Intro: Today’s podcast is brought to you by BCWI’s 360 leadership assessment.

Male: Welcome to the Flourishing Culture Podcast, where you’ll learn how to build a flourishing workplace culture that drives the ministry impact of your organization, your church, or your company, brought to you by the Best Christian Workplaces Institute. Now, here’s your host, BCWI president, Al Lopus.

Al Lopus: Hello, and thanks for joining us again on the Flourishing Culture Podcast. Today we’re going to look at rewarding compensation, the fifth of the eight drivers that can take the health of your workplace culture to the next level. Rewarding compensation is all about providing tangible resources in return for the service your employees provide.

My guest has so many wonderful stories and practical strategies that can speak to your own compensation plan and how it can strengthen your organization’s workplace culture. With that, I want to welcome my guest, Susan Byers, the founder of the Church Compensation Services. Based in Dallas, Texas, Church Compensation Services specializes in the development of compensation programs, utilizing the most relevant, reliable, and robust compensation data available for large and growing churches. And she also publishes the MegaChurch Compensation Report. Prior to founding Church Compensation Services, Susan served as a human resource director at a large healthcare organization as the compensation and benefits director, so she brings to us a great background on resources.

Susan, I’m so glad that you can join us here as part of our new ongoing series, the “Eight Ways to Build a Flourishing Workplace Culture.”

Susan Griffith Byers: Thank you, Al. I appreciate you inviting me today to join you and for highlighting the importance of rewarding-compensation programs in churches and other Christian organizations. Not only is compensation a matter of stewardship, comprising almost half of a church budget, but it’s crucial to attracting, retaining, and motivating key employees and cultivating a flourishing workplace culture.
Al: And that’s especially true in our labor market today, with unemployment at record lows. So, yeah. Thanks, Susan, for being with us. And to get us started, you’ve got a lot of good information to share with us about rewarding compensation, but first, tell our audience a little bit about yourself.

Susan: Well, I’ve been a compensation professional for over 20 years, working at global H.R. consulting and high-tech firms, as well as more recently, as you mentioned, serving as the compensation director at a large healthcare organization. And when I attended a large church in the Chicago area, I volunteered on the church’s compensation committee to help establish a new salary structure. And during that project, discovered a gap in the availability of relevant compensation data for large and growing churches. So I launched Church Compensation Services and the MegaChurch Compensation survey to support large churches with their compensation-program development. And since then, we’ve served hundreds of churches of all sizes in the U.S. and even around the world, and in our last report in 2018, we included 100 positions in over 20 ministry areas from 114 church participants representing about 20,000 employees.

Al: And Susan, at the time, you were used to working with compensation surveys targeted at some of the world’s largest organizations, like Coca-Cola, McDonald’s, and other large nonprofits. Here’s the big question: Do some of the same principles work while measuring compensation in churches?

Susan: Yes. Many of the same compensation principles apply to churches as with the corporate world. The goal is to ensure compensation programs are fair, equitable, defensible, and easy to administer and communicate. So we were the first, and possibly only, compensation source that brings the compensation best practices of the corporate world into the church world. And some of those practices include what I like to call our compensation one, two, three, which is the development of a compensation philosophy, having good survey data, and salary structure to kind of hold things together. Very few churches, I’ve found, have a formal written compensation philosophy, which is the foundation of a good compensation program. And we’re able to help churches work through that process of aligning their comp philosophy with their mission and vision and making it very simple and clear to communicate.

Al: You know, we’ve talked a lot about compensation philosophies, so I’m glad you’re bringing that up. Continue on. Sorry to interrupt.

Susan: Sure. And the next step is, then, how do you build your structure, and with that, we need good data. We have the data at Church Compensation Services. It’s very relevant and specific to the roles at large and growing churches. We scrub it to make sure it’s accurate. We compile it in a meaningful way to reflect budget size and attendance and region, etc., and reflect the whole gamut of pay components, from the 10th percentile up to the 90th. So if you’re a small megachurch, you might be looking at some of the lower-level percentiles, and if you’re a very large megachurch, the 90th percentile might be more appropriate. So we want to reflect that full gamut. We also report our data in compliance with the U.S. Department of Justice Safe Harbor guidelines to ensure confidentiality of participant data but also other requirements and regulations that apply to compensation. And we include relevant information about annual increases, benefits, and even data specific to regional campuses. And then we also offer a turnkey solution, with compiling that data and
creating a salary structure specific to your church. And that’s the one, two, three of compensation that we can help with.

