Lean Staffing: Churches That Handle Staff Costs in Under 35% of Budget

by Warren Bird, Ph.D.
• Introduction
  – The Problem
  – The Process

• What Did Churches Say about Keeping Staff Costs Down?
  – The Most Important Values
  – The Most Important Numbers
  – What You Can Do

• Appendix: Methodology Details

• Resources
Introduction

• The Problem
• The Process
The Problem

• Staff costs are about half of a church’s total budget.
  – When you add facility costs on top, very little remains for outreach, missions, doing good to the community, program materials, etc.
  – U.S. Protestant churches average 45% of their budget on staff costs.

(source: Fact2008 churches with one or more staff)
The Problem (cont’d)

• These costs are rising for many churches.
  – According to our survey: “Over the last 5 years our staff costs, as a percentage of our total church budget …
The Process

• We looked at churches we describe as “lean staff” – where 35% or less of the total budget goes to staff costs.
• 1 of 7 churches surveyed have developed a lean staffing approach at that level.
• We compared those with churches that spend 36% to 65% of their budget on staff costs.
The Process (cont’d)

• Through our research, we hoped to answer the following questions:
  – Should churches be concerned by the considerable amount of their budget that go to staff costs?
  – What if churches could learn how to do the same level of ministry (or perhaps even more), but with fewer paid staff?
  – If so, could it be done in a healthy way for the staff and for the church?
What Did Churches Say about Keeping Staff Costs Down?

• The Most Important Values
• The Most Important Numbers
• What You Can Do
The Most Important Values

• We asked churches about 26 different values. In general most churches affirmed values consistent with a lean staffing approach.

• However, here are the top 3 where lean staff churches are the most different from others. All deal with the role of volunteer leaders.
Value #1: DNA Over Law

• Lean staff churches registered lower in both of the following. Our interpretation is that volunteering is part of their DNA, and they don’t need to require it or intentionally emphasize it.
  – “We set a policy that limits each ministry area to one paid staff member, and requires volunteers for all other roles in that ministry.”
  – “We developed a church culture where most members are strongly encouraged or required to volunteer.”
Value #2: Lay Leader Development

- Lean staff churches registered *higher* in the following, suggesting that they have an intentional pathway for empowering and increasing the capacity of their volunteers – and for measuring their progress in doing so.
  - “The stronger our church’s small group emphasis, the more ministry-capable volunteer leaders we develop.”
  - “We track the number of volunteers in our church and we notice whether that number (or percentage) is growing or declining.”
Value #3: Volunteer Rich

• Lean staff churches also registered lower in the following. Our interpretation is that they were already heavily utilizing volunteers, so tightening finances don’t require a reprioritization.
  – “The recent financial downturn has forced us to do a better job of using volunteers.”
The Most Important Numbers

Review of the process:

• 1 in 7 churches who took our survey report that their staff costs are 35% or less of their total budget. We call them “lean staff” churches.

• We compared those lean staff churches against other responders (those with staffing costs of 36% to 65%).
The Most Important Numbers

• In comparing lean staff churches to other churches, we’ll look at:
  – Factors that *don’t* change
  – Factors that change *modestly*
  – Factors that change rather *noticeably*
What Doesn’t Change

• Church budget
  – Total 2009 church income was roughly the same between lean staff and other churches.
  – Lean staff churches have budgets from $75,000 to over $10,000,000, and the comparison churches have budgets in similar ranges.

• So, total budget has no meaningful relationship to how lean your staff is – or is not.
What Doesn’t Change

• Whether or not the church is multi-site
  – 25% of both “lean staff” churches and comparison churches are multi-site.
  – This is big news: that multi-sites have exactly the same staff-cost ratio as single-site churches.
What Doesn’t Change

• Age of current senior pastor or how many years in that role at this church
  – Average age is 50 for “lean staff” churches, and 48 for the comparison churches (the difference is not significant).
  – Average tenure is 11 years, both for “lean staff” churches and for the comparison churches.
What Changes Modestly

- **Church size**
  - Staff costs become leaner as overall weekend worship attendance increases, but not dramatically so.
What Changes Modestly

• Whether the church is growing
  – Staffing costs are leaner for churches whose attendances are growing, but only modestly so. Perhaps growing churches have not "caught up" with additional staffing needs.

<table>
<thead>
<tr>
<th>Avg. staff costs as % of budget</th>
<th>Churches where attendance is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>45%</td>
<td>Growing</td>
</tr>
<tr>
<td>48%</td>
<td>Plateaued</td>
</tr>
<tr>
<td>49%</td>
<td>Declining</td>
</tr>
</tbody>
</table>
What Changes Modestly

• Dominant age group of the congregation
  – Staffing costs are leaner for churches where the average person’s age in the congregation is lower, but only slightly.
  – More specifically: Average attender’s age in “lean staffing” group is upper 30s; for comparison churches it’s lower 40s.
What Changes Modestly

• **Year founded**
  – The younger the church, the leaner the staffing costs.
  – For example, for churches founded in the last 10 years, the staffing costs are 46% of budget. For churches founded over 100 years ago, the staffing costs are 49%.

