

God's labor market:

An analysis of the labor market for protestant ministers in the United States

“The most pervasive logic or vision for ministry today is shaped by the market and the values of consumerism rather than by the gospel of Jesus Christ. The global market economy has become the dominant god of the modern world, not the vulnerable, liberating and suffering God of the Exodus and of the Cross. The myths, rituals, and methods of the consumerist driven market have now invaded the church, been baptized by the church, ritualized by the church until the message of the gospel is so filtered through the consumerism of the global market that the Gospel of Jesus Christ itself has become another commodity to be exchanged for self-fulfillment, personal success, institutional advancement, and now even national security.”

- Bishop Kenneth L. Cardner

Throughout history, the compensation for ministers has ranged from a communitarian model, where clergy and laity shared everything, to an elitist model, where ministers were considered to be land-holding nobility. Today the model used to compensate clergy could be called a “free-market” model. In this model clergy are considered to be professionals, comparable to doctors, lawyers, social workers and educators.

The danger of this modern model of pastoral compensation is that the compensation can become tied directly to the market power (or size) of the local church.

This creates a salary ladder that ministers are forced to climb if they hope to increase their income. This ladder may be an effective tool to properly compensate workers in the corporate world; but in the world of church leadership, where ministers are “called” to serve God wherever He leads, it is an ineffective and in fact harmful tool. Ministers who do not choose to climb the salary ladder, and instead remain where they believe they are called, are often only able to maintain a middle class lifestyle if they are willing to take on a second job. (*American pastor salaries rising faster than inflation*)

This market driven salary structure creates large inequities in salary among ministers; even those with similar education and experience. This structure also forces ministers or their spouses to hold separate, often higher paying, jobs. These “secondary” jobs often become the driving force behind family decisions of where to live and where to minister.

Churches are a very difficult market to understand because churches have a goal that differs from the goal of any other market.

“Churches reside in a sacred world. They have a different mission than the secular world. In fact, they have a different understanding of the world altogether. In the secular world, people have a right of ownership over their possessions. In the church, it is a right of stewardship – a trusteeship – because the Christian community sees everything as belonging to God. Money, land, buildings, even intelligence, education and skills do not belong to individuals, but are given freely by God to God’s people for the purpose of worshipping God and serving the world.” (McMillan, Becky R., and Matthew J. Price. 2001)

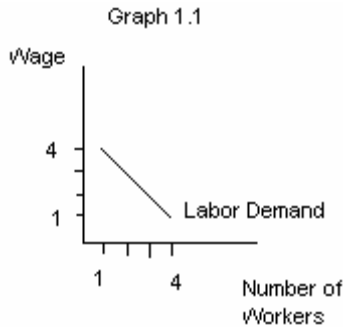
A Brief Introduction to Labor Economics

“The fundamental assumption of labor demand theory is that firms – the employers of labor – seek to maximize profits.” (Ehrenberg, p 57) This assumption allows economists to determine labor demand in a market. The profits of a given firm will be maximized when output is such that marginal revenue equals marginal cost. Thus it can be determined that a firm will hire additional workers as long as the gain in revenue from hiring the additional worker is greater than the cost of hiring that additional worker.

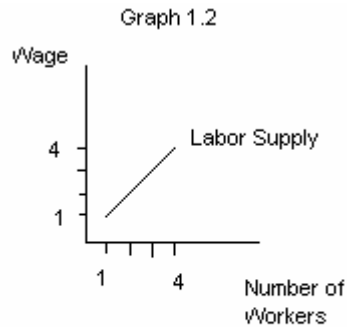
A labor demand curve is a graph that has plotted all of the various wages an employer may pay on the vertical axis and the number of workers the employer would hire along the horizontal axis. The labor demand curve is the line that connects all of the points where an employer would hire a certain number of workers at a certain wage (see graph 1.1).

Once the labor demand curve is determined the labor supply curve must be determined. This curve is laid out by plotting the points where a given number of workers will work for a given wage (see graph 1.2).

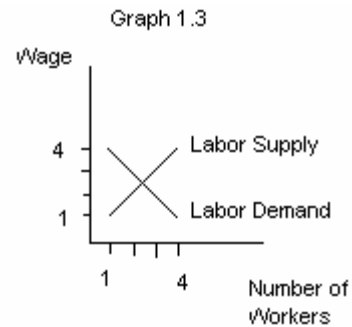
The place where the labor demand curve crosses the labor supply curve is the equilibrium. It is for this wage that a firm will be able to hire a given number of workers (see graph 1.3)



In graph 1.1, an employer will hire 1 worker at a wage of 4, 2 workers at a wage of 3, etc.



