity and Competition

Rising wages and increased competition are placing more pressure on churches than inflation alone in 2022.

Aaron M. Hill



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As we discussed in our *State of Church Compensation* webinar, there are at least two major pressures that church leaders should be discussing in every personnel or HR team meeting during this year's budget season.

Good employees are hard to find

Despite talk of a recession, employers have added 2.9 million jobs so far in 2022—a pace of 400,000 a month.

Employees are scarce, and jobs are plentiful (still). Outside the church, the ratio in June was 1.8 job openings for every one employee. We don't know the statistic inside the church, but the signs aren't good.

According to Matt Steen at ChemistryStaffing, finding a children's pastor is hard even in good times, but the pandemic has made finding a qualified and capable children's, youth, and worship pastor a monumental task. Your church simply cannot afford to lose one of these pastors right now.

Similarly, Mike Batts (CPA) reports to ChurchSalary that replacing your church accountant or controller at the moment is nearly impossible. The reality is both pastors and staff members at your church currently can find better jobs offering higher pay and more comprehensive benefits outside the church.

*Our advice is simple: **focus on retention.** More than any other year, retaining employees in 2022 is cheaper than replacing them.*

Entry-level wages are rising fast

You've seen the signs at local businesses. Intense competition for entry-levels employees is causing wages to rise. Indeed, according to the Bureau of Labor Statistics (BLS), from February 2020 through Summer 2022, wages for non-supervisory and production employees have risen by 14 percent.

There are many factors driving this shift in the marketplace.

Dan Navarra warned us about this phenomenon in a prescient article series for ChurchSalary in 2021. Dan's concern was that a rising tide of minimum wages would squeeze church payroll budgets. His assumption was that pressure would come from federal or state legislation. In a way that almost no one anticipated, wage pressure is coming directly from the marketplace. The map below displays average entry-level wages for each US state in 2021 according to ZipRecruiter. If you are having a hard time hiring non-supervisory employees, this is why.

EXPAND GRAPH

WFH has introduced direct competition

As we predicted in our May 2021 webinar on *The Future of Work in the Church*, the work-from-home (WFH) era has introduced direct wage competition to the church employment market—perhaps for the first time.

In today's labor market church employees don't have to move anymore to find another job—even a ministry job. Pastors and staff members can find a better paying job tomorrow that offers a flexible work-from-home schedule. And they don't have to move their kids to a different school or sell their house.

This means that churches are competing now for qualified workers with corporations and Christian non-profits on the national level.

It is worth noting that despite the allure of better pay, most pastors and staff members want to work inside the church for Kingdom reasons. They aren't in it for the money. And there is still significant pressure on pastors to remain loyal and committed to your church. This "Kingdom pressure" will act as a partial buffer against these market forces.

At the end of the day, though, pastors and staff still need to put food on the table, maintain a healthy work-life balance, put their kids through college, and retire. These real-world pressures are not going away.

We expect these Kingdom and market pressures to create a moving wave of salary changes—a ripple effect. The gap between the leading edge—churches forced to raises wages due to competition or turnover—and the trailing edge—churches with dedicated staff and a healthy work culture—may span several years. *If you want to stay ahead of the curve, your church probably will need to offer salaries well above the median*

How can churches adapt?

As we discussed in our *State of Church Compensation* webinar, churches can adapt to these market pressures in several ways.

First and foremost, churches facing pressure will need to streamline their operation and spend more on payroll. As the average cost of full-time equivalent (FTE) staff increases, churches will be able to afford fewer "man-hours" with the same payroll budget. Ultimately, because numerical growth increases your budget but also increases staffing requirements, there are only three long-term, big picture solutions to this problem:

1. Redesign your ministry model to rely on **fewer employees** (i.e., man-hours).
2. **Spend less** on non-payroll expenses (i.e., ministries, events, and facility).
3. Accept a **flatter salary structure**.

ChurchSalary is convinced that **in order to pay employees a competitive wage, churches will need to design a church that runs on fewer employees**, while also maintaining or increasing per person giving. This will entail fewer programs (or streamlined programs) and more volunteers—i.e., a higher staff-to-people ratio.

Additionally, as Mike Batts noted in our recent webinar, to survive this budget crunch churches also need to "manage the sheer detail and character of their internal operations." In other words, **evaluate how you can you streamline your organization and weekly workload.**

As the larger marketplace creates more pressure at the bottom-end of your salary structure, churches also may need to turn to third-party contractors or temp agencies to solve their staffing problems. It may not make sense to pay for a full-time employee with limited benefits when you can share that employment cost with other business.

Finally, **churches may need to accept a flatter salary structure moving forward**—with a higher floor. Churches may find it impossible to maintain a 2x or 3x ratio between the senior pastor's salary and the average FTE employee wage. In most churches, this ratio starts at 1.5x and scales to 4x levels and above. However, as rising wages for lower-level employees compresses your salary structures, it may not make financial and spiritual sense to scale the senior pastor's salary to ever-exceeding heights simply to maintain a certain ratio.

In many churches, the scale of the gap from the senior pastor to the average FTE staff salary has been compounded by across-the-board and/or inconsistent raises.

Additionally, ChurchSalary's data suggests that pastors were more than twice as likely to receive a raise than non-pastors or staff in 2021-2022. Handing out inconsistent raises will magnify the gap between pastors and non-pastors on your staff, but, as the chart below demonstrates, across-the-board raises can have an almost exponential effect.

EXPAND GRAPH

For many churches in the Northeast and West regions, salary structures are flatter. A higher cost of living and state minimum wages has forced these churches to pay all of their employees using a flatter salary structure. The current wage pressure on the bottom of salary structures may require churches in the rest of the country to make similar changes.

As church leaders digest and adapt to these rapid market changes, it is important to step back and ask, "What is the purpose of paying our employees? Why do we give them wages and benefits? What is the goal?" Revisit Luke 10:7 and 1 Timothy 5:18. Have a big picture discussion about compensation philosophy before making hasty changes and make hopeful decisions.