



American Congregations 2010

David A. Roozen

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Holy Toll

The Impact of the 2008
Recession on American
Congregations



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Holy Toll:

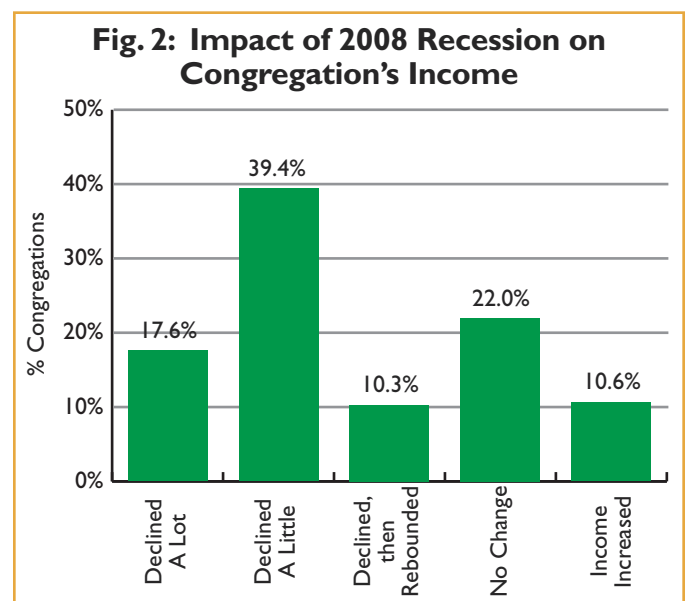
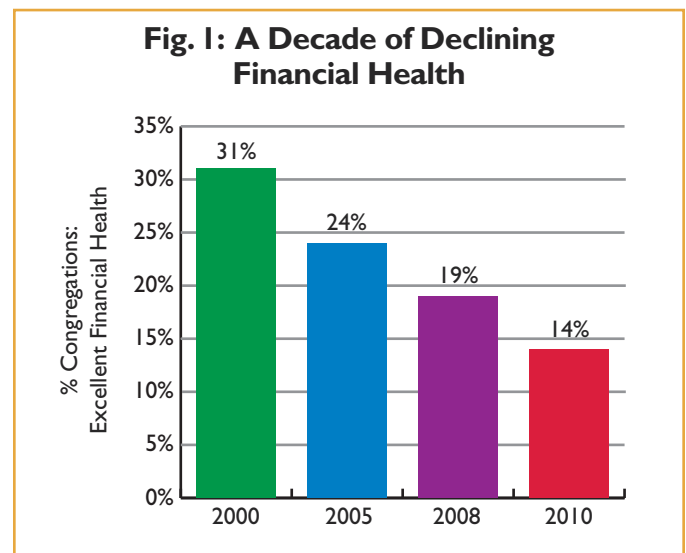
The Impact of the 2008 Recession on American Congregations

To be sure, the recession took a toll on America's congregations. While a sizable majority of congregations describe their economic situation as manageable, in the past ten years those congregations indicating they are in some or serious financial difficulty more than doubled to nearly 20%. Those saying their financial health was excellent dropped by more than half to less than 15% (Figure 1). Over half (57%) of congregations surveyed in 2010 reported that their income declined a little or a lot due to the recession (Figure 2). Of those congregations that characterized their financial health as declining between 2005 and 2010, a full 80% reported a negative impact from the recession.

Compounding the immediate sting, the 2008 recession further taxed the decade-long erosion of the financial health of American congregations. This downward economic trend has been relatively constant and the recession further diminished any hopes of a speedy recovery.

These figures and the following analysis are based on the *Faith Communities Today 2010 (FACT²⁰¹⁰)* national survey of 11,077 randomly sampled congregations. Combined with trend data from our *FACT²⁰⁰⁰*, *FACT²⁰⁰⁵* and *FACT²⁰⁰⁸* studies, the total analysis is based on 28,789 congregations. The recession struck immediately following our 2008 survey so with *FACT²⁰¹⁰* we have a unique before-and-after portrait of the financial health of America's faith communities. A fuller description of the FACT surveys is provided on the back page, with additional details at www.faithcommunitiestoday.org.

In this report we describe the total national findings and, where relevant, findings for Oldline (mainline) Protestant and Evangelical Protestant congregations as groups (see the appendix for the definition of these groups). We limit ourselves to these large groupings because we are committed to the principle that it is an individual denomination or faith group's responsibility to publicly interpret its own findings. Additionally, any clustering of denominations and faith groups beyond this artificially merges groups too different to be meaningful. Findings of individual denominations and faith groups about this report's two key variables – *financial health and impact of the recession* – are contained in the appendix.



All Congregations Must Pay the Toll

One surprising aspect of the recession's impact on congregational income is that *it affected just about every kind of congregation nearly equally* – large and small; north, south, east and west; financially healthy or struggling before the recession. Since the impact of the recession was felt equally across a wide spectrum of congregations, it may have helped mitigate the Protestant, large, healthy and relatively resourceful bias of earlier nonrandom, nonrepresentative economic studies of U.S. churches. This study uncovers interesting new patterns, yet many of our findings regarding the recession's impact on congregational finances are consistent with the findings of the earlier, less scientific studies.