In graph 1.2, 1 worker is willing to work for a wage of 1, 2 workers work for a wage of 2, etc.



In graph 1.3, it is clear the firm will hire 2.5 workers and those workers will receive a wage of 2.5.

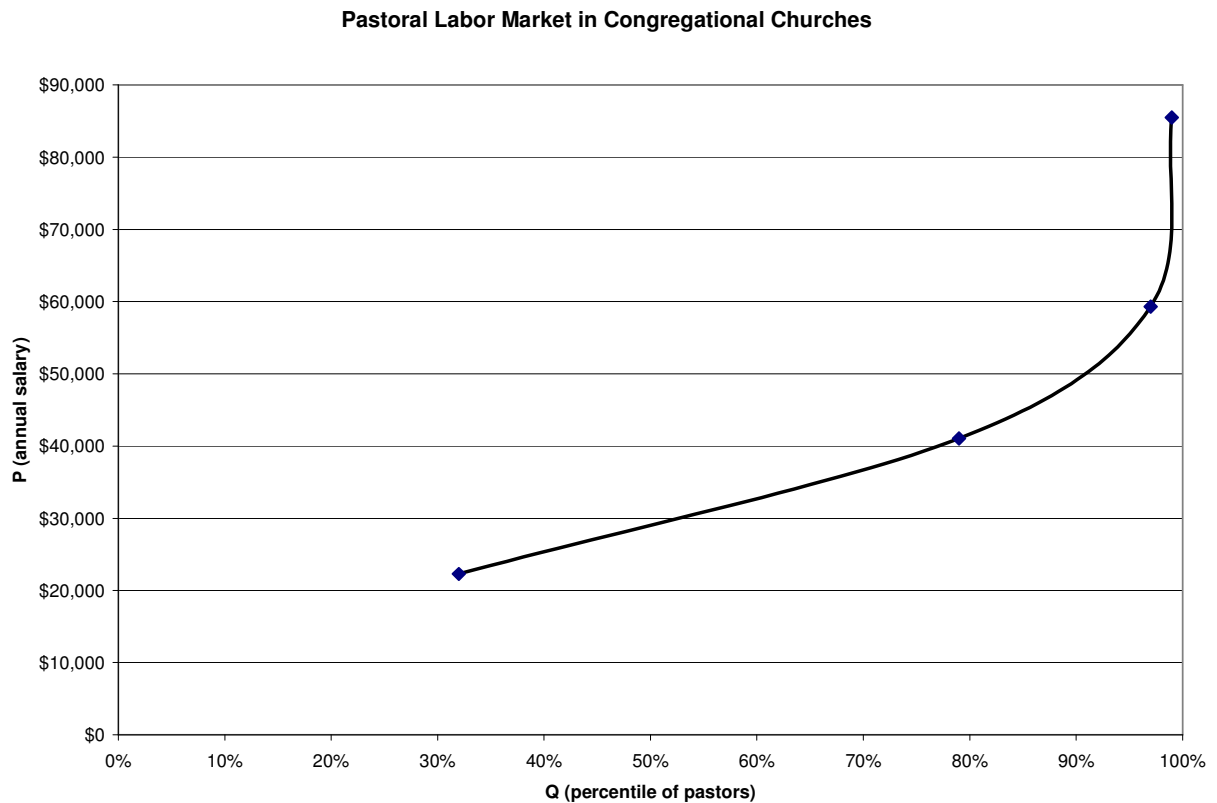
Thus in a normal competitive market the wage will be determined first, by what a firm is willing to pay as a wage to a given number of workers and second, by how many people are willing to work for a given wage.

This paper will assume that this is the model most applicable to ministers in the United States. It is not reasonable to assume that churches are monopsonistic in nature since, in our present age ministers are perfectly capable (and usually willing) to move to a new location to engage in ministry. It is also not reasonable to assume that a church or given church organization has a monopoly on ministerial positions. While a church organization may have control over the ministry opportunities within that organization, there are a multitude of ministerial opportunities elsewhere.

