

Pittsburgh Post-Gazette®



In the Keystone state, Amazon's already a big employer

Mark Belko
Pittsburgh Post-Gazette
Feb 2, 2018

Should Pittsburgh or Philadelphia land Amazon's second headquarters, it would be the capstone — and a big one at that — to the company's rapid growth in Pennsylvania.

Even without putting a second headquarters here, the Seattle e-commerce giant has built a sizable presence in the Keystone state — one that has increased dramatically since 2013.

Amazon employs more than 10,000 people in Pennsylvania, most of them in warehouses — fulfillment centers in Amazon lingo — that receive and ship products to consumers.

The number of employees has more than doubled over the last five years, from about 4,000 in 2013. And Amazon's presence stretches all the way from the Steel City to the state's eastern edge.

It has six fulfillment centers, all of them located in the eastern half of the state; a sortation center in the Pittsburgh's Fairywood neighborhood that employs more than 500 people; and hubs for Prime Now service here and in Philadelphia.

Amazon also operates a tech hub at the SouthSide Works, where more than 80 engineers are working on the company's popular Alexa voice technology and machine learning. It is one of more than a dozen regional innovation offices operated by the company in the U.S.

And — in what may be an encouraging note for Pittsburgh's HQ2 chances — there are indications that Amazon is in the process of expanding that tech hub footprint.

According to a source familiar with the deal, the company is "looking at significant expansion" over the roughly 15,200 square feet it occupies at SouthSide Works. Amazon called the expansion talk "rumors and speculation" and declined further comment.

It did say, however, that it is looking to add close to 20 positions in that office and plans to keep recruiting in the city. Amazon has been advertising for engineering or highly technical jobs related to Pittsburgh on LinkedIn, the majority of them involving Alexa.

John Boyd, principal of The Boyd Co., a Princeton, N.J.-based site selection consultant, said he wasn't aware of the possible Pittsburgh expansion but added it didn't surprise him. "Given that Pittsburgh is in the top 20 [for HQ2], it's an indicator they are very pleased with the labor market."

Affordable space, right place

Amazon has invested more than \$4 billion in the state since 2011. A spokesman said Pennsylvania is one of the top five states in the country for Amazon investment.

The company estimates that its investments have contributed more than \$800 million to the state's economy between 2011 and 2016, and that they have led to the creation of another 7,000 indirect jobs on top of its own hirings.

"Amazon is becoming one of the largest and most influential private sector employers in the Keystone state," Mr. Boyd said.

The reason is simple enough — location, location, location. The eastern half of the state, where the Amazon warehouses and the vast majority of the jobs are located, is close to the major population centers of New York, Washington, D.C., and Philadelphia.

That makes counties like York, Lehigh, Northampton, Cumberland, Wayne, and Luzerne — all of which house Amazon fulfillment centers — prime spots for distribution.

Distributors can take advantage of much cheaper rents and lower land costs in Pennsylvania than in New Jersey, where Amazon also has a big warehouse and processing center presence, Mr. Boyd said.

Collecting the incentives

The Keystone State is paying handsomely for Amazon's presence.

It offered the company with \$22.25 million worth of incentives in 2016, contingent on Amazon investing at least \$150 million and creating at least 5,000 full-time jobs over three years.

Amazon has yet to request the release of any of that funding, said Michael Gerber, spokesman for the state's Department of Community and Economic Development.

In 2008, the state gave Amazon \$1.3 million for its Luzerne County warehouse. The company invested more than \$19 million in the project, retained 484 jobs, and created another 1,962 by 2011, Mr. Gerber said.

Nonetheless, an Economic Policy Institute report issued last week questioned where such incentives are worth the investment.

Based on data for counties in 25 states containing Amazon fulfillment centers, the report concluded the warehouses do not boost overall employment and in some cases might even cause it to drop. The report did find that within two years of opening, a fulfillment center can boost warehouse and storage employment by 30 percent.

The report's authors speculated that the warehouse and storage jobs created could be offset by job losses in other industries, or that the employment growth generated by Amazon is too small to detect.