A bit of good news in our findings is that *one in ten congregations report they have already begun to recover* from an initial recession-driven dip in income (Figure 2). Likewise, over 40% are stable or increasing financially. Again, this is consistent with recent constituency-targeted surveys that suggest that the worst of the recession's impact on American congregations may be over. It is also consistent with recent studies of nonprofit organizations in general.

The near-equal impact of the recession even extends across the Oldline and Evangelical divide within Protestantism. This is surprising since these two groups typically exhibit significantly different levels of vitality, types of programming and organizational dynamics. Even the differences in how Oldline and Evangelical Protestant churches attempted to deal with the recession's negative impact on income (Figure 3) are relatively minor. Evangelical churches were a bit more likely than those of the Oldline to delay major new expenditures (filling new positions and capital projects). This might be because more

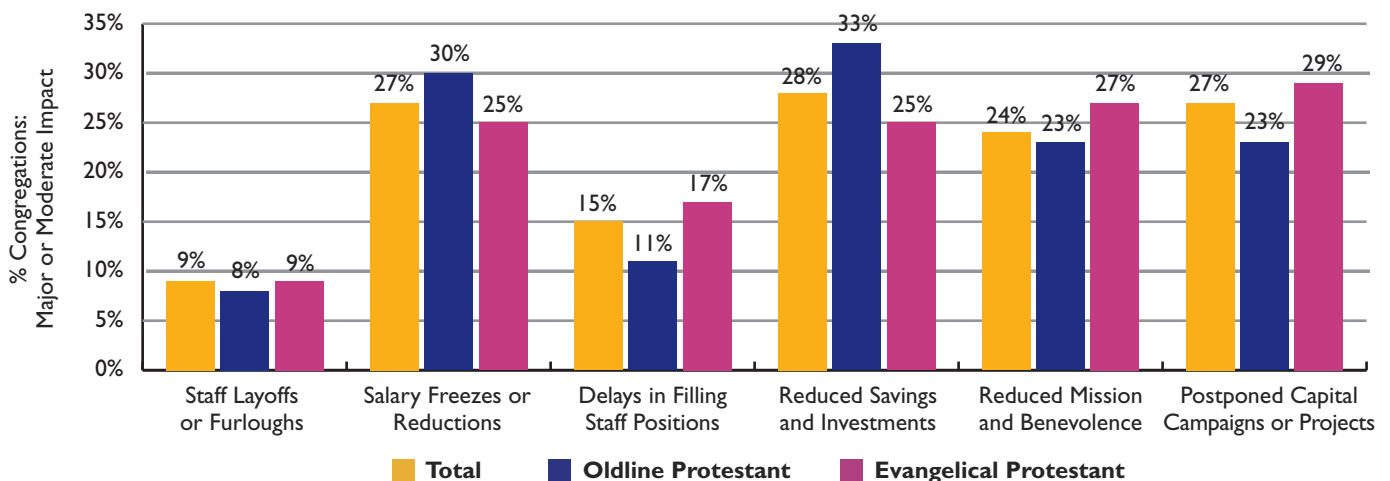
Evangelical congregations were stretching their current staff and building capacity in the pre-recession years, in an expansionist mode. Oldline Protestants, in contrast, were more likely than Evangelical churches to respond by freezing salaries and drawing on investments. This could be explained in part because Oldline churches, on average, spend a higher proportion of their income on salaries than Evangelical congregations, and because Oldline congregations have, on average, more savings and investments to draw upon.

A Toll On Programs

A common fear in church stewardship circles is that mission and benevolence spending is the first thing cut when congregations encounter financial distress. And indeed, decreased mission and benevolence giving was a coping strategy for a quarter of congregations in response to the 2008 recession (Figure 3). If only those congregations that said that their income declined a little or a lot because of the recession are examined, then this figure goes up to 34%. However, Figure 3 also shows that while this was a coping mechanism, it was not the one most frequently employed. *The greatest economic coping strategies were digging into savings, freezing salaries and postponing capital projects.*

Mission giving is not the only way congregations support the needy. Many congregations run their own outreach programs or jointly run them with other congregations and agencies. For example, four in ten congregations run a food pantry or soup kitchen directly and three in ten do so together with another group. The good news for advocates of congregational outreach and those who receive its services is that

Fig. 3: Impact of 2008 Recession on Various Areas of Congregational Life



the survey shows virtually no difference between congregations negatively impacted by and those spared the recession's financial toll in the likelihood of offering outreach programming. *In fact, none of the ten types of outreach programming about which the survey inquired appeared adversely affected by the recession.* Size of a congregation is a major determinant of the extensiveness of a congregation's programming. Yet, even when average worship attendance was controlled for, this lack of any difference in outreach programming between congregations negatively impacted by the recession and those not was still evident.