Congregational vs. Connectional Churches

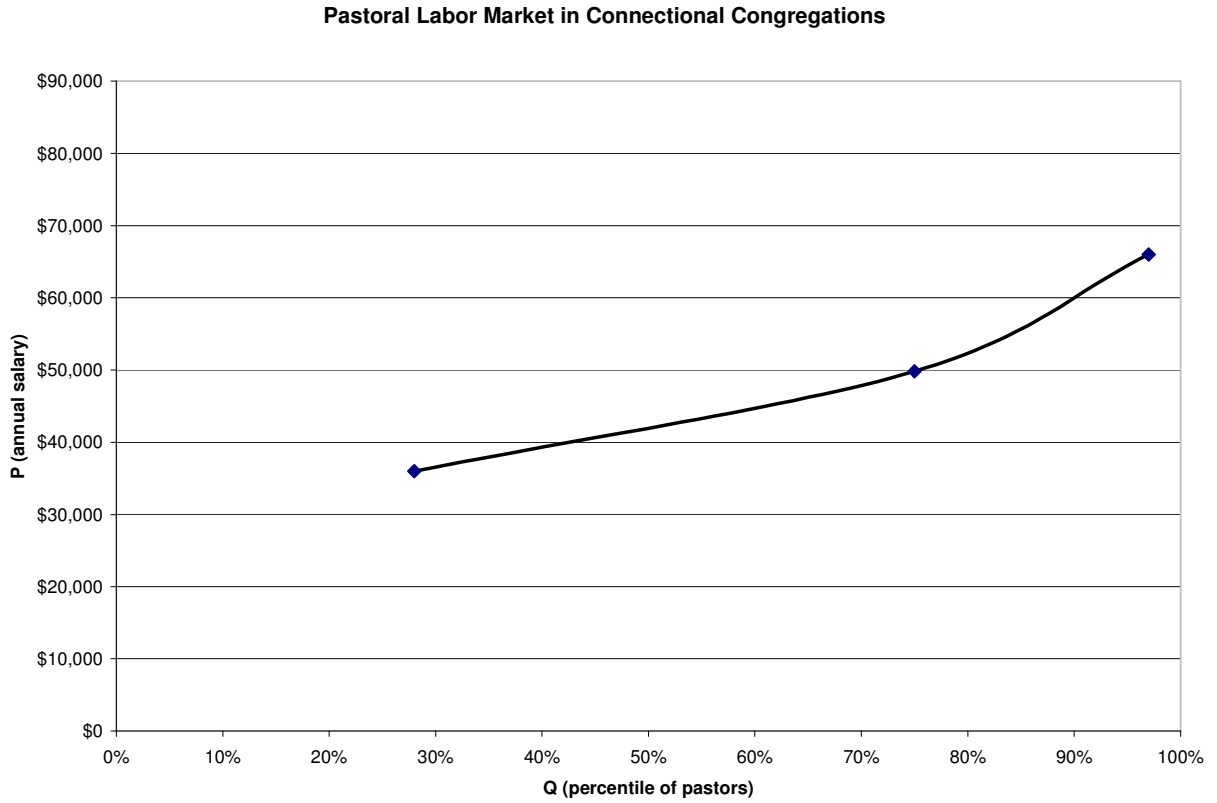
When analyzing the labor market for protestant ministers in the United States it is easiest to divide the market into two different types of churches: congregational and connectional. The congregational polities contain “those congregations that act with the greatest autonomy in determining clergy compensation, and thus illustrate the strongest free market approach to compensation.” (McMillan, Becky R., and Matthew J. Price.

2003) Baptists, Pentecostals, Evangelical Friends and the United Church of Christ are all examples of congregational churches. These churches select their own minister and independently decide what wage they church is willing to pay. Congregational churches most closely reflect the free market. The following graph shows the approximate supply curve of ministers in congregational churches.



The Connectional polities “are subject to some degree of centralization such as minimum salary guidelines or requirements to pay pension and health care benefits and therefore illustrate the effects on clergy salaries of a mix, centralized and free market, approach.” (McMillan, Becky R., and Matthew J. Price. 2003) Methodists, Lutherans, Presbyterians and Episcopalians are all examples of connectional churches. In connectional churches the connective body acts as a union to make sure pastoral wages

are set at a certain level. The following graph shows the approximate supply curve of ministers in connectional congregations.



