

ELLEN RUPPEL SHELL

The race to the bottom

By Ellen Ruppel Shell | September 29, 2009

LAST MONTH, Hyatt Hotels Corp. fired 98 housekeepers, many of them veteran employees who made \$15 an hour, and replaced them with \$8-an-hour “temporary” workers provided by Hospitality Staffing Solutions, an outsourcing firm in Atlanta. While the details are murky, and Hospitality Staffing Solutions is not forthcoming on its website, at least some of these new employees are reportedly “guest workers” on H-2B visas.

According to the US Department of Labor, the H-2B visa program is meant to help provide workers for peak periods over relatively short periods of time - waiters on the Cape in the summer, for example, or construction workers for a specific project. Employers must prove that “there are no unemployed US workers willing or able to do the work.”

This clearly was not the case for the Hyatt housekeepers, all of whom were willing to do the work, and many of whom were supporting families. Hyatt brass pleaded for our understanding, claiming that hard fiscal times left them little choice, a claim not entirely convincing to critics who pointed out that this belt-tightening did not seem to affect top Hyatt executives. On Friday, Hyatt offered the housekeepers new jobs at their old wages but did not say where or what the jobs would be. Yesterday, the workers rejected that offer.

The story of a handful of housekeepers and the executives who dismissed them may seem sad but insignificant to those of us struggling to keep body and soul together in this challenging economy. But a closer look shows that what happened at the Hyatt is a frightening example of how our “race to the bottom” culture not only enables such injustice, but encourages it through a “free market” that is, in fact, anything but free.

Most of us understand that those \$8-an-hour workers are not going to get by without help in a city where costs for housing, transportation, and other necessities are among the highest in the nation. Given that Hyatt claims it cannot afford to offer this support, taxpayers will - in the form of health care, food subsidies, and other services. So while Hyatt insists on its “free market” right to hire and fire whomever it wishes at whatever (albeit legal) wage they so choose, the actual costs of these decisions are born by all of us, while whatever profit is incurred goes to them and their stockholders.

Let’s do the math. The price for a night at a Hyatt Hotel hovers around \$200. A housekeeper cleans about 15 rooms a day. If that housekeeper is lucky enough to be earning the top wage of \$15 an hour, that means she gets paid \$8 per room. Hence, the cost of a \$15-an-hour housekeeper costs the traveler \$8, while the \$8-an-hour housekeeper costs \$4. How many of us would object to a \$4-a-night surcharge on a \$200 room to ensure that the person who makes our bed and cleans our toilet gets a living wage?

Economists will argue that this is a simplification, and it is, but it makes an important point. Where do we, as consumers and as citizens, draw the line? If hiring low-wage workers allows the Hyatt to offer a “killer deal” on a “weekend get-away” special, will they bother to tell us how that “great deal” was made possible? The question of how “great deals” are made is the question Hyatt - and other retail, hotel, and restaurant chains - don’t want us to ask.

The time has come to ask - and demand answers.

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America was built on innovation, not predatory pricing or insecure, low-wage jobs. Executives who whine that “hard times” have forced them to take unethical, harshly compromising steps that endanger the future of their lowest-paid employees should not have our respect, or even our sympathy. The race to the bottom is a race we cannot and should not win. America needs to regain its footing on the high road.

Ellen Ruppel Shell, a professor at Boston University, is author most recently of “Cheap: The High Cost of Discount Culture.” ■

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