Equally telling, the study shows virtually no differences between congregations negatively impacted and those spared the recession's financial toll in offering any of 13 types of member-oriented programming. The survey examined such programs as religious education classes, spiritual retreats and sports teams; and again controlling for size, the recession had little effect on programmatic differences.

The absence of the recession's impact on either outreach or member-oriented programming evident in *FACT²⁰¹⁰* resonates with the observation of one commentator who noted that American congregations' response to the recession appears to be one of hunkering down while avoiding program cuts, of putting off rather than pruning back.

While the program toll of the 2008 recession appears to have been minimal (at least through 2010), the same cannot be said for the human toll.

A Toll On Staff and Members

Nine percent of congregations said the recession occasioned staff layoffs or furloughs, and just over a quarter of congregations pointed to salary freezes or reductions. Assuming there are roughly 350,000 congregations in the U.S. that employ an estimated 1.5 million part and full-time clergy, lay professionals, and support staff (secretaries, custodians, etc.), the recession's impact on these jobs and salaries equates *to more than 500,000 people who lost or had their salaries reduced* (Figure 3). And, if 15% of congregations delayed hiring, then minimally another 50,000 people who would have had a job did not. These are not insignificant numbers.

The heavier human toll, however, is likely the recession's toll on members and on those in the community a congregation serves (Figures 4 and 5). We earlier noted that the impact of the recession was nearly equal across all kinds of congregations. Indeed, among the 250 variables included in the survey, only

one item has a strong, consistent and predictive relationship to the severity of the recession's impact on a congregation's income. *The impact of the recession on the unemployment (and therefore income) of congregational members strongly affected how severely the recession was felt.* This is not a surprising finding, although typically it is not the first thing that comes to mind. As seen in Figure 4, 41% of congregations indicated that the recession had a major or moderate impact on unemployment among members (30% moderate and 11% major). Among those congregations for which the recession had a major impact on the membership unemployment, almost half also experienced a major decline in congregational income. In contrast, among those congregations with no notable rise in member unemployment, only about one in ten experienced a major impact on congregational income.

Fig. 4: The Human Toll – Impact of 2008 Recession on Unemployment Among Members

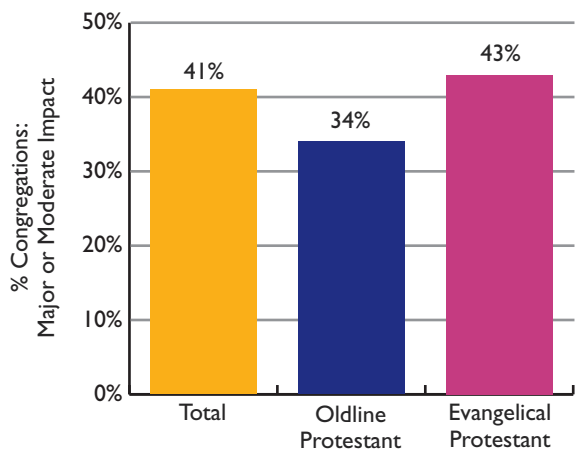
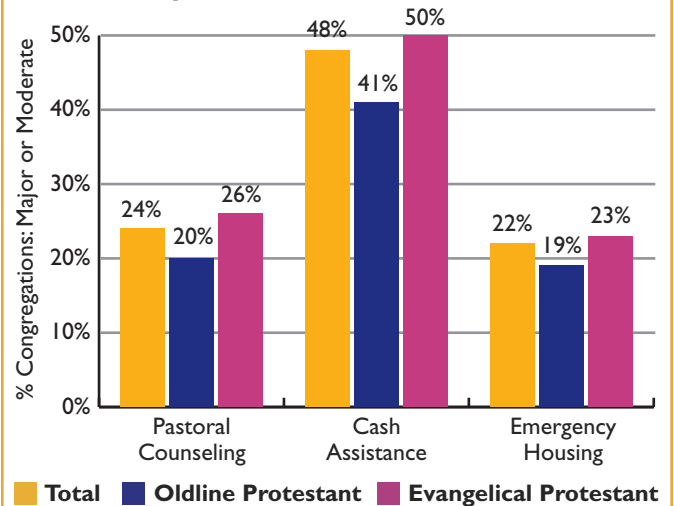


Fig. 5: Impact of 2008 Recession on Requests for Social Assistance



Evangelical churches were more likely than those of the Oldline to experience unemployment among members (Figure 4). However, the relationship between unemployment of members and decline in income is virtually the same for both Oldline and Evangelical Protestantism.