The information presented in the two graphs above is summarized in the chart below.

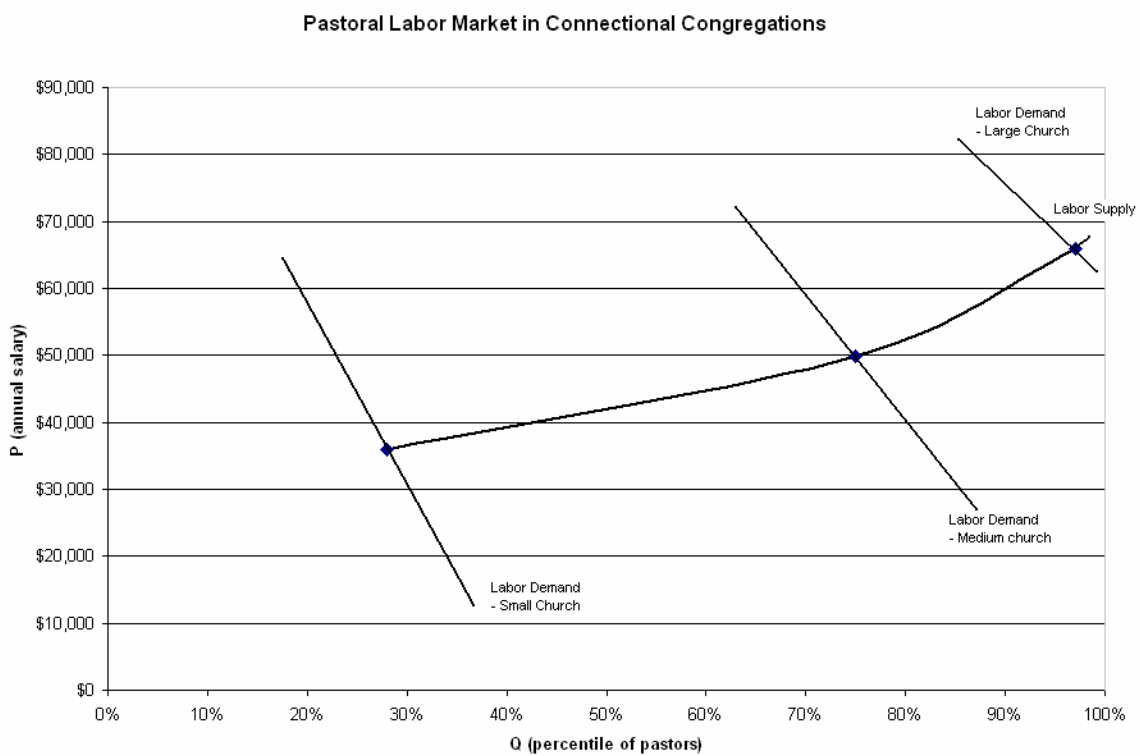
Median Salary for Senior Pastors in 2000			
	Average Weekly Attendance	% of Pastors	Median Salary
Connectional	Small (<100)	56%	\$36,000
	Medium (101-350)	38%	\$49,835
	Large (351-1000)	6%	\$66,003
Congregational	Small (<100)	63%	\$22,300
	Medium (101-350)	32%	\$41,051
	Large (351-1000)	4%	\$59,315
	Very Large (1000+)	1%	\$85,518

(McMillan, *How church polity affects pastoral salaries*)

There are some important things to note in this chart. First, that Connectional churches have a higher median salary than congregational churches in all church sizes except, possibly, the very large churches. Second, more than 50% of all ministers in both church types serve in small churches (less than 100) and over 90% of ministers in both church types serve in churches of less than 350. Finally it is important to note that with the exception of very large congregational churches the supply curve of ministers is relatively elastic.

The Pastoral Labor Market

The graph below shows the labor supply curve for a connectional congregation (shown previously) with three labor demand curves added. The three labor demand curves are the curve for small churches, medium churches and large churches.

