

ENGLISH LEARNING FOR CURIOUS MINDS



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Episode #061

The Boss Who Paid Everyone \$70,000

09 June, 2020

[00:00:04] Hello, hello, hello and welcome to English Learning for Curious Minds by Leonardo English.

[00:00:11] The show where you can learn fascinating things about the world and listen to interesting stories at the same time as improving your English.

[00:00:21] I'm Alastair Budge, and today we are going to be talking about the boss of an American company who did something pretty [radical](#)¹, and that was to set the minimum salary at his company to \$70,000, more than double the normal minimum [wage](#)².

¹ believing or expressing the belief that there should be great or extreme social or political change

² a particular amount of money that is paid, usually every week, to an employee, especially one who does work that needs physical skills or strength, rather than a job needing a college education

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[00:00:41] When he first did this in 2015 it was widely [mocked](#)³, made fun of, as an act that would never work.

[00:00:50] Paying people more for doing the same job would make them lazy and [inefficient](#)⁴, and people said it made no sense.

[00:00:59] But others thought it was an [enlightened](#)⁵ move, a welcome [deviation](#)⁶ from the winner takes all form of capitalism that runs through American culture and [dictates](#)⁷ that companies should pay people as little as possible while bosses and [shareholders](#)⁸ grow fat on the company profits.

[00:01:20] Today we are going to find out what really happened five years after this [radical](#) new idea was introduced.

[00:01:29] We'll tell the story of why this man made the change, what happened to the company, how it affected people, and what he is doing now in the time of coronavirus.

[00:01:42] It's going to be quite an interesting one.

³ to laugh at someone, often by copying them in a funny but unkind way

⁴ not organised, skilled, or able to work in a satisfactory way

⁵ showing understanding, acting in a positive way, and not following old-fashioned or false beliefs

⁶ to do something that is different from the usual or common way of behaving

⁷ to give orders, or tell someone exactly what they must do, with total authority

⁸ a person who owns shares in a company and therefore gets part of the company's profits and the right to vote on how the company is controlled

[00:01:46] So let's get started.

[00:01:49] Our story starts in 2015 in Seattle, in the west of the United States, there was a company called Gravity Payments.

[00:01:59] It had been set up by a young man called Dan Price and had grown into a big company, processing billions of dollars of card payments for small businesses and employing 120 people.

[00:02:15] Dan Price was, in many ways, a classic American success story.

[00:02:20] He had started this company in his teenage years and was now on a salary of over a million dollars a year.

[00:02:29] He was living the [high life](#)⁹, living in a beautiful house, drinking champagne, with [all of the trappings](#)¹⁰, all the signs of a successful businessman.

[00:02:40] Yet something wasn't quite right.

[00:02:44] After speaking to his employees, he realised that lots of them were still struggling to pay the bills.

[00:02:52] Although he paid them what was considered a fair market rate, for lots of them, this wasn't enough, and they were still struggling financially.

⁹ an exciting way of living in which rich and successful people enjoy themselves by spending a lot of time and money in fashionable places

¹⁰ all the things that are part of or typical of a particular job, situation, or event

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[00:03:04] Some were even doing two jobs, working for Gravity Payments and working part time outside of their main job in order to [make ends meet](#)¹¹.

[00:03:17] Dan thought [long and hard](#)¹² about this and decided that he wanted to do something about it.

[00:03:25] The easiest thing for him to do as an employer would be to increase the salary of his employees, but he soon realised that this wasn't just a simple calculation.

[00:03:39] Do you increase everyone's salary by a certain percentage?

[00:03:44] Do you only increase it for the people who need it the most?

[00:03:47] And if that's the case, how do you calculate the need?

[00:03:53] He did a lot of research into this and found a 2010 study by a Princeton behavioural economist called Daniel Kahneman that suggested that there was a [correlation](#)¹³, a connection, between income and happiness, where you get increasingly happy with a higher income until \$75,000 but above \$75,000 there is no [correlation](#) between income and happiness.

[00:04:24] People don't get any happier when they are paid above \$75,000.

¹¹ to have just enough money to pay for the things that you need

¹² to think very carefully about something

¹³ a connection or relationship between two or more facts, numbers, etc.

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[00:04:31] Price [crunched the numbers](#)¹⁴, he did his calculations, and figured out that he could afford to pay every employee a minimum of \$70,000.

[00:04:44] This would mean that he, as [CEO](#)¹⁵, needed to take a big pay cut from \$1.1 million to the minimum of \$70,000, but it was possible.

[00:04:59] This was in 2015 and when he announced it, it was all over the major news networks.

[00:05:08] Some people praised him saying that this was a fantastic development and a great example to all bosses and owners of companies.

[00:05:18] Others thought it was ridiculous and [predicted](#)¹⁶ that his company would go out of business as employees became lazy because they were being paid too much.

[00:05:30] The right wing radio presenter, Rush Limbaugh called Price a communist and said, 'I hope this company is a [case study](#)¹⁷ in [MBA](#)¹⁸ programs on how socialism does not work because it's going to fail'.