**Al:** Okay. So, one is compensation philosophy, two is actually compensation survey data, and three is the salary structure. That’s great, Susan. So, what are some of the other components of survey sources?

**Susan:** That’s a great question. A good survey will have clear instructions so participants can accurately report the data in their questionnaires. You’d want to see a reliable list of participation that’s relevant and consistent year over year as well as job descriptions that provide enough differentiation in level and function. You would want clearly defined data elements—what’s included in total cash—and what do each of these components mean so that they can be actually used correctly. And then different data cuts for size, geography, and making it more meaningful for the different types of churches that might be using the data. Timely results and future availability, it’s not something that you want to use one time. You want to be able to use it to administer your ongoing compensation program.

**Al:** I love these seven items, Susan. Number three, you mentioned, was job descriptions, and you really do look at specific job descriptions and matching that data, don’t you. How many job descriptions do you have in the survey for benchmarking purposes?

**Susan:** We have about 100 job descriptions right now, and then 20 different ministry options. So you may have the same position throughout your organization with slightly different responsibilities, so it’s exponentially more than 100, but that’s the basis for the jobs in our system.

**Al:** As you know, rewarding compensation is one of our eight drivers that makes up the BCWI FLOURISH model, and these eight essential factors, from fantastic teams to life-giving work to outstanding talents, are important and what drive a healthy, outstanding workplace culture. What are some of the keys that today’s leaders should consider in developing an effective compensation program? Perhaps you’ve got a favorite story.

**Susan:** Well, one, that we mentioned earlier, was a compensation philosophy. That’s a key foundation of a compensation program. It’s like the road map, and it should align with the church’s mission and vision and to define the relevant targeted market. For example, there was a church I worked with. It was located in a very affluent area. The congregation was filled with highly educated doctors, lawyers, and CEOs who preferred pastors or staff with a few letters behind their name. And this church also had a high annual operating budget, more than other churches of similar attendance size, so they could afford to spend more on salary. And it was necessary for them to have their pastors and staff close by the church and needed to living in this high-expense living area. So their compensation philosophy needed to target that affluent church with the similar-sized budget, and it approximated more of a 75th percentile of the megachurch salaries.

Another church was very different, in the inner city. They had a large homeless population in their congregation, and their budget was smaller than most churches with similar attendance, and a large percentage of their budget was spent on local missions. So despite the cost of living in their area, this church didn’t want to pay as much as other churches with similar attendance, and, frankly, they couldn’t afford to. So they were able to find and attract mission-focused staff and pastors, with
substantially lower-salary requirements, approximating about the 25th percentile of the megachurch salaries. The church also supplemented pay with some of their ministry resources, like food banks and medical and dental clinics. So their compensation philosophy was extremely different from the first example.

Without a compensation philosophy, it's difficult to identify and target a market that's relevant to your unique mission and vision. It's like shooting in the dark.

Another critical component of good compensation programs are the real, viable, and relevant survey data. We discussed this earlier, but it's worth mentioning again. You've heard the expression “garbage in, garbage out”? Well, it's the same with survey data. Free data on the Internet may be a decent reference point, but it's not something you want to gamble with when spending half of your church budget.

Now, you need to know what to do with all this data, and that's where the salary structure comes in. It's the framework that connects your job hierarchy with the appropriate salary ranges. That's why we developed the customized salary structures, utilizing data from our survey, from childcare worker up to senior pastor; adjusting, based on your church budget size and geographic area; and then we slot your jobs and provide a complimentary costing analysis to show where your jobs fit in the range.

Al: Wow, that's really remarkable, Susan.

Let's take it a step further. What are some of the foundational processes for a strong compensation program in a church or really any organization? And just to let you know, Susan, I'll pay you top dollar for a good story or illustration that drives home your point. How's that for a compensation analogy?

Susan: Well, you know how to motivate and reward a compensation professional. Well, defining your competitive labor market is one of the things that needs to happen in the very beginning. Believe it or not, not all church jobs should or can be compared exclusively to other church jobs.

Some of your listeners may identify with a couple of churches I've worked with in California. One in Southern California found it very difficult to attract and retain the programming and production staff. They were competing with Hollywood and needed to find local survey sources to benchmark their jobs to make sure they were competitive. Their local competitive labor market needed to be considered for this population, but not all their jobs needed to be compared to the Hollywood production and creative-arts market.