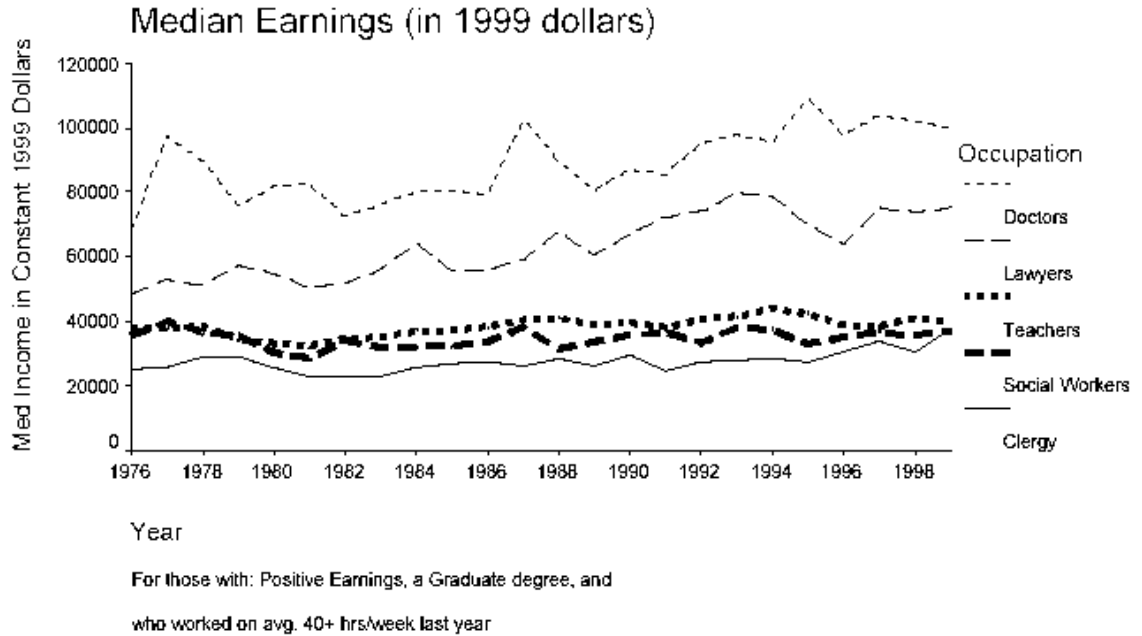


There are several variables that would shift a demand curve as a church grew from a small church into a medium church and, finally, into a large church. The first of

these variables is consumer income. In the case the ministerial labor market the consumer is the church. As the churches size increases its income also increases. This increase in income will push the churches Labor demand curve to the right because the church will be willing to pay more in order to acquire a better qualified individual.

The second variable that will shift the demand curve is consumer expectation. As the Labor demand curve shifts to the right the pastoral wage is increasing. With an increased wage the church's expectations of its pastor also increase. This increase in expectations further shifts the curve to the right further increasing the wage.

As mentioned previously the supply curves for both connectional and congregational churches are relatively elastic. The more elastic a supply curve is, the more perceived close substitutes there tend to be. Churches tend to view ministers as having many close substitutes. These substitutes include students, lay leaders, part time pastors, etc. This large supply of perceived close substitutes is why ministers across the board are paid poorly relative to other professionals. The figure below shows the change in earnings for various occupations from 1976 to 1999.



(McMillan, Becky R, and Matthew J. Price. 2001)

Doctors' earnings remain high largely because people do not perceive there to be close substitutes for a doctor. Lawyers' earnings remain high because there are few close substitutes for lawyers. The earnings of teachers and social workers remain lower than doctors and lawyers because there are many perceived substitutes for teachers and social workers. Clergy are at the bottom of the earnings heap, largely because there are a multitude of perceived substitutes for ministers.

The perception of churches that there are many substitutes for ministers is especially true for smaller churches. A smaller church is much more elastic than a larger church and so is more willing to hire a perceived close substitute at a lower wage. A larger church, particularly a very large congregational church, is relatively inelastic and is, therefore, fairly unwilling to accept a substitute for a minister.

Minorities in Ministry

There are two primary minority groups in ministry today: women and African-Americans. In a Duke Divinity School survey (conducted in 2003 by Becky McMillan and Matthew Price) on ministerial wages, it was found that, while only 3 percent of conservative pastors are women, women make up about 18% of mainline church ministers. This study also found that male clergy salaries averaged \$44,200 while the salaries of female clergy averaged \$40,000. Further, when the survey was restricted to only mainline pastors earning less than \$60,000 (and holding most other variables such as education and experience constant), there was found to be an average difference of \$600 between male and female clergy. This is not a statistically significant amount. It is therefore reasonable to conclude that the majority of mainline churches appear to pay equal wages for equal work across genders. There is, however, reason to believe that women may not have equal access to higher paying jobs (those jobs that pay more than \$60,000). (McMillan, Becky R., and Matthew J. Price. 2003)

In contrast African-American pastors appear to have equal access to higher paying jobs, but unequal wages for equal work. According to the McMillan and Price 2003 study, “15 percent of the top earners in our sample of clergy are African-American, nearly the same percentage of pastors in our sample that are Africa-American (16 percent).”

