

Before Welcoming an Amazon Warehouse

1 Amazon Has a Track Record of Dodging Taxes and Demanding Subsidies It Doesn't Need

Amazon is a master at getting money from taxpayers. From 2012 to 2014, it extracted \$431 million in tax incentives and other subsidies from local and state governments.¹ Amazon hardly needs taxpayers to finance its expansion. In 2014, it invested over \$5 billion in acquisitions and capital expenditures, and reported an additional \$2 billion in free cash flow.²

As much as Amazon asks from taxpayers, it also has a long history of sidestepping its own tax obligations. For 20 years, the company has worked hard³ to avoid collecting sales tax, even going so far as to conceal its physical presence in some states.⁴ Today, Amazon still does not collect sales taxes in 19 states.⁵

2 Amazon Warehouses Place a Heavy Burden on Services

Amazon is infrastructure-intensive. It makes heavy use of the roads surrounding its warehouses, causing traffic, safety, and pavement wear impacts. Instead of offsetting these costs, Amazon expects local governments to pick up the tab and often even asks them to extend and upgrade services.

In Shakopee, Minn., for instance, the company convinced the city to spend about \$8 million on road improvements and other infrastructure fixes around the site of a planned warehouse.⁶

3 Amazon Won't Bring Many Jobs

In fact, Amazon actually destroys more jobs than it creates. While local brick-and-mortar retailers employ 47 people for every \$10 million in sales, Amazon employs just 19 people per \$10 million in revenue.⁷ This means that as Amazon grows and crowds out other businesses, the result is a net decrease in jobs.

Over time, the number of jobs that Amazon creates will drop even lower. The company's new generation of warehouses is equipped with robots that do much of the sorting, stacking, and moving of products. "It's obvious that humans are going to lose these jobs," an analyst recently told the *Los Angeles Times*.⁸

4 Most Amazon Warehouse Jobs are Low-Wage Temp Positions

As many as two-thirds of the people who staff Amazon warehouses are temporary workers hired through staffing agencies.⁹ Their wages are low and their hours unpredictable. Even those able to land a regular job working directly for Amazon are not well paid by industry standards. They earn about \$12 an hour, roughly 16 percent lower than the U.S. average for warehouse workers.¹⁰

Investigative journalists have documented the brutal pace inside Amazon warehouses¹¹, and the company also squeezes extra, unpaid work from its employees. For instance, Amazon requires workers to go through daily security checks that can stretch 30 minutes long — without pay.¹²

As much as Amazon asks from taxpayers, it also has a long history of sidestepping its own tax obligations.

5 Amazon Won't Drive Business to Other Area Firms

Amazon is headquartered in Seattle. That's where its well-paid executives and tech workers live, and where it sources most of the other goods and services that it needs to operate. Meanwhile, the cities and counties where Amazon locates its warehouses don't get any spin-off benefits from being in its orbit.

This contrasts sharply with a development strategy focused on growing local businesses, which inevitably source goods and services — such as printing, accounting, and design — in the immediate area, creating local supply chains that strengthen the regional economy and sustain a wide range of jobs.¹³

1. "Subsidy Tracker." *Good Jobs First*. Accessed Aug. 2015.

2. 2014 Amazon Annual Report.

3. "Amazon's Big Assist from Government." Stacy Mitchell, *Institute for Local Self-Reliance*, May 1, 2014.

4. "Amazon Bolts Texas's 'Unfavorable Regulatory Environment.'" Ryan Chittum, *Columbia Journalism Review*, Feb. 11, 2011.

5. "States Where Amazon Collects Sales Tax (Map)." Stacy Mitchell, *Institute for Local Self-Reliance*, June 2015. (Five states do not collect sales tax).

6. "Amazon withdraws request for \$1.2 million in tax incentives in Shakopee." Emma Nelson and Kavita Kumar, *Star Tribune*, May 19, 2015.

7. ILSR analysis of U.S. Economic Census data and Amazon's annual reports.

8. "Amazon robots speed customer orders but may lead to fewer workers." Andrea Chang, *Los Angeles Times*, Dec. 2, 2014.

9. See, for instance: "3,000 temps among 4,500 Amazon is hiring." Mike Pare, *Times Free Press*, Oct. 19, 2011.

10. ILSR analysis of U.S. Bureau of Labor Statistics data, Amazon job postings, and wage submissions on glassdoor.com.

11. See, for instance: "Inside Amazon's Warehouse." Spencer Soper, *The Morning Call*, Sept. 18, 2011.

12. "How Amazon Became Santa's Sweatshop." Sally Kohn, *The Daily Beast*, Dec. 11, 2014.

13. "Indie Impact Study Series: Salt Lake City, Utah." *Civic Economics*, Aug. 2012. "Going Local: Quantifying the Economic Impacts of Buying from Locally Owned Businesses in Portland, Maine." Garrett Martin and Amar Patel, *Maine Center for Economic Policy*, Dec. 2011.



www.ilsr.org



www.indiebizadvocates.org



This report is licensed under a Creative Commons license. You are free to replicate and distribute it, as long as you attribute it to ILSR and do not use it for commercial purposes.