Another church in the Silicon Valley found it difficult to attract and retain I.T. jobs and other jobs in the administrative functions found in those general corporate-industry markets, like H.R. and finance and legal. Makes sense that they needed local or relevant industry data for these administrative functions. You can imagine it also had a direct impact on their ministry positions. The elders didn’t want the CIO salary higher than their lead pastor, so other adjustments needed to be considered. Their labor market may include more than just comparable-sized churches and ministries or nonprofit.
Another area that’s foundational to compensation is job documentation and job evaluation. It’s nearly impossible to benchmark your jobs and evaluate pay, without proper job documentation. I’ve seen many churches with random individual job titles for Johnny or Susie, based on their gifts and talents, but none of it’s documented. And minimum requirements, essential job functions, those types of things need to be documented. When they aren’t, pay inequities occur, and this can also put a church at risk if it’s determined that Johnny’s doing the same thing as Susie—they have essentially the same job duties—but Susie’s pay is half of what Johnny makes. And it happens all the time. Fast-in-growing churches create new roles and hire staff to keep up with ministry but often neglect finding or documenting the minimum requirements of the job, essential functions in EDA or other requirements.

Al: Wow. So, these are great steps, Susan—to define your labor market, document jobs, and that is an important step for sure, and you’ve given us a couple of great examples. But, you know, it doesn’t end there, does it? It goes on to the next step, pay administration. Tell us about that.

Susan: Sure. So in addition to these foundational areas, we need to define, how are we going to administer these programs? Developing a compensation philosophy is part of it, and having reliable surveys and then implementing a new salary structure, but what are the decisions around internal promotions going to be? How much do we want to provide for lateral transfers, if anything? And what about demotions? We also have external salary offers. How do we make sure those are competitive but align internally with the jobs that are already within the church? Will you have any other types of compensation like a Christmas bonus or an incentive, and how will those be administered? It’s like a compensation handbook, where you document all of your policies and procedures regarding pay.

Al: I trust you’re enjoying our podcast today. We’ll be right back after an important word for leaders.

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Al: And now, back to today’s special guest.

I love that. One of the questions that I’ve often been asked is, who should be included in a peer group? In the corporate world, we’ve heard a lot about peer groups, but within churches we’re starting to see churches say, “I want to be compared with this peer group of churches of certain sizes.” Shouldn’t it be organizations that are the same size, or should it be a group of organizations that are larger? How would you address this peer-group question?

Susan: Well, I’ll give the consultant’s response and say it depends. It depends on what the purpose of the peer group is. If it’s for engagement and culture, it might be different than for compensation
purposes. But when talking about compensation in peer groups, the strongest correlation we’ve seen between church salaries and any other factor is the budget size. The size is a critical factor here. And if you’re in a fast-growing church, you may want to look at churches that are not only similar in size but also larger so you can outpace the market, if you will. But if you’re a large church and your growth has stabilized without much year-over-year change, you may want to compare with churches that are similar in size. Either way, we recommend having at least eight to 10 churches in your peer group so there’s sufficient sample sizes of data, and that might require you a broader range of churches being included in your peer group.

In addition to size, we might have peers that are like minded or in our local geographic area. Peer groups typically consist of organizations where you compete for talent, which means you may have a different peer group for leaders and ministry positions than you would for staff and administrative roles.

**Al:** Yeah, that’s great. Now, it’s one thing to look at the competitive salary data; it’s another to evaluate jobs within the salary structure, a structure that you can use to administer the compensation program. So why should an organization have a salary structure, and what should a salary structure look like? And again, we’ve worked with a lot of churches that don’t have a specific salary structure. Tell us, what would one look like? Why should they use it?

**Susan:** In my opinion, a salary structure is the framework of a good compensation program. It holds everything together and provides parameters for making good compensation decisions. It also simplifies the administration of your compensation programs and helps ensure consistent and equitable pay. Salary structures should have enough grades to provide differentiation and pay within the levels of the hierarchy of the jobs, and they should be wide enough to accommodate multiple jobs of comparable value within a level or grade, and represent the market of those jobs. I will say, though, even compensation professionals find it challenging to develop a compensation structure in-house and typically rely on external consultants who can charge quite a bit of money. That’s why we developed our compensation structures specifically for large churches and do all the heavy lifting so that you just can implement them, kind of a turnkey solution, if you will.

