

Compensation and Benefits Action Step

1. **Develop a Total Compensation Philosophy.** In many Christian organizations, talking about pay is avoided at all costs. BCWI believes each organization should define and follow their own compensation philosophy. Why do it? A well-crafted compensation philosophy “helps tell the story of who you are as an organization and the role compensation plays. It addresses the basic objectives of attracting, retaining and motivating your people.

A compensation philosophy should provide consistency in three areas: among departments, over time and as an organization grows. In many ministries the organization has grown beyond a small group of decision makers thus creating the need to have a philosophy that governs the total compensation program so it can be administered in a fair and equitable manner.

A few key elements in a compensation philosophy include:

- **Background and Values:** This is an introduction including the nature and purpose of the organization and the role total compensation plays to accomplish the mission and strategic goals.
- **Compensation Principles:** This section highlights the key elements of the philosophy.
 - **How is pay defined?** This section outlines how pay levels are determined for the organization and how they are maintained. It establishes who the labor market (industry and geography) and the size and scope of organizations you are surveying. In addition it is important to describe whether your pay levels are pegged above, at or below those levels (i.e. 25th, 50th, 75th percentile). In some cases, a specific philosophy is outlined for critical job groups to the organization’s success.
 - **What is the role of fairness and equity?** Often the terms internal equity and external competitiveness are used to help define an organizations approach to fairness.
 - **What is the link between performance and rewards, if any?** Our BCWI staff survey statistics show very little emphasis on merit pay in Christian organizations. This section defines how an person will receive pay increases over time. For organizations that have a pay for performance philosophy, the definition of performance is included, such as individual performance, team performance or a combination.

- Is our organizational financial health important? Of course it is and we need to include this element in the philosophy.
- What are the elements of compensation included in the philosophy? It is common to have salary as only one part of the total compensation package. The other elements usually included are medical, paid time-off, retirement and variable compensation to name a few.
- What else? Often a philosophy will include the importance of simplicity and legal compliance in the document.
- Compensation Administration and Oversight. This section of the compensation philosophy outlines the key elements of ongoing administration.
 - Frequency of performance reviews
 - Periodic updating of compensation surveys
 - Use of outside independent advice and counsel
 - Monitoring the levels of total compensation relative to the stated targeted position.
 - The review of positions for job content changes.

Our experience with many Christian organizations is that they are afraid to talk about pay. Many managers know their pay levels are below industry averages so there is no discussion about it. As a result a vacuum is created around the topic. When a vacuum is created it will pull information into it. Often the information filling the vacuum is without the benefit of knowledge, negative and mostly wrong. It's a natural law.

Knowledge and communication are the anecdote. They allow us to have the faith to cast out the fear of talking about pay. Creating a simple, clear total compensation philosophy is the first step.