Actual human distress as a result of the recession is also evident in the survey. *Requests for pastoral counseling, cash assistance and emergency housing received by congregations all increased because of the recession.* Nearly half of all congregations experienced an increase in requests for cash assistance, underscoring the important role that American congregations play as a social safety net. Perhaps the more dramatic or jarring number, however, is that nearly *one in four congregations received moderate to major increases in requests for emergency housing.*

Evangelical congregations felt a heavier toll in member unemployment in part because they tend to be located in less-affluent areas and have slightly less-wealthy members than Oldline Protestant churches. As would be expected, therefore, Evangelical churches experienced a somewhat greater increase in requests for social assistance than did Oldline Protestant congregations (Figure 5). Fortunately, the vast majority of congregations have formal, informal or cooperative programs for providing such assistance. According to *FACT²⁰¹⁰* responses, for example, over 70% of congregations provide or contribute to food programs, 80% provide cash assistance, and nearly 40% provide financial counseling programs. Additionally, just over 10% of congregations offer job placement, job training, or employment counseling programs directly, and another 5% offer such programs together with another group. Ironically, in one of the few positive outcomes of the recession, anecdotal evidence suggests that the rise in unemployment provided the opportunity for members to volunteer in such assistance programs.

A Toll On The Organization

The recession's effect on congregational programming appears minimal while the human toll, much more significant. But it may well be that the organizational toll of the recession on America's congregations turns out to be the most significant in the long term. Figure 6, for example, looks at the effect of the recession on several indicators of organizational strength (or its absence) – high spiritual vitality, worship attendance growth of 2% or more in five years, and not having a large enough number of potential volunteers to rotate new people in on a regular basis. Congrega-

tions that experienced a decline in income (without a rebound) are compared to congregations that experienced no change or an increase in income. *Those congregations where income declined show dramatically less worship attendance growth, as well as diminished spiritual vitality and a smaller volunteer base.*

Previous studies indicate that one of the most corrosive things for congregational health and vitality is conflict, especially serious conflict. We also know that financial stress of any kind tends to increase conflict. Thus, the increased levels of conflict in recession-impacted congregations (as Figure 7 shows) are predictable. But predictable increases in conflict do not make them any less corrosive. Considerable differences in the level of conflict exist between congregations that experienced a decline in income (without a rebound) and congregations that experienced no change or an increase in income. *This is particularly significant in that the presence of serious conflict nearly doubles for each type of conflict mentioned.*

Dealing with conflict is uncomfortable for most individuals and organizations. The more serious the conflict is, the more it draws time and energy away from positive outlets while also pushing people toward withdrawal. This, in itself, can be a heavy toll. But the even more stark manifestations of the latter are evident in the survey's meaning of "serious conflict." Serious conflict, as described in the questionnaire, is that which results in people leaving, people withholding donations or a/the pastor or staff member leaving.

Fig. 6: Organizational Strength by Impact of 2008 Recession on Congregation's Income

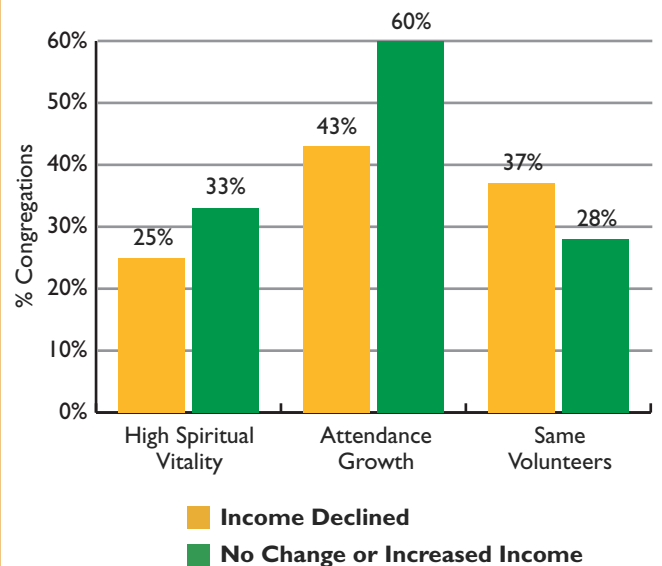
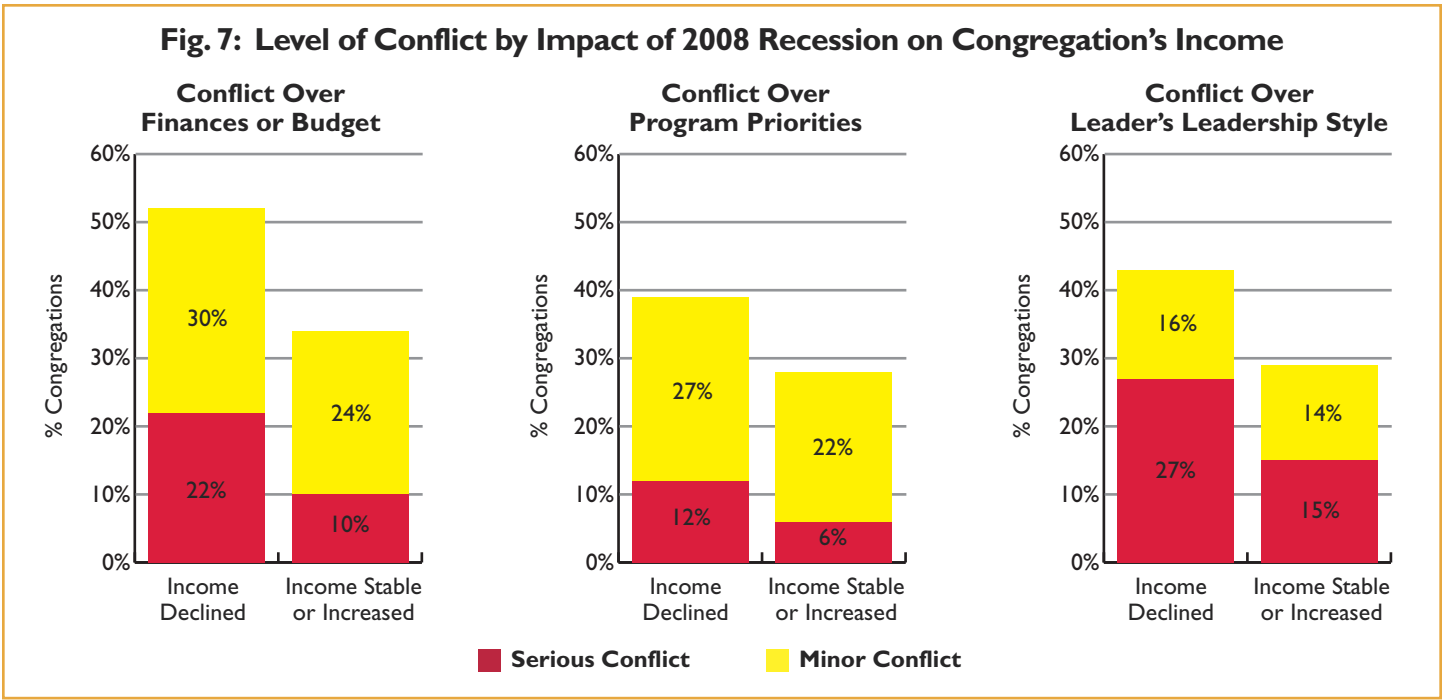