**Al:** That’s a wonderful service. That’s great.

And as you’ve worked with churches in the design of these programs, what are some of the conclusions that you’ve found?

**Susan:** Well, we’ve seen a pattern with new churches who use our services. Initially, their pay seems to be administered inconsistently. There’s not a lot of attention placed on internal equity or external markets. They might have two jobs with the same title that are paid very differently, and some could be very low to market and some very high to market. But a former colleague of mine referred to this as having your head in the freezer and your feet in the oven. The complimentary costing analysis that’s included with our customized salary structure highlights where employees might be above the maximum of the range and the cost of maintaining those high salaries, or those who are below the minimum of the range and the cost to bring them up.
If someone’s above the max of the range, we recommend something called red circling, which means they’re monitored and prevented from increasing pay further by paying lump-sum bonuses instead of annual merit increases. This not only prevents the total compensation costs from rising but also the associated-benefits costs. If salaries are well below market, you might consider a multi-year approach to increasing them.

Typically, salary budgets average between 3 to 4 percent per year, which doesn't allow much progress when market adjustments are necessary. But if you add an additional half percent to 1 percent per year, you can make considerable progress towards attaining that market competitiveness. Identifying a consistent methodology for applying those market adjustments that target high performers who might be below minimum or slightly below market and capping annual increases at a certain point to prevent windfall years allow better coverage across the organization.

We also recommend utilizing a merit matrix for administering annual increases, which allocates a higher annual increase to good performers who are lower in the range and a smaller increase for those higher in the range. Churches who still utilize cost-of-living increases as opposed to merit or performance-type increases might find this difficult to administer, but it does yield the best result for maintaining internal equity and external competitiveness.

**Al:** Yeah, merit increase. That’s something that is really helpful.

You know, at BCWI, we suggest organizations survey the health of their culture every year with a staff engagement survey. What do you suggest regarding the annual maintenance of the salary program?

**Susan:** Well, of course, we recommend participating in the megachurch compensation survey every year. Not only does this enable you to monitor the moving market and ensure a competitive salary but it’s a benefit to the church at large. Consistent participation benefits other churches and ministries, and in the corporate world, we refer to this as being a good corporate citizen, and it’s no different in the church. Once you have your salary structure in place, we suggest adjusting it annually to keep up with the market but still allow individual employees to move through the range, commensurate with their growth in the role. We report what an average salary-structure adjustment is each year, based on our participants of churches, and it also includes other helpful information about pay programs and salary increases. It’s as simple as that.

**Al:** Yeah, well, okay. Now let me ask even a more difficult question. What are some of the compensation trends you’re seeing in the market with churches? What would you say are some of the things that you’re seeing because of the unique nature of our labor market?

**Susan:** As I mentioned earlier, there are tight labor markets like tech jobs in Silicon Valley, or production jobs near Hollywood. But your listeners may be experiencing those niche tight markets for other jobs all across the country. San Francisco and New York City have the highest costs of living in the country at more than 25 percent above the national average, but cost of living doesn’t always correlate on a one-to-one basis with salaries. And we see this commonly in what I call vacation destinations, like coastal cities where home prices might be high and jobs don't pay that well. There isn't an industrial- or corporate-job market to use as a comparison, but there may be strong and
growing churches in those areas who need to pay above what the market indicates for their geographic region.

Another example might be in states where the rising minimum wage is up to $12 an hour and undoubtedly can cause compression with the jobs above them. So that forces churches to look at additional increases for those higher-level roles. And we’ve seen some jobs increase at a faster pace across the country. Specifically some of those production positions that we mentioned earlier have increased 20, 30, 40 percent over the last couple of years.

Stewardship is another area that’s increased about 30 percent in the last two years. And salaries for some campus roles are rapidly increasing. And this could be related to the growth of regional campuses in general and also the size of the regional campuses. We have many regional campuses now that are megachurches in and of themselves with more than 2,000 weekly attendance. And so this is one of the reasons we’re publishing a new report specific just to regional-campus compensation. And it will slice and dice the data by campus size and location.

Al: And Susan, when you’re talking about regional campuses, you also have different descriptions, job descriptions, for those campus pastors, whether they preach or not. Isn’t that one of the differentiations you make in your job descriptions?

Susan: It’s something we’re trying to get to. We do ask for that information. Every regional campus is structured differently with some teaching and some not, and whether some of the functional areas are centralized or if there’s autonomous campuses out on their own. So there are a lot of differences. We’re trying to capture that data as we move deeper into this space.

