**[Business Day](http://www.nytimes.com/pages/business/index.html)**

Praise and Skepticism as One Executive Sets Minimum Wage to $70,000 a Year

By [PATRICIA COHEN](http://topics.nytimes.com/top/reference/timestopics/people/c/patricia_cohen/index.html)APRIL 19, 2015



On April 13, Gravity Payments employees were told about a new pay policy. Credit Matthew Ryan Williams for The New York Times

When Dan Price announced last week that he would cut his own pay and profits to make it possible to raise the minimum wage at Gravity Payments, his credit card processing company in Seattle, to [a hefty $70,000 a year](http://www.nytimes.com/2015/04/14/business/owner-of-gravity-payments-a-credit-card-processor-is-setting-a-new-minimum-wage-70000-a-year.html?_r=0), he had little idea of the whirlwind it would stir.

While the overwhelming majority of the responses on social media and elsewhere were positive — punctuated with labels like “hero” and hand-clapping emojis — there were also a number of skeptics and naysayers.

[Sandi Krakowski](https://twitter.com/sandikrakowski), an author and Facebook marketing expert, posted on Twitter: “His mind-set will hurt everyone in the end. He’s young. He has a good intent, but wrong method.”

Patrick R. Rogers, an associate professor of strategic management at the School of Business and Economics at North Carolina A&T State University, wrote in an email: “The sad thing is that Mr. Price probably thinks happy workers are productive workers. However, there’s just no evidence that this is true. So he’ll improve happiness, only in the short term, and will not improve productivity. Which doesn’t bode well for his long-term viability as a firm.”

Perhaps the most prominent attacker was [Rush Limbaugh](http://www.rushlimbaugh.com/daily/2015/04/15/ceo_buys_short_term_love), the right-wing radio host, who labeled the move “pure, unadulterated socialism, which has never worked.”

He added: “That’s why I hope this company is a case study in M.B.A. programs on how socialism does not work, because it’s going to fail.”

Most critics were not as ideological as Mr. Limbaugh but were nevertheless put off by Mr. Price’s deviation from trusting in the market, both to set wages (his own as chief executive and that of his employees) and to maximize his own profits. Overpaying workers may make them lazy and is likely to inspire resentment among colleagues who once sat on the higher end of the pay divide, they warned.

During [an interview](http://www.msnbc.com/morning-joe/watch/ceo-cuts-pay-to-give-higer-salary-to-workers-428365379728) with Mr. Price on MSNBC’s “Morning Joe,” the co-host Mika Brzezinski noted that people would probably say “you’re a terrible manager.”

Another guest, Sam Stein, an editor at The Huffington Post, was simply flummoxed. “Are you crazy?” he asked.

Maybe, Mr. Price conceded.

But on the whole, he dismissed the back-seat business advice as misguided. Proudly calling himself a capitalist, Mr. Price, the founder and chief executive of Gravity, argued that the new salary structure would benefit his firm in the long run even as it would help, more broadly, to highlight the corrosive effects of income inequality in American society.

At the same time, he criticized some established business practices, like basing chief [executive pay](http://topics.nytimes.com/top/reference/timestopics/subjects/e/executive_pay/index.html?inline=nyt-classifier) on what other chief executives earn. “It’s crazy,” said Mr. Price, who is cutting his million-dollar salary to help finance raises for more than half of his 120-person staff.

Photo



Dan Price, standing, the chief executive of Gravity Payments, with employees. His pledge to raise the minimum wage to $70,000 a year at his company has riled skeptics and naysayers. Credit Matthew Ryan Williams for The New York Times

[Howard M. Anderson](http://www.hbs.edu/faculty/Pages/profile.aspx?facId=105154), a venture investor who teaches entrepreneurial management at Harvard Business School, agreed that Mr. Price was on to something in noting that the pay for chief executives and others at the very top is not really set by impersonal market forces.

Chief executives bring in compensation consultants to examine what those at comparable companies are earning, Mr. Anderson said, but the process is biased, because those consultants tend to look almost exclusively at the highest-paid executives.

“C.E.O. compensation has become absurd,” Mr. Anderson said.

Michael Strain, an economist at the [American Enterprise Institute](https://www.aei.org/), a conservative research group in Washington, said the undercurrent of unease probably stemmed less from Mr. Price’s actions themselves than from concerns that measures to enforce limits would do more harm than good.

“A lot of people have the sense that this may work for this one firm,” he said, “but it is nothing we should take general lessons from.”

[Diana Furchtgott-Roth](http://www.manhattan-institute.org/html/furchtgott-roth.htm), an economist at the conservative Manhattan Institute for Policy Research, said that when it comes to the labor market, ultimately, “you get what you pay for.”

Many companies with the highest wages contract out low-skill jobs like janitor or payroll servicer, she noted. If Gravity is paying above-market wages, then, she said, Mr. Price “is running it more as a charitable organization, because he could get people for less.”

By contrast, other economists, including some conservatives, said they thought Mr. Price’s move was very shrewd — for Gravity.

“This is going to be great for his business,” said [Tim Kane](http://www.hoover.org/profiles/timothy-kane), an economist at the conservative Hoover Institution at Stanford University. “It will reduce turnover, increase morale and help him build an even greater company,” he said. “But if everybody did it, it wouldn’t have the consequences.”

[Jeffrey Bussgang](http://www.flybridge.com/team/Jeffrey-Bussgang), a venture capitalist and a senior lecturer at Harvard Business School, agreed that Mr. Price’s move would help him not only retain talented workers but also propel Gravity Payments into the ranks of admired companies, a widely desired perch in the business world.

Some of that has already happened. Three days after the announcement, Mr. Price’s firm, Gravity Payments, heard from more than 3,500 hopeful job applicants and had signed up several new clients, according to Ryan Pirkle, a company spokesman.

Mr. Bussgang noted that setting a high floor under companywide pay was the kind of decision that only an owner without any outside investors could easily pursue.

“I sit on a dozen private company boards,” he said, and if a chief executive proposed a plan similar to Mr. Price’s, “let’s just say there would be robust discussion at the board level and it would be a difficult one.”

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