Fig. 7: Level of Conflict by Impact of 2008 Recession on Congregation's Income



Contributions to A Healthy Recovery

It is clear that conflict and the other factors intertwined with an erosion of a congregation's organizational vitality reduce organizational capacity, at least in the short term. In the minds of most religious leaders is what can be done to reverse this trend – to make sure it is only for the short term? The most important issue facing congregations presently is – what can we do to facilitate a healthy recovery?

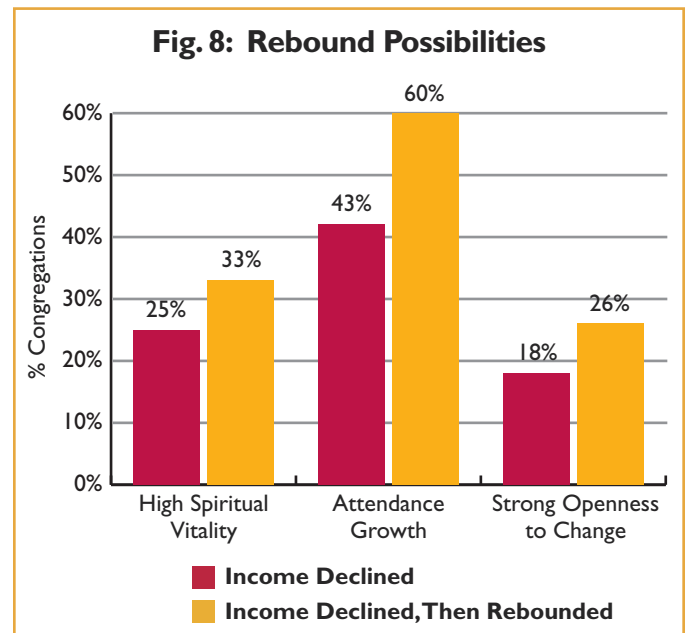
An answer to this question can be suggested by comparing congregations whose income declined but then rebounded with congregations whose income declined but has not yet recovered. Such an analytical strategy is especially promising because, although rebound congregations were not quite as strongly impacted by member unemployment as congregations still in decline, the difference is very small. The comparative strategy identifies a few possible avenues to recovery (Figure 8). However, none of these appear particularly strong in their potential effect on recovery. Likewise, it is impossible to tell whether they are unambiguously a cause or a consequence of recovery.

The most promising path appears to be to grow one's way to financial recovery (Figure 8). Certainly this makes intuitive sense. Unfortunately, the science of church growth is far from foolproof and has remained a vexing challenge for congregations despite continuing evolution of the so-called "church growth movement" for over a half-century. A future report on *FACT*²⁰¹⁰ will be devoted entirely to this topic of church growth.

Enhancing spiritual vitality is another possible contributor to recovery that has intuitive appeal, as well as some statistical warrant (Figure 8). But the manufacturing of spiritual vitality is elusive and even less well understood than for church growth. Additionally, it is not clear the extent to which spiritual growth is a cause or consequence of organizational health.