• **More specifically:**
  – For lean staff churches the average church was founded 47 years ago.
  – For comparison churches average year church was founded 54 years ago.
What Changes Modestly

• **Location of the church**
  - Staffing costs are lower for residential and newer suburb churches and slightly higher for older suburb and downtown churches, among those churches whose primary place of worship is located in or near a large city.

<table>
<thead>
<tr>
<th>Staff costs as % of budget</th>
<th>Location of church</th>
</tr>
</thead>
<tbody>
<tr>
<td>44%</td>
<td>Older residential area</td>
</tr>
<tr>
<td>45%</td>
<td>Newer suburb</td>
</tr>
<tr>
<td>48%</td>
<td>Older suburb</td>
</tr>
<tr>
<td>48%</td>
<td>Downtown</td>
</tr>
</tbody>
</table>
What Changes Modestly

- Race

  Staffing costs are leanest for black/African American churches and highest for white/Anglo churches.

<table>
<thead>
<tr>
<th>Staff costs as % of budget</th>
<th>Predominant race</th>
</tr>
</thead>
<tbody>
<tr>
<td>41%</td>
<td>Black/African American</td>
</tr>
<tr>
<td>43%</td>
<td>Multi-ethnic</td>
</tr>
<tr>
<td>44%</td>
<td>Hispanic</td>
</tr>
<tr>
<td>46%</td>
<td>Asian</td>
</tr>
<tr>
<td>47%</td>
<td>White/Anglo</td>
</tr>
</tbody>
</table>
What Changes Modestly

• Use of paid part-time staff
  – Staffing cost have no relationship to the percentage of paid part-time staff in relationship to full-time staff until you start having 3 or more paid part-timers for each full-time staff.
  – This is not what we had predicted, but here are the numbers:

<table>
<thead>
<tr>
<th>Staff costs as % of budget</th>
<th>Number of part-time staff for each full-time staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>46%</td>
<td>Up to ½</td>
</tr>
<tr>
<td>46%</td>
<td>1</td>
</tr>
<tr>
<td>46%</td>
<td>2</td>
</tr>
<tr>
<td>46%</td>
<td>3</td>
</tr>
<tr>
<td>42%</td>
<td>More than 3</td>
</tr>
</tbody>
</table>
What Changes Noticeably

- Ratio of paid staff to attenders
  - Lean staff churches average 1 paid staff per 86 attenders; the comparison churches average 1 paid staff per 70 attenders.
  - Thus the leaner the staffing cost, the higher the ratio of paid staff to attenders (includes both full-time and part-time paid staff).
  - Perhaps this is the most predictable finding: if you spend lots of your budget on staff, then you have more staff-per-attendee than other churches do. (But this finding also suggests churches opt for lots of staff, rather than a few very well paid staff.)

<table>
<thead>
<tr>
<th>Staff costs as % of budget</th>
<th>Ratio of Staff to Attenders</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%-19%</td>
<td>1:108</td>
</tr>
<tr>
<td>20%-29%</td>
<td>1:91</td>
</tr>
<tr>
<td>30%-39%</td>
<td>1:73</td>
</tr>
<tr>
<td>40%-40%</td>
<td>1:73</td>
</tr>
<tr>
<td>50%-50%</td>
<td>1:70</td>
</tr>
<tr>
<td>60%-69%</td>
<td>1:59</td>
</tr>
</tbody>
</table>
What Changes Noticeably

• Funds that go to others
  – The leaner the staffing cost, the higher the percentage of total church income that’s spent for “ministry beyond one’s own congregation (foreign missions, doing good to your community, etc.)”

<table>
<thead>
<tr>
<th>Staff costs as % of budget</th>
<th>How much of budget goes beyond the congregation</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%-19%</td>
<td>23%</td>
</tr>
<tr>
<td>20%-29%</td>
<td>17%</td>
</tr>
<tr>
<td>30%-39%</td>
<td>16%</td>
</tr>
<tr>
<td>40%-40%</td>
<td>15%</td>
</tr>
<tr>
<td>50%-50%</td>
<td>15%</td>
</tr>
<tr>
<td>60%-69%</td>
<td>12%</td>
</tr>
</tbody>
</table>
What Changes Noticeably

• Economic level of church
  – Staffing costs are leanest for churches that reach the poor and highest for churches that reach the very wealthy.
  – Staffing costs increase in direct relationship to how people describe the majority of their church attenders, as they compare it to the average income in their city or region.