Among African-American clergy there is evidence of unequal pay for equal work. Nearly 41% of African-American ministers earn less than \$13,000 while only 27% earn more than \$33,000. This means that African-American ministers’ salaries are about two-thirds of white ministers’ salaries.

Some of the reason for this wage differential can be accounted for by differences in education; 46% of African-American ministers have an M.Div. or higher degree, as compared to 72% of white clergy. With the exception of education, all other statistics suggest that African-American wages should be in-line with white wages. African-American churches have slightly larger attendance (a median of 100 attendees for churches with African-American ministers compared to 85 attendees for churches with white ministers), African-American congregations tithe more (57% of the attendees of churches with African-American ministers report regular tithing as opposed to 38% in churches with white ministers) and finally the distribution of self-reported income is remarkable close in white and African-American churches as can be seen in the table below.

	Self reported income of congregation members		
	<\$25k	\$25k-\$50k	>\$50k
In churches pastored by African American ministers	36%	34%	30%
In churches pastored by white ministers	36%	30%	34%

The reason African-American ministers are paid less than white ministers is probably because a culture of bi-vocationalism has developed within the African-American ministry community. Just over 43% of all African-American ministers are bi-vocational and that number includes 16% of ministers who have a wage greater than \$33,000. The culture of bi-vocationalism probably started in a time when African-American churches were much poorer than white churches. This African-American churches could not support a minister's salary. Even though many African-American churches today could fully support a minister, many of these churches may be

accustomed to ministers supporting themselves through a second vocation. Churches may even expect this bi-vocationalism of their African-American ministers. This cultural expectation does not appear to exist as pervasively in congregations led by white ministers.

What Should Wages Be?

Perhaps a more important question that needs to be answered is the question of what a minister's salary is actually for. Is the salary payment for services rendered, as salaries are for other professionals? Is it a reward for doing well? Is it to attract a much sought after visionary as a minister? Is it a reward for good behavior? Or could it be "to provide hospitality and a well-lived life for persons, and their families, who are compelled by a call from God to proclaim the Gospel?" (McMillan, Becky R., and Matthew J. Price. 2003)

When answering these questions it is interesting to compare the wages of protestant ministers with the wages of catholic priests. The median salary for a priest (including housing) in 2000 was \$25,000 with a standard deviation of about \$12,000. The median salary (including housing) for a full-time protestant minister in 2000 was \$40,000 but with a standard deviation of about \$28,000.

Priests, on average, make less each year, however there is less variation in priests wages. The reason for this is that in Catholic parishes the priests' salaries are set by the diocesan bishop and there is little variation in pay between parishes within the diocese. The entire diocese pools its money and pays each priest equally regardless of placement or experience. The reason Catholics do this is because they believe that priests need to be free to serve wherever God leads them. It is of no matter if God is leading them to a

large parish or a small parish. Priests serve God and the church. The Catholic Church hopes to make this service easier by taking away the human tendency to gravitate toward better paying jobs.

The theory behind paying all ministers equally sounds wonderful, but what would its affects be? The Catholic Church is currently facing a severe shortage of priests. While it would not be fair to say that this shortage is due entirely to the lack of financial incentive to succeed, it would also not be fair to completely rule out that hypothesis. Unfortunately, this paper does not have the space to thoroughly evaluate what affect the Catholic style of priest compensation has had on its labor force.

The earliest instruction on how to compensate ministers is found in 1 Corinthians 9:14. The Apostle Paul writes, “In the same way, the Lord has commanded that those who preach the gospel should receive their living from the gospel.” (NIV) This passage makes it clear that Paul believed that ministers should receive their living from those they minister to, however this passage does not spell out what constitutes a living.