"As cities and counties compete to host new Amazon facilities and its new headquarters, policymakers should be cautious about giving away the store," stated Janelle Jones, one of the authors.

A Lehigh Valley e-commerce hub

But officials in some of the eastern Pennsylvania counties where Amazon has settled are happy with the employment growth they have seen.

With fulfillment centers in Breinigsville near Allentown and in Palmer Township in Northampton County, Amazon is one of that region's 10 largest employers with about 2,000 workers, said Don Cunningham, president of the Lehigh Valley Economic Development Corp.

"It's safe to say they are the largest of the e-commerce players in the Lehigh Valley," he said.

So much so that Amazon has been flying some of its Air Prime Boeing 767 cargo jets in and out of the Lehigh Valley International Airport to haul goods to consumers.

"They're one piece of what has been an explosive growth of the industrial sector in Lehigh Valley, which has been driven in large part by e-commerce," Mr. Cunningham said.

Five years ago, the region had about 17,000 warehouse jobs involving various commerce distributors. That has soared to 28,500, he said. He estimated those jobs pay upwards of \$15 an hour and provide opportunities for unskilled workers.

The influx of such jobs — not only involving Amazon but other distributors like Walmart — has pushed the unemployment rate for unskilled workers below 4 percent in the Lehigh Valley.

"If it weren't for people driving in from neighboring counties, we would have a labor shortage," Mr. Cunningham said.

Amazon also has a big presence in northeastern Pennsylvania, with warehouses in Wayne and Luzerne counties. It is one of several companies with distribution centers in the region. Others include Home Depot, Lowe's, Walmart, and Chewy.com.

Distributors have flocked to that area because it is within 600 miles of 50 percent of the U.S. population, said John Augustine III, CEO of Penn's Northeast, the economy development agency for Wayne, Luzerne, Lackawanna, Monroe, and Schuylkill counties.

"It's one of the fastest growing segments of the workforce. We see that trend continuing as other areas become more congested and more expensive as far as real estate," Mr. Augustine said.

Amazon has about 3,000 workers in the five-county area, according to Mr. Augustine. The region put in its own bid for the company's planned second headquarters — or HQ2 — but didn't make the cut to 20 cities. It is rooting for Pittsburgh or Philadelphia to get the coveted economic development prize, which could bring up to 50,000 jobs and \$5 billion in investment over 17 years.

'They provide jobs'

Not everything has been rosy for Amazon in Pennsylvania.

In 2011, the Allentown Morning Call reported that some workers in the company's Breinigsville warehouse fainted or were overcome by heat when temperatures inside soared above 100 degrees during the summer.

Amazon arranged to have paramedics parked in ambulances outside to treat workers who became dehydrated or suffered other heat-related issues, according to the newspaper.

In a statement, Amazon said its fulfillment centers are climate controlled and that in 2012 it invested \$52 million to retrofit all of its existing centers with air conditioning.

"Safety is a top priority for us, which is why we support people who are not performing to the levels expected with dedicated coaching to help them improve and work with them to find new responsibilities in the fulfillment center to align with their abilities," it stated.

In Pittsburgh, the Fairywood sortation center was the subject of a 2015 complaint filed with the U.S. Occupational Safety and Health Administration involving workers experiencing headaches because of painting in one area. By the time OSHA inspected the facility, the work had been completed. No action was taken against the company.

On the whole, municipalities in the eastern part of the state have welcomed Amazon's investment.

In Upper Macungie Township where the Breinigsville warehouse is located, the company employs about 2,700 people and partners with the community on events, said Manager Bob Ibach.

"I definitely would say it's a positive. They provide jobs. Obviously, with any type of distribution center — and we do have our fair share — traffic is a concern," he said.

In South Middletown, where Amazon has a fulfillment center totaling more than 800,000 square feet, the company has been a key part of the township's economy, Manager Cory Adams said.

"Having a facility like that and the reputation Amazon has as an innovative company, we're more than thrilled to have them here in the community," he said.