

**KEY POINT**

The goal is not to come up with a single compensation number, but rather to identify a *compensation range*. Once that range is determined, a variety of factors will affect the final choice of a specific level of compensation.

**STEP 1**

The first step is to use the Tables in Chapter 4 to identify the *average compensation range* for senior pastors in settings comparable to those of Pastor West. We begin by examining *worship attendance* (Table 4-1), *church income* (Table 4-2), and *church setting and size* (which for this example is Table 4-4: a church set in the suburb of a large city with an attendance between 251-500). The main data we are interested in is found at the bottom of each table in the box labeled *Total Compensation + Benefit*. There we find data that summarizes the average church attendance, income, years employed, and compensation for the participants detailed in each column of each table. Also, we can examine the range of the middle 50% of respondents by looking at the *Lowest 25%* and the *Highest 25%* numbers. The relevant data from these tables are summarized below.

1. Data for Example	2. Average Sun AM worship attendance	3. Average church income	4. Average compensation + benefits	5. Range of middle 50% of respondents
Maywood Church	395	\$775,000	To be determined	N/A
Table 4-1 [Worship attendance] 301-500	407	\$803,997	\$90,156	\$74,397– \$104,164
Table 4-2 [Church Income] \$751K-\$1M	475	\$883,747	\$89,096	\$74,214– \$102,636
Table 4-4 Suburb of large city with attendance of 251-500	384	\$821,598	\$90,022	\$74,400– \$102,854

**STEP 2**

The second step is to examine additional factors that might impact compensation + benefit such as *education* and *years of service*. This requires an examination of Table 4-10: *Annual Compensation of Senior Pastors by Education*, and Table 4-11: *Annual Compensation of Senior Pastors by Years Employed*. These factors do not have as strong a correlation with compensation and benefits as do church income and attendance. As such, they are less useful in establishing a compensation + benefit range, but are helpful in deciding whether an individual is in the upper or lower parts of the range identified in Step 1.

1. Profile of Pastor West  M.Div. 9 years exp.	2. Average Sun AM worship attendance	3. Average # of years employed	4. Average Church income	5. Average compensation + benefits	6. Range of middle 50% of respondents
Maywood Church	395	9	\$775,000	To be determined	N/A
Table 4-10 Master's Degree	575	11	\$1,005,953	\$85,631	\$65,800– \$101,558
Table 4-11 6–10 year service	509	8	\$920,367	\$83,983	\$64,600– \$98,800

In column 5 above, we find that the average compensation for pastors with a master's degree is very close to the national average (\$85,631 compared to \$87,284). Similarly, those with 6-10 years of service, such as Pastor West, receive an annual compensation similar to the national average (\$83,983 compared to \$87,284). So, based on the data for Pastor West, education and years of service will not be factors in making adjustments to compensation plus benefits.

**Variation 1**

Suppose Pastor West has a doctoral degree. On average, senior pastors with a doctorate earn approximately \$15,186 above the national average (see Table 4-10 in Chapter 4). In part this is because they serve in higher income churches. The average compensation + benefit for those with a doctorate is \$102,470. This falls with the range we identified from Step 1 (\$89,096 to \$90,156). The average church attendance for those with doctorates is 664, which is higher than Maywood Church's average of 395,

and the average church income of \$1,480,481 is well above that of Maywood's \$775,000. So all things considered, the compensation range from Step 1 would still serve us fairly well even if Pastor West had a doctoral degree. Nevertheless, a doctoral degree is a relevant factor that suggests higher levels of compensation are normal. How much higher will vary from one situation to another. In this case it would be a positive factor that might suggest moving toward or above the higher end of the range from Step 1 rather than the lower end of the range.

## Variation 2

What if Pastor West's educational level is lower than a Master of Divinity degree? It would probably have little impact. The reason is that Maywood Church has an average income and attendance that is well above that of most churches with pastors that have less education, and church income and attendance are the strongest factors that correlate with pastoral compensation. As a result, even with less education (or years of service), the compensation range established in Step 1 still applies.

## STEP 3

The third step is to take into account the unique circumstances that define each individual situation. One factor is the cost of living for your area. Is it higher or lower than the national average? Your local Chamber of Commerce or a real estate agency can help you obtain that information. Other factors such as denominational affiliation (see Table 4-12), theological beliefs, pastoral performance, financial needs, goodwill, the local economy, personal motivation, congregational goals, internal church politics, and many other considerations will also contribute to the final decision. For some churches that may mean a final compensation package much lower or much higher than the projected range listed in Step 1. How that compensation will be divided up will vary greatly from one church to another, and even from one individual staff member to another. Care should be given, however, to avoid gender discrimination. This is a widespread problem involving many churches (see Table 4-9). In addition, a large disparity between the pastor's compensation, and that of other staff members, can have an impact on the rate of increase that the pastor may experience in future years. Often, once a staff member has reached the upper limits of his or her compensation range, future raises may be somewhat smaller in order to better compensate other staff members.

The final determination of compensation + benefit is unique to every congregation. It would not be surprising to see a range of compensation for Pastor West somewhere between \$70,000 - \$95,000. Higher compensation levels are possible, and could be argued to be reasonable. It would be unlikely, however, for Pastor West to exceed \$110,000, which would fall outside the limits of the *Highest 25%* range for churches similar to Maywood Church. Such a compensation level would require independent justification to avoid the possibility of intermediate sanctions (see the Special Section for a discussion of intermediate sanctions). Also, remember that a crucial step in this decision-making process must involve an awareness of tax law found in the Special Section.

The detailed process above can be used for each of the eleven staff positions found in this handbook. This same process can be used for each of the nine staff positions found in this handbook.

**TABLE 3-2: PERCENTAGE OF PART-TIME STAFF RECEIVING COMPENSATION AND BENEFITS**

	PASTOR	ASSOCIATE PASTOR	YOUTH PASTOR	ADULT MINISTRY DIRECTOR	CHILDREN'S/PRESCHOOL DIRECTOR	MUSIC/CHOIR DIRECTOR
BASE SALARY	85%	74%	94%	91%	99%	97%
PARSONAGE	22%	6%	4%	4%	0%	0%
HOUSING	61%	52%	8%	14%	2%	5%
RETIREMENT	33%	20%	5%	13%	7%	3%
LIFE INSURANCE	9%	4%	3%	7%	2%	1%
HEALTH INSURANCE	26%	11%	8%	5%	6%	4%
VACATION	70%	59%	51%	50%	48%	44%
AUTO REIMBURSEMENT	43%	52%	36%	39%	26%	16%
EDUCATION	39%	24%	23%	32%	23%	10%
RECEIVED SALARY INCREASE	39%	50%	43%	70%	63%	54%
NUMBER OF RESPONDENTS	46	82	171	56	204	331
	ADMINISTRATOR		BOOK-KEEPER	SECRETARY	CUSTODIAN	ORGANIST
BASE SALARY	99%		97%	96%	98%	99%
PARSONAGE	0%		0%	0%	1%	0%
HOUSING	2%		1%	0%	0%	0%
RETIREMENT	10%		5%	7%	2%	1%
LIFE INSURANCE	0%		3%	2%	0%	0%
HEALTH INSURANCE	14%		5%	5%	2%	3%
VACATION	56%		38%	46%	25%	35%
AUTO REIMBURSEMENT	24%		19%	13%	9%	4%
EDUCATION	3%		5%	5%	0%	1%
RECEIVED SALARY INCREASE	60%		55%	52%	45%	55%
NUMBER OF RESPONDENTS	106		237	469	447	78