¹⁴ to do mathematical work involving large amounts of information or numbers

¹⁵ abbreviation for chief executive officer the person with the most important position in a company

¹⁶ to say that an event or action will happen in the future, especially as a result of knowledge or experience

¹⁷ a detailed account giving information about the development of a person, group, or thing, especially in order to show general principles

¹⁸ abbreviation for Master of Business Administration: an advanced degree in business, or a person who has this degree

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[00:05:46] So what actually happened to the company, to Gravity Payments?

[00:05:52] Immediately after the \$70,000 minimum wage was introduced, a few things happened.

[00:05:58] Firstly, a couple of senior employees [resigned¹⁹](#), they handed in their notice, saying that they weren't happy that their junior employees' salaries had been raised so much as it would make them lazy and the company uncompetitive.

[00:06:16] Secondly, there was a big [influx²⁰](#) of job applications.

[00:06:21] This minimum wage was significantly above the average for the area, and, understandably, it made the company a place that a lot of people suddenly wanted to work for.

[00:06:35] After the [dust had settled²¹](#), the initial results suggested that this had actually been a clever move by Price, and Gravity Payments.

[00:06:46] According to Price, employees were more motivated and focused on their jobs.

[00:06:52] He thinks this was because they didn't have to always worry about money and were happier at work.

¹⁹ to give up a job or position by telling your employer that you are leaving

²⁰ the fact of a large number of people or things arriving at the same time

²¹ If the dust settles after an argument or big change, the situation becomes calmer

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[00:07:01] Employees were able to spend more money on their own health, exercising more and eating more healthily, which of course made them happier and more productive at work.

[00:07:13] It has also allowed people to do things like start a family without the same financial concerns.

[00:07:20] Before the increase in minimum wage, the company had between zero and two babies born every year, and since the change they have averaged about 10 babies born per year.

[00:07:35] And it's not just about employees being happy; all of this seems to have translated into business success as well.

[00:07:44] The company now employs twice the number of people and has almost tripled the amount of payments that it processes, so the amount of money that it processes for its clients has gone from \$3.8 billion to \$10.2 billion.

[00:08:01] You might think, well, it obviously seems to be working - happier employees, bigger business, more clients, I guess lots of companies are now copying this example.

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[00:08:15] Actually, despite the [media coverage](#)²² and favourable press that Price got, very few companies have [followed his lead](#)²³, have copied his example of raising their minimum wage to such a large extent.

[00:08:30] And indeed the most famous business based in Seattle, Amazon, is one that has famously fought against wage rises for its staff, and only relatively recently agreed to raise its minimum wage to \$15 an hour.

[00:08:50] Of course not every business can afford to do this, and Gravity Payments was in the fortunate position of already having quite a large [cushion](#)²⁴, it had a large [customer base](#)²⁵, was making a lot of money, which makes it easier to do things like guarantee everyone a high minimum wage.

[00:09:11] For lots of small businesses, this is just a [luxury](#)²⁶ that they simply don't have.

[00:09:18] But even for Gravity Payments, the company run by the man once [dubbed](#)²⁷ 'America's best boss', it is not always [plain sailing](#)²⁸.

²² the reporting of a particular important event or subject by the media

²³ followed the example of someone or something

²⁴ something that makes the effects of a bad situation less severe

²⁵ the people who buy or use a particular product or service

²⁶ great comfort, especially as provided by expensive and beautiful things

²⁷ nicknamed, given the name of

²⁸ to be easy and without problems

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[00:09:30] Like hundreds of thousands of other businesses, the Corona Virus has hit it hard.

[00:09:36] Gravity Payments makes its money by processing card transactions for small businesses like restaurants, shops, and clinics, so the money it makes is directly linked to how much money its customers make.

[00:09:53] And when businesses suddenly all had to close, [revenue²⁹](#) [nosedived³⁰](#), it dropped dramatically and Gravity Payments started losing \$30,000 a day.

[00:10:05] The company was in trouble.

[00:10:08] Price didn't know what to do, and asked his employees for help.

[00:10:14] Fortunately, 98% of them agreed to take a [pay cut³¹](#), a reduction in salary, volunteering to give up between 10% and 100% of their salary.

[00:10:28] They said that they were able to do this because they had enjoyed this higher minimum wage and were able to pay off some of their debts and set aside some money as savings.

[00:10:41] So they had money to spare and they were able to take this pay cut because of the fact that they had a higher minimum wage.

²⁹ the income that a government or company receives regularly

³⁰ a fast and sudden fall to the ground with the front pointing down

³¹ a reduction in pay

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[00:10:50] Price, [in solidarity with](#)³² his team, cut his salary to zero.

[00:10:56] And he has become an even greater [advocate](#)³³ for fairness in pay.

[00:11:03] While [CEOs](#) in corporate America are still paid hundreds of times more than their employees and the value of their [stocks](#)³⁴ has been going up significantly while lots of their employees are suffering, Price is a voice on the side of the employee.

[00:11:21] And although he does seem to be a pretty lonely voice, he raises some very valid points, in my opinion.