<table>
<thead>
<tr>
<th>Staff costs as % of budget</th>
<th>Who attends the church</th>
</tr>
</thead>
<tbody>
<tr>
<td>43%</td>
<td>Poor</td>
</tr>
<tr>
<td>46%</td>
<td>Average</td>
</tr>
<tr>
<td>47%</td>
<td>Wealthy</td>
</tr>
<tr>
<td>53%</td>
<td>Very wealthy</td>
</tr>
</tbody>
</table>
What Changes Noticeably

• How they budget
  – Lean staff churches differ from the comparison churches in how they calculate staff costs by outsourcing more jobs, and finding more sources of income.
    • We “outsourced certain church functions, perhaps payroll or graphic arts, thereby eliminating the need for certain paid staff roles” lean staff churches 57%, comparison group 46%
    • We “developed income-producing activities, such as renting a portion of our property, that contribute to the church budget and thereby make staff costs a lower percentage” lean staff churches 43%, comparison group 28%
Review of What Changes

- **Churches with lean staff budgets:**
  - Do more with volunteers and lay leadership development
  - Tend to have poorer congregations
  - Spend a higher part of their budget money outside their walls
  - Have fewer staff per attendee
  - Outsource certain staff jobs
  - Have extra income sources beyond donations from members
  - Seem to put more attention to developing volunteers
Review of What Changes

- To a lesser extent, lean staff churches are:
  - Larger in size (attendance)
  - Growing
  - Younger in average attender age
  - Younger in age as a church
  - Located in an older residential area
  - Predominantly African American
  - Using at least 3 paid part-time staff for each paid full-time staff
What You Can Do

- Decide whether to move toward a leaner staffing approach to your church budget, and why.
- Determine *healthy* pathways to move that direction. Volunteer development was the common thread in values where lean staff churches different most from others.
Appendix

• Methodology Details
Responses

• We identified those churches through a survey conducted January 2010, invitations sent in partnership with *Your Church* magazine and *Leadership Journal* online. The survey was framed for a Protestant audience of all denominations and non-denominations.
Survey Overview

• We received 735 usable responses
• Attendances ranged from 52 to 28,000 (520 median; 1,829 mean)
• The average church is 54 years old -- founded in 1956 (most recent 2009; oldest 1635)
• Average pastor age is 49 (high of 75, low of 26)
• 99% from U.S., 9 Canadian (with currency changed to U.S. equivalent)
Numerical Profile of Lean Staff Churches

• Larger differences
  – staff to attender ratio of 1:86 or higher
  – giving 16% or more beyond their walls
  – serving an economically poor community
  – budgeting in ways that outsources certain roles and also drawing income beyond tithes and offerings of its attenders

• Smaller differences:
  – larger in size
  – growing
  – younger in average attender age
  – younger in how recently founded
  – located in an older residential area
  – predominantly African American
  – with a 3:1 or higher ratio of paid part-time staff to paid full-time staff
A Typical Church Spends ~50% of Its Budget on Staff Costs

Look at the diversity in our survey, from one church spending 10% of its budget on staff … … to another church spending 95% of its budget on staff.
Notice the Curve

But most churches are in the middle range. (Their plot makes the kind of curve that statisticians can learn much from.)
The Comparison Plan

Compare against the “36% to 65% group”

Identify the “10% to 35% group” as lean staff churches

Ignore “66% and higher” as outliers

% of budget spent on staff costs

Number of Churches
The “10% to 35% group” (lean staff churches) makes up 15% of our comparison.

The “36% to 65% group” makes up 85% of our comparison.
Resources

• Additional Reading
• 2010 Large-Church Salary Survey
Leadership Network Resources

- Downloads, audio & video
  leadnet.org/resources.asp
- Special Reports
  - www.leadnet.org/executivepastor
  - www.leadnet.org/megachurch
- Advance: free, twice-monthly email
  - www.leadnet.org/update
Leadership Network Salary Survey

• For salary report on large churches (attendance of 1,000 and higher): www.leadnet.org/salary
• Updates will be published beginning in the fall of 2010.

• For an excellent publication covering salaries of 13 positions at nearly 5,000 U.S. churches (including a few in the 1,000-plus range), see The 2010-2011 Compensation Handbook for Church Staff, published by Christianity Today International.
About the Author

Warren Bird is the Director of Research and Intellectual Capital Support for Leadership Network. Warren has written many publications for Leadership Network, from salary surveys and profiles of executive pastors and large-church senior pastors to reports on the kinds of people who attend megachurches. Warren has also collaboratively authored 22 books. Connect: leadnet.org/warrenbird

Stephanie Plagens, Publications Manager for Leadership Network, served as project manager. Connect: leadnet.org/stephanieplagens
Leadership Network exists to accelerate the impact of high-capacity “100X” leaders.

www.leadnet.org

© 2010 Leadership Network