

Dan Price: The \$70,000 Man

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Dan Price, founder and Chief Executive Officer of Gravity Payments, has made an immediate change in the lives of his employees. At his credit card processing firm located in Seattle, he reduced his own million-dollar salary down to \$70,000 and increased the minimum salary of his 120 employees to \$70,000 with a scaled policy. The details of the policy are as follows: an immediate raise to a minimum wage of \$50,000 was established immediately after the announcement, by the end of 2016 the minimum salary would rise again to \$60,000 and then to \$70,000 by December 2017. Mr. Price found inspiration for the implementation of this wage increase after reading a Princeton study which found that one's emotional well-being rises with income until the person is making about \$75,000. He figured that by raising the salary of Gravity Payments that they too would receive a boost in emotional well-being, which would result in a positive effect of the company.

While this does mean a big boost in wages for a significant portion of Price's workforce, this decision was followed by a lot of backlash. Many of his employees cheered with glee after Mr. Price made the announcement. Others felt additional pressure and about a dozen people, including two of the company's most valued employees, decided to quit the firm. They believed that it was unfair to essentially double the salary of the newest members of the team and give a small or even no increase to the employees who have invested years into the company.

Many good things have come out of Dan Prices decision to raise his company's minimum wage. The first of which is that he is paying his employees fairly, that is to say, women working for Gravity Payments will be getting paid equally compared to men, at least in terms of minimum wage. This also means that by the end of 2017, not only will all of the employees at Gravity Payments be making a minimum wage of \$70,000, but they will also be earning the same salary as the CEO Dan Price. The minimum wage increase for Gravity

Payments will provide a great amount of happiness for the employees, if we think about this from a utilitarian point of view. Marc de Sousa Shields says, “[the] income stability [will] give folks more energy, time, and money to devote to volunteerism, cultural activities, and environmental initiatives” (Shields, 2015). This means that because of this salary increase that Mr. Price is imposing, his employees will be more financially stable and will be willing to take part in more volunteer work and other activities in their communities.

According to an article by Gael O’Brien (2015), in 2013 the average family income was about \$52,000 and in 2014 the average CEO made 373 times the average salary of a non-supervisory employee. Dan said, “Income inequality has been racing in the wrong direction. I want to fight for the idea that if someone is intelligent, hard-working, and does a good job, then they are entitled to live a middle-class life” (Cohen, 2015). Mr. Price has made a stride to fight against this income inequality starting with his very own company, but now Gravity Payments is facing a new dilemma. Not only have a number of his employees jumped ship, but Dan is also facing a lawsuit from his older brother, Lucas Price, who owns thirty percent of the company. Dan started this business with the help of his brother Lucas in his dorm room during his senior year of high school, at which time he had already acquired over 200 clients. Dan responded to the lawsuit by saying, “We do not have a margin of error to pay those legal fees” (Cohen, 2015). The company’s 2014 profits of \$2.2 million are being used to supplement the salary increase of his employees for the next three years.

There are ethical dilemmas that Gravity Payments is facing because of this decision as well. Some employees felt that the decision to raise the minimum wage so high was unfair as those who have not been working as long or as hard in the company now earn as much as someone who has invested much time company. This was an incentive for many of the employees to seek employment elsewhere. Now Gravity Payments must find suitable replacements for those employees. This change has also instilled a lack of motivation in some of the employees to work harder because now they can do the same amount of work for much more money. Many employees who have decided to stay with the firm are feeling more pressure because of the wage raise. Stephanie Brooks, an administrative assistant who began working at Gravity Payments two months prior to the announcement, questioned whether she deserved the raise and said, “I didn’t earn it” (Cohen, 2015).

The employees are not the only ones affected by Mr. Price's decision. The clients who are doing business with Dan's firm have equally been affected and have reacted to the situation as well. One of Gravity Payment's clients responded to the new wage by saying, "What's their (employees') incentive to hustle if you pay them so much" (O'Brien, 2015). Some of Gravity Payment's clients feared that this wage increase would also lead to higher costs for them and have decided to no longer do business with Dan Price. However, all of the publicity that Dan and his firm is receiving is sure to bring some new clients.

Is it fair for newcomers to Gravity Payments to be paid the same amount as veterans to the firm? Only time will tell if Dan's decision was a good one. It is still uncertain if Gravity Payments can afford to keep his company running at the price he is charging for his employees. How long will it take for the business between the firm and the clients pay off this scaled policy and what is to come of Gravity Payments with regards to the lawsuit they are facing? Maybe Dan could have avoided the lawsuit if he had just discussed his plan with his brother and even his employees prior to choosing to take action. One thing is for certain, Dan is setting a strong example for how he thinks businesses should be operating across the board.

Bibliography

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