John Wesley, the founder of the Methodist church, writes strongly against the aim of acquiring wealth. “Wesley warned that wealth changes our logic, our frame of reference. As wealth increases our dependency upon grace decreases.” (Cardner, Bishop Kenneth L.) John Wesley would have been very opposed to our current concept of ministry driven by the market. In the following passage Wesley refers to a minister who moves from a parish paying 50 pounds to a parish paying 100 pounds:

“Why does he go thither? ‘To get more money.’ A tolerable reason for driving a herd of bullocks to one market rather than the other . . . But what reason for leaving the immortal souls over whom the Holy Ghost had made you overseer!

And yet this is the motive which not only influences in secret, but is acknowledged openly and without blush! Nay, it is excused, justified, defended; and that not by a few, here and there, who are apparently void both of piety and shame; but by numbers of seemingly religious [men], from one end of England to the other.” (Cardner, Bishop Kenneth L.)

Wesley felt strongly that decisions of where a minister ministers should not be made because of money.

The Bible makes a similar statement in Proverbs 30:8-9: “Keep falsehood and lies far from me; give me neither poverty nor riches, but give me only my daily bread. Otherwise I may have too much and disown you and say ‘Who is the Lord?’ Or I may become poor and steal, and so dishonor the name of my God.” (NIV)

It is therefore reasonable to conclude that the church’s founders and developers opposed the idea of pastoral compensation based on a market value. As Becky McMillan concluded at the end of her study of how the market is effecting ministry; “the competitive, free-market approach is harming the church and distorting its mission by forcing pastors to compete for higher-paying congregations, turning the ministry from a ‘calling’ into a mere ‘career.’” (Pastoral Pay Increases)

Conclusion

In a free market setting pastoral wages will always be very low when compared to other professionals. These low wages are due, in large part, to the vast number of perceived close substitutes that churches are willing to employ. Wages are slightly higher in connectional churches than in congregational churches, this is due to the connectional church structure acting as a union. This union sets minimum qualification

standards that reduce the number of substitutes and pushes the labor demand curve out; thus raising the wage. The connectional union also sets minimum pay standards that may, somewhat, artificially inflate the wage. Some would argue that this minimum wage (set by the connectional union) may actually keep the wage lower than it otherwise might be because churches will only pay what they have to. This line of reasoning does not appear to be valid, since congregational churches, that have no minimum wage, pay their ministers a much lower wage than connectional churches.

The free market model does not appear to be the best model for churches to use to set their pastoral wage. While it is true that by using the free market model churches can reduce the cost of employing a minister, the minister the church employs may not be able to perform all the duties the church expects of him. This may be because the minister is forced to work elsewhere or because the substitute hired is not a close enough substitute.

The problem with using a free market model to set pastoral wages is that being a minister is a fundamentally different occupation than being a lawyer, or being a doctor, or being a teacher. The idea behind ministerial employment is that a higher power, God, has called that minister to serve. The minister therefore needs to be free to serve wherever God leads him. This is an impossibility with the free market model as the pastor must first consider if he will be able to financially survive.

As discussed earlier, it is clear that the church founders and early church leaders felt that a congregation needed to provide its minister with a wage upon which he could live. If churches were to focus on this as their goal, rather than focusing on “how little can we pay the pastor and get away with it,” the church would be in a much better position.

The best way to set pastoral wages therefore may be to set the wage of the minister so that it is approximately equal to the 75th percentile of the income of the church. This would assure that the minister is able to financially support himself and his family at least as well as most of the church. The 75th percentile is not a magic number, anywhere between the 60th and 90th percentiles would also have the needed affect. The problem with this plan is that it is very difficult to determine what the 75th percentile is in a congregation. Alternatively, the pastoral wage could be set at double the average income for the community as a whole. This would also produce the need affect.

Another way to determine pastoral wages is to base it on the tithing of the congregation. Tithing tends to be fairly constant across all congregations. Normally a church can expect a tithes of \$1000 a year per attendee. (McMillan *How church polity affects pastoral salaries*) Therefore it may be reasonable to set the pastoral wage at 1000 times some percentage of attendance.

The church needs to reexamine how it pays its ministers. If the church continues to use the free market model to pay ministers they will have under-qualified, overworked, unhappy ministers who can not meet the expectations of the church. A new model for pastoral pay must be found. This new model will not be as economically efficient, but it will, hopefully, create a system that encourages investment in qualified, caring ministers who can shepherd over the church to which they have been called.

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