Recovery may well require change; thus, *an openness to change seems to be a prerequisite, and Figure 8 suggests that it does, in fact, help*. Correspondingly, changing a congregation's worship style can play a role in recovery (although this may be an indirect correlation through a positive effect on attendance growth and spiritual vitality).

Fig. 8: Rebound Possibilities



Rebounded congregations and those still experiencing decline similarly experience conflict, especially conflict about finances, program priorities and leadership style. *But conflict is less likely to become serious in rebounded congregations* (Figure 8). Why this might be the case lends itself to one or a combination of two possible causal links. It may be that the leadership of rebounded congregations has better conflict management skills. These leaders might be better-equipped to keep the inevitable tensions produced by financial stress from escalating out of control. Additionally, it could be that the ethos, identity or structure of a congregation facing a continuing decline is less disposed to civility or consensus. For example, such congregations may have greater generational or theological diversity, might lack a clear vision or rich interpersonal relationships.

Often what does not show up as significant in comparative analysis can be more telling than what does, and can be more frustrating for congregational leaders looking for answers. Aspects of the survey like how a pastor invests his or her time, staffing structure, worship style, theological orientation, investment in new technology and programmatic emphases just don't appear to differ significantly between rebounded congregations and those still experiencing recession-driven decline.

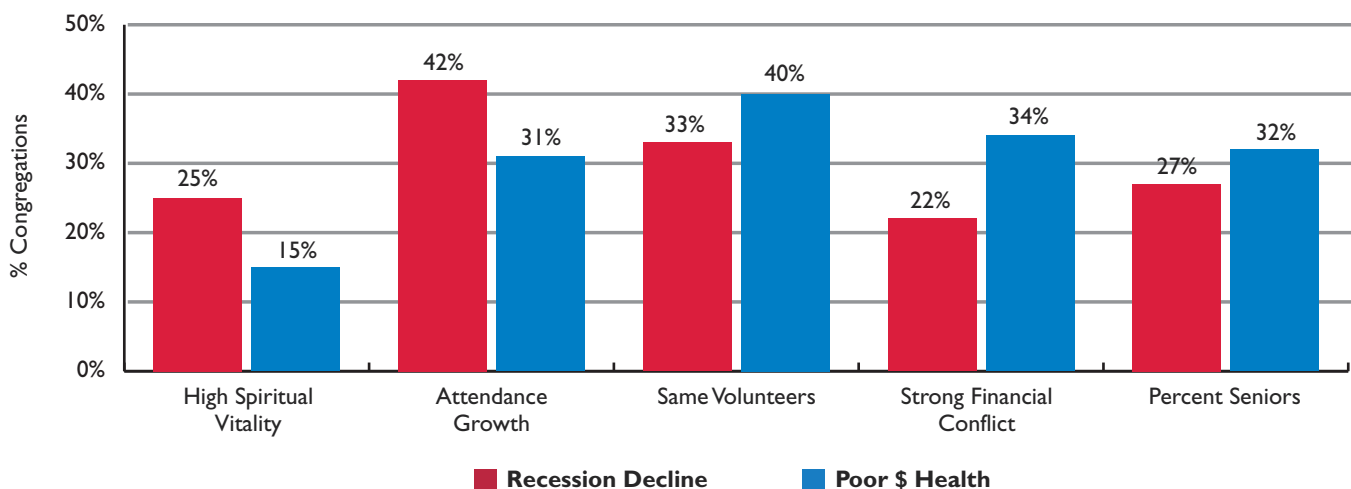
The Long-Term Toll To American Religion

The negative financial impact of recessions on individuals and organizations should never be minimized or dismissed. But recessions do eventually pass and most individuals and organizations rebound at

least somewhat. In terms of market economics, predictions are that a recovery from the 2008 recession is already underway – albeit long, slow and still not fully felt at the local level. A number of critical questions continue to remain regarding the possible longer-term effect of the recession on American congregations. Will the corrosive effects of lost capacity take on a life of their own? In other words, will this situation perpetuate a downward spiral even after the immediate economic impact of the recession passes? *The bigger and longer-term economic story in the survey is not about the recession, but rather of the decade-long, downward trend in the financial health of American congregations – a trend well-established prior to the recession.*

Certainly the recession's toll on the organizational health of American congregations is great. However, it is compounded by the increasing numbers of congregations that over the last decade have found themselves in some or serious financial difficulty (20%). Their situation is far direr than for those congregations that are experiencing income declines as a direct result of the 2008 recession alone. Figure 9 compares these two sets of congregations (the long-term “Poor \$ Health” group versus the “recession decline” group) on several of the organizational strength measures. In each instance in Figure 9 the poor financial health group shows less strength than the recession-driven decline group. *Essentially, the chronically financially depressed congregation is less spiritually vital and less likely to be growing, has a smaller pool of volunteers, has more and more severe conflict and has a greater percent of seniors.* And there are other negative differences as well. For example, the poor financial health group shows a less extensive range of both mission-oriented and