[00:11:28] In Seattle, the city where both Gravity Payments and Amazon are based, he questions why Amazon is spending millions of dollars on [adverts](#)³⁵ thanking their employees while at the same time ending the \$2 an hour [hazard pay](#)³⁶ for people working on the [frontline](#)³⁷ at the time of coronavirus, which would work out as only 0.02% of Jeff Bezos's [net worth](#)³⁸.

³² in support for

³³ to publicly support or suggest an idea, development, or way of doing something

³⁴ part of the ownership of a company that can be bought by members of the public

³⁵ Advertisements, commercials

³⁶ extra money that is paid to someone because their job is dangerous

³⁷ used to describe an employee who deals directly with customers, or who is directly involved in making a product

³⁸ the value of the assets (= property and money) that a person or business has, after any debts are taken away

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[00:11:59] And on a personal level, he says that taking this lower pay has made him happier; his employees are doing better, which makes him feel better about the job that he is doing.

[00:12:12] And he is pushing this moral [angle](#)³⁹ to the people he views as greedy [CEOs](#), saying that having so much money while their employees suffer isn't making them happy, and the sooner they realise this, the happier they will be.

[00:12:31] So it's certainly an interesting idea, and what started out as an [admirable](#)⁴⁰ experiment has turned into what seems to be a successful strategy for happier, more productive, not just employees, but happier people.

[00:12:48] And to me at least, that seems like a pretty big success.

[00:12:53] Okay then, that is it for today's episode on America's best boss, the man who raised everyone's minimum salary to \$70,000.

[00:13:03] Let's see how Gravity Payments manages to [weather](#)⁴¹ the rest of the CoronaVirus, but it seems at least that Price has bought himself enough [goodwill](#)⁴² with his employees that it should be in a position to do better than most.

³⁹ argument or reason

⁴⁰ deserving of praise and admiration

⁴¹ to deal successfully with a difficult situation or a problem

⁴² friendly and helpful feelings

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[00:13:19] As always, I would love to know what you thought of the show.

[00:13:22] You can email hi@leonardoenglish.com.

[00:13:27] You've been listening to English Learning for Curious Minds by Leonardo English.

[00:13:32] I'm Alastair Budge, you stay safe and I'll catch you in the next episode.

[END OF PODCAST]

Key vocabulary

Word	Definition
Radical	believing or expressing the belief that there should be great or extreme social or political change
Wage	a particular amount of money that is paid, usually every week, to an employee, especially one who does work that needs physical skills or strength, rather than a job needing a college education
Mocked	to laugh at someone, often by copying them in a funny but unkind way
Inefficient	not organised, skilled, or able to work in a satisfactory way
Enlightened	showing understanding, acting in a positive way, and not following old-fashioned or false beliefs
Deviation	to do something that is different from the usual or common way of behaving
Dictates	to give orders, or tell someone exactly what they must do, with total authority
Shareholders	a person who owns shares in a company and therefore gets part of the company's profits and the right to vote on how the company is controlled

High life	an exciting way of living in which rich and successful people enjoy themselves by spending a lot of time and money in fashionable places
All of the trappings	all the things that are part of or typical of a particular job, situation, or event
Make ends meet	to have just enough money to pay for the things that you need
Think long and hard	to think very carefully about something
Correlation	a connection or relationship between two or more facts, numbers, etc.
Crunched the numbers	to do mathematical work involving large amounts of information or numbers
CEO	abbreviation for chief executive officer the person with the most important position in a company
Predicted	to say that an event or action will happen in the future, especially as a result of knowledge or experience
Case study	a detailed account giving information about the development of a person, group, or thing, especially in order to show general principles
MBA	abbreviation for Master of Business Administration: an advanced degree in business, or a person who has this degree
Resigned	to give up a job or position by telling your employer that you are leaving

Influx	the fact of a large number of people or things arriving at the same time
Dust had settled	If the dust settles after an argument or big change, the situation becomes calmer
Media coverage	the reporting of a particular important event or subject by the media
Followed his lead	followed the example of someone or something
Cushion	something that makes the effects of a bad situation less severe
Customer base	the people who buy or use a particular product or service
Luxury	great comfort, especially as provided by expensive and beautiful things
Dubbed	nicknamed, given the name of
Plain sailing	to be easy and without problems
Revenue	the income that a government or company receives regularly
Nosedived	a fast and sudden fall to the ground with the front pointing down
Pay cut	a reduction in pay
In solidarity with	in support for
Advocate	to publicly support or suggest an idea, development, or way of doing something

Stocks	part of the ownership of a company that can be bought by members of the public
Adverts	Advertisements, commercials
Hazard pay	extra money that is paid to someone because their job is dangerous
Frontline	used to describe an employee who deals directly with customers, or who is directly involved in making a product
Net worth	the value of the assets (= property and money) that a person or business has, after any debts are taken away
Angle	argument or reason
Admirable	deserving of praise and admiration
Weather	to deal successfully with a difficult situation or a problem
Goodwill	friendly and helpful feelings

We'd love to get your feedback on this podcast.

What did you like? What could we do better?

What did you struggle to understand?

You can email us at hi@leonardoenglish.com.