Al: So, why should a growing church care about these things? What’s the reason for having a compensation philosophy, a regular updated salary plan, and not just a church but even other organizations? Why should they care?

Susan: Well, Al, we’re called to be good stewards with what we’ve been given. And this doesn’t just include the church budget, which is very important to steward well. The Bible also tells us a lot about compensation. One of my favorite scriptures is when Jesus said, “Give, and it will be given back to you.” That’s reciprocity. That’s compensation. And that’s why I’m so passionate about rewarding employees with fair and relevant compensation for the value they bring to the organization. This not only engages them and motivates them to do their best but benefits the church with their productivity and contribution. Let’s face it, not all employees, even in the church, bring their best every day. We should be rewarding the ones who do with the best we can give.

Al: Yeah. I like that concept of differentiation, that’s for sure.

Tell us a favorite story about a church that worked hard on their compensation plan and saw a benefit, a tremendous benefit, even to the church as an organization.

Susan: Well, there’s so many different examples, but one that comes to mind is a large church in the Midwest that utilized the custom salary structure we created for them, and developed a salary offer
tool. And this tool was cutting edge and helped them administer their external and internal offers according to the guidelines that they established, and it took the guesswork out of preparing offers and ensured they were fair and equitable, regardless of the role or level. It was really cool.

Al: Susan, gosh, we’ve really enjoyed what we’ve learned today, and you’ve really given us several points to think about, but I like the one, two, three, when it comes to compensation. One is have a compensation philosophy; number two, have the survey data—and you’ve gone into great detail about survey data and where it comes from and how to collect it—and number three, have a salary administration structure so that the salaries are administered equitably and fairly across the organization with the policy manual or approach to administering the pay as well. So, thanks so much, Susan. Is there anything you’d like to add at this point?

Susan: Well, I’d just like to say I understand that compensation is a complex area. I refer to compensation as the non-H.R. part of H.R., meaning it’s different from most of the other H.R. functions that professionals in H.R. focus on, like training and development, recruiting, organizational effectiveness. Yet, compensation at smaller organizations typically falls on the H.R. generalist plate, and in general, organizations won’t hire an internal compensation specialist until they reach at least 1,000 employees, which is why I created Church Compensation Services to act as the compensation specialist, serving the church at a fraction of the cost of traditional consultants. I have a passion for the church. My husband is a pastor, and I have a passion for rewarding compensation. We are here to help, and I hope your listeners will check us out.

Al: And, Susan, tell us, where can people find you and your survey?

Susan: We’re online at churchcompensationservices.com.

Al: Great. Thanks, Susan.

Given all that you’ve talked about, especially in light of how rewarding compensation helps drive a healthy, even flourishing culture, give us one final thought that you’d like to leave with ministry and organizational leaders.

Susan: Al, I’d like to thank your listeners for what they do every day in support of staff and pastors at churches of ministries across the country. They may not hear it often enough, but they play a critical role in running a strong and healthy church. People matter—people in the congregation and in the community but also the staff and pastors in the church. That’s why you and I do what we do, and it’s to help those who serve the church.

Al: Yeah, absolutely.

Well, Susan Byers, founder of Church Compensation Services in Dallas, Texas, thank you for sharing your wisdom, insights, and stories, and thank you for extending your ministry to the leaders who have been listening and benefiting from all you’ve shared with us today.
And I want to thank you, our listeners, for joining us on the *Flourishing Culture Podcast* and for investing this time in your workplace culture today. If there’s a significant insight, story, or action step that you’ve enjoyed in these past few minutes with Susan, then please share them with others so that they can benefit as well. Also, please review the show wherever you listen to podcasts.

This program is copyrighted by the Best Christian Workplaces Institute. All rights reserved. Our writer is Mark Cutshall; our social media assistant is Solape Osoba; and this is Al Lopus, reminding you that a healthy culture drives greater impact and growth for your organization. I’ll see you again soon on the *Flourishing Culture Podcast*.

**Male:** For a free transcript of today’s podcast, visit blog.bcwinstute.org. Join us next week for another one-to-one interview with a respected Christian leader. The *Flourishing Culture Podcast* with Al Lopus is a presentation of the Best Christian Workplaces Institute, helping Christian organizations set the standard as the best, most effective places to work in the world.