Fig. 9: Recession-Driven Decline vs. Poor Financial Health



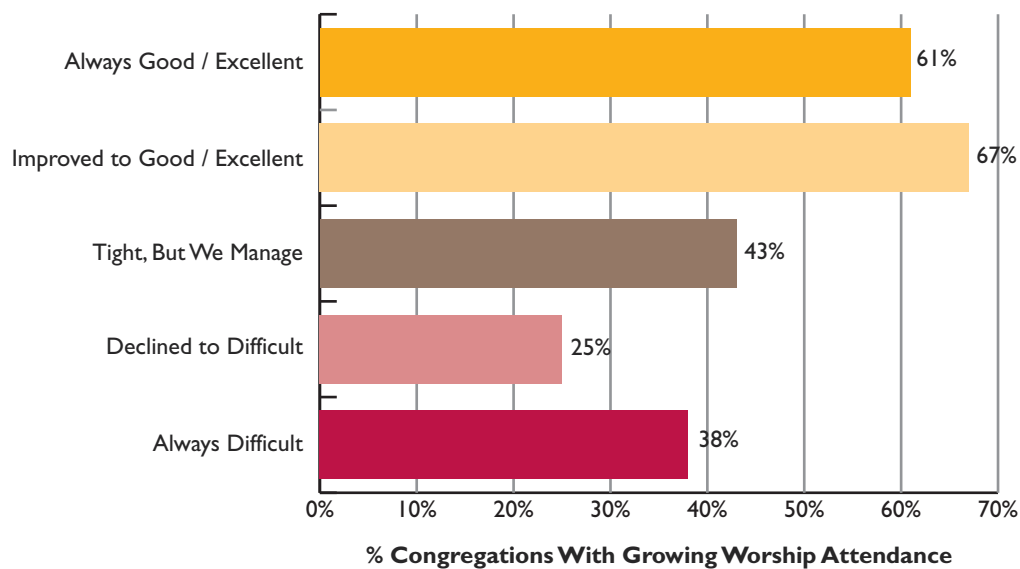
member-oriented programming than the recession-impacted group. What is especially telling about all this is that each added dimension of organizational weakness cumulatively makes a return to health that much more unlikely.

Previously, we examined congregations that had rebounded from recession-driven financial declines in search of hints about what might contribute to recovery. We did not find a great deal of reason for optimism, but the data did uncover a few suggestions. Following a similar analytical strategy, a comparison of congregations whose financial situation improved from tight/difficult to good/excellent in the last five years with congregations whose financial situation either remained constant or deteriorated could offer additional insights. Such an analysis uncovered only a single variable where congregations with improving financial health outpaced all others. That variable is growth in worship attendance. As Figure 10 shows, 67% of those congregations that improved their financial health grew in worship attendance. This is even higher than the 60% of congregations whose financial situation was good or excellent in both 2005 and 2010. Unfortunately, this may well be a moot point, as we have already commented on the difficulty of growing stagnant congregations. Can a congregation build financial capacity other than through growth? Certainly it happens. But it is difficult and the models or formulas that exist for doing it appear extremely limited, with uneven success rates.

Can American congregations both recover from the recession and also stem the long-standing downward trend in financial health? Anyone who thinks the foreseeable future won't be challenging is sure to have

his head in the sand (or the clouds). But anyone who has begun writing about the death of the American congregation doesn't understand or appreciate American religious history or the durability of local congregations.

Fig. 10: Financial Health in 2010 Compared to 2005



Appendix

FACT²⁰¹⁰ Denomination and Faith Group Partner Surveys

Named partner conducted or contracted for survey. For Partner contact information and links to partner reports on their respective surveys see www.faithcommunitiestoday.org.

Financial Health Today			Impact of 2008 Recession on Congregation's Income		
Some/ Serious Difficulty	Tight	Good or Excellent	Declined A Lot or A Little	Declined then Rebounded	No Change or Grown
23%	.36%	.40%	.51%	.8%	.41%
16%	.43%	.40%	.58%	.11%	.31%
12%	.32%	.56%	.53%	.9%	.38%
22%	.42%	.37%	.46%	.7%	.47%
25%	.42%	.33%	.62%	.8%	.29%
16%	.35%	.49%	.46%	.7%	.47%
23%	.41%	.36%	.63%	.8%	.29%
2%	.47%	.52%	.54%	.5%	.40%
48%	.35%	.17%	.83%	.7%	.10%
27%	.43%	.30%	.62%	.11%	.27%
28%	.39%	.33%	.57%	.9%	.34%
21%	.47%	.32%	.60%	.14%	.27%
25%	.41%	.34%	.51%	.10%	.39%
10%	.39%	.52%	.50%	.10%	.40%
21%	.27%	.52%	.65%	.11%	.24%
10%	.41%	.50%	.54%	.10%	.37%
23%	.46%	.31%	.52%	.15%	.33%
24%	.47%	.30%	.59%	.10%	.31%
18%	.39%	.43%	.46%	.11%	.43%
40%	.42%	.17%	.78%	.9%	.13%
20%	.40%	.40%	.57%	.13%	.30%
17%	.32%	.51%	.57%	.8%	.35%
13%	.40%	.47%	.59%	.9%	.32%
22%	.47%	.31%	.56%	.9%	.34%
29%	.46%	.25%	.60%	.10%	.30%
21%	.38%	.41%	.54%	.9%	.37%
18%	.38%	.44%	.59%	.13%	.28%

Protestant Families: ^EEvangelical; ^OOldline

¹ Low response rate warrants caution.

