

How Does Gravity Payment's \$70,000 Minimum Wage Impact Your Organization?



You may have heard about Gravity Payment CEO, Dan Price's decision to raise the minimum wage of all his employees to \$70,000 per year.

If you read many of the articles about his decision it seems it was an impulsive reaction to a conversation he had with a friend and information that claimed people needed to make around \$75,000 per year to be happier.

The immediate reaction to his announcement was mixed. While some employees were pleased to learn their salary would be bumped up thousands of dollars the reaction from other employees was decidedly different.

Decision Making On Employee Compensation

Innovative ideas often emerge from inspirations but implementation should be well considered. Paying employees a good and fair wage is an important aspect of running a business. The ideal of offering employees a raise so that everyone makes a good solid living may be a solid idea if well evaluated. However, the idea that all employees, regardless of qualifications, skills, experience, performance or contribution to the organization should all receive the same pay is not something most people are comfortable with.

An employee who has spent time acquiring qualifications and experience, spent time and effort contributing to the growth of an organization will not generally be pleased to learn that a new or a more junior employee will be receiving the same compensation, regardless of performance or effort. Building or changing an organizations compensation structure should probably not be done a whim, it should take some common sense planning.

Considering Compensation

Determining fair compensation is a complicated issue and specific to each organization. While there is salary data available that provides general industry and job based averages understanding your organization, geography and company finances and understanding your employees.

1. **Start Big Picture:** Understand your size, positioning, staffing numbers, finances and growth projections and determine the parameters of the compensation you can afford for each department.

2. **Identify your Organization Philosophy:** Determine your approach to compensation. Are you going to build a very structured compensation program with pay grade levels or bands and annual reviews and standard % bumps between levels as an employee gains experience or are you going to set a base pay and play it by ear after that or fall somewhere in between?
3. **Do Research:** Although you may want to set your own benchmarks be armed by understanding the benchmarks set within the industry. Look for formal compensation guides from professional and industry associations and informal ones from places like Glassdoor. You do not have to follow them but you do need to know them because the chances are candidates and employees will.
4. **Build the Framework:** You may want to remain flexible so you can make the decisions you need but a framework can be vital. If you want to establish a minimum wage then by all means do so but make sure it is affordable and leaves you room to maneuver. Consider a framework that supports your philosophy while including opportunities to meet individual needs within your budget.
5. **Open the Framework:** In today's marketplace flexibility is the word. Compensation packages can go beyond wages and even benefits to include other components of flexibility and that flexibility has value. Consider what flexibility will work and how its value should be gauged.
6. **Evaluate For Equity:** Without intention compensation structures or the results of negotiations can run afoul of human rights issues such as gender equality. Review both the framework and the results of individual negotiations to ensure compensation among people is balanced. Once the framework is in place don't trust that it alone will keep things balanced.
7. **First Build The Compensation Package Based on the Job:** It can be tempting and occasionally necessary to adjust your compensation offer to attract or retain that superstar talent. By basing the compensation offer generally on the job before you meet the people you have a solid foundation and framework from which to negotiate. Remember to consider the total costs of compensation.

Today Gravity Payments is embroiled in disputes between the founders and has lost a few employees and customers. Ultimately Gravity Payment may end up benefitting from the idea of moving everyone up to \$70,000 minimum wage, time will tell. Innovation is generally a benefit to a business but it is important to remember that regardless of your size you need a plan to establish, negotiate and manage employee compensation.