² Conducted by Synagogue 3000. Includes the Conservative and Reformed Traditions.

³ Conducted by the Interdenominational Theological Center. Low response rate warrants caution.

⁴ Conducted by the Islamic Society of America. Low response rate warrants caution.

⁵ Conducted by the Hartford Institute for Religion Research. Low response rate warrants caution.

⁶ Conducted by the Standing Conference of Canonical Orthodox Bishops in America. Includes the Antiochian Orthodox Christian Archdiocese of North America, Greek Orthodox Archdiocese of America and the Orthodox Church in America.

⁷ Conducted by the Center for Applied Research in the Apostolate (CARA).

⁸ Conducted by a subcontractor of the Cooperative Congregational partnership. Low response rate warrants caution.

The Faith Communities Today Surveys

The *FACT*²⁰¹⁰ national data set brings together the 26 individual surveys of congregations listed on the previous page. Twenty-four were conducted by or for partner denominations and faith groups, representing 32 of the country's largest denominations and traditions. The Cooperative Congregational Studies Partnership (CCSP) developed a common core questionnaire of just over 150 questions consisting of items from the *FACT*²⁰⁰⁰, *FACT*²⁰⁰⁵ and *FACT*²⁰⁰⁸ surveys, plus a section on the 2008 recession. Copies of all questionnaires are available at www.faithcommunitiestoday.org. Consult the questionnaires for the exact wording of items used in the *Holy Toll* report.

Using the common questionnaire, CCSP partners conducted their own, typically by mail or online, surveys of a representative, random national sample of their own congregations. Usually a congregation's leader completed the questionnaire. CCSP also conducted a national survey of nondenominational congregations based on a random sample drawn from several mailing and marketing lists purchased from national vendors. Finally, CCSP contracted with a denominational agency to survey a sample of non-partner denomination congregations, also based on a random sample drawn from several mailing and marketing lists.

For purposes of the overall national analysis, the 26 subsurveys were combined in such a way that, through the use of statistical weights, each partner denomination and faith group and each non-partner cluster of congregations is represented in the national *FACT*²⁰¹⁰ data proportionate to its representation in the total population of congregations in the United States. This aggregated data set includes responses from 11,077 congregations, and over 120 denominations. Return rates were good for surveys of this type – in the 40% range. Subsurveys with lower return rates are noted in the appendix. Sampling error for a survey such as *FACT*²⁰¹⁰ can only be roughly estimated. We believe a conservative estimate is +/- 4% at the 95% confidence level.

The groundbreaking *FACT*²⁰⁰⁰ survey used the same methodology as *FACT*²⁰¹⁰. With responses from 14,301 congregations it remains the largest national survey of congregations ever conducted in the U.S. CCSP intends to conduct coalition-based megasurveys such as *FACT*²⁰⁰⁰ and *FACT*²⁰¹⁰ at the turn of each decade. Additionally, just as the U.S. Census Bureau conducts regular national surveys between its large-scale decennial enumerations, CCSP is committed to conducting more normally sized national surveys of congregations between decades. *FACT*²⁰⁰⁵ was the first of these; *FACT*²⁰⁰⁸ the second. The purpose of

these interim surveys is to track short-term changes in a limited number of key areas of congregational life and structure, and to plumb the dynamics of selected congregational practices and challenges. Congregational growth was the focal area for *FACT*²⁰⁰⁵; energizing congregational members and clergy continuing education focal areas for *FACT*²⁰⁰⁸. Both interim survey samples began with national samples drawn from mailing and marketing lists. The samples' lists of CCSP coalition denominations and faith groups were cleaned and supplemented by CCSP partners. Finally, to enhance national representativeness, responses were weighted to population parameters for faith family, region, size of congregation and rural/city/suburban location. *FACT*²⁰⁰⁵ had responses from 884 congregations; *FACT*²⁰⁰⁸ from 2,527 congregations.

The Faith Communities Today Project

The *FACT series* of national surveys of American Congregations is a project of the Cooperative Congregational Studies Partnership (CCSP). CCSP is a multi-faith coalition of denominations and religious groups hosted by Hartford Seminary's Hartford Institute for Religion Research. CCSP denominations and religious groups participating in *FACT*²⁰¹⁰ are listed on the previous page. The primary purposes of CCSP are developing research-based resources for congregational development and advancing the public understanding of the most numerous voluntary organization in the U.S. – our religious congregations. More information about CCSP, its partners, its publications, the *FACT* surveys and how to subscribe to its monthly newsletter is available at www.faithcommunitiestoday.org.

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