FACT SHEET
AB 2853 (Medina)
TRACK JOB QUALITY AND PUBLIC SUBSIDIES OF DISTRIBUTION CENTERS

Purpose

To give local governments and communities more tools to hold warehouse and distribution companies that receive public subsidies accountable for good job creation. A report of the number of jobs created, wages, benefits, and other job quality measures, along with the amount of tax revenue generated before receiving the subsidy are required, as well as an annual report in a public meeting on the actual number and quality of jobs created.

Background

The explosive growth of online commerce in recent years has fueled the proliferation of warehouses and distribution centers. These new distribution centers, which can span millions of square feet, have driven developers to look to areas of the state with open space, cheap land, and low wages.

As a result, areas of the state that have suffered from high unemployment and poverty rates, such as the Central Valley and Inland Empire, have seen a boom in warehouse construction. Warehouses dangle the promise of jobs and tax revenues to get cities to compete against each other to offer more generous subsidies and incentives to land a distribution center within their borders.

The Inland Empire is a prime example of this race to the bottom. From 2010 through 2016, 13 mega warehouses containing 1 million square feet or more were built in the Inland Empire. Today, an estimated 43% of all imported consumer goods move through the region.

Landing a distribution center does not come cheap. Cities dole out tax breaks, subsidies, and investments in roads and infrastructure all to lure the logistics industry. For example, to attract the QVC Warehouse, the city of Ontario pledged the company could keep 55% of their sales taxes, at a loss of $2.75 million annually to the city. The city offered this, and other generous incentives, on top of the state of California awarding QVC $1.4 million in tax breaks to locate in Ontario, as well.

Moreno Valley, close to Ontario in the Inland Empire, is an example of the impact of the competition between cities for distribution centers. The city was promised that a Skechers warehouse would bring thousands of jobs to the city when it opened in 2010. Instead, Skechers closed five of its warehouses that employed 1200 workers in nearby Ontario and transferred workers to the new site. They also began to automate many tasks, resulting in a net loss of 400 jobs in the region.

Even when companies do create jobs, the quality raises questions of the value of those jobs relative to public subsidies. A 2015 report by UC Riverside found that warehouse jobs pay less than a living wage, are often temporary, and do not provide health care benefits.

Interviews with workers paint an even bleaker picture. Workers report that warehouse jobs are grueling and dangerous, contributing to high turnover. Injuries from accidents, repetitive motions, and heat stress are common. Many jobs are seasonal or temporary, so workers have no reliable schedule or secure income and no chance for advancement.

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Massive distribution centers may also exert downward pressure on other employers in the area. The Economist reported that workers in areas where Amazon operates earn 10% less than workers in similar jobs. Another study found that 1 in 10 Amazon workers in Ohio were on food stamps to supplement their meager wages.

Despite the studies that show that the jobs created by distribution centers do not guarantee improvement in the lives of residents or boost the local economy, cities hit hard by unemployment will compete to bring jobs to their residents. Global companies like Amazon, QVC, or Walmart know that cities have little leverage to negotiate for better terms, such as guarantees of full-time jobs with living wages and benefits. So the companies pit cities against each other for bigger subsidies and a bigger commitment of taxpayer dollars.

When cities engage in a race to the bottom giving away taxpayer funds in exchange for low-wage, temporary jobs that do nothing to grow the economy or reduce inequality, the state of California loses, as well. The collective race to the bottom is bad for all Californians. Communities need tools to know what they are getting for their money and the ability to hold developers and employers accountable for the quality and number of jobs they promise to create.

What This Bill Will Do

AB 2853 (Medina) builds on current law that requires disclosure by companies that receive local public subsidies of the amount of the subsidy along with the estimated tax impact on the local government and jobs created. This bill expands the disclosure requirements to include the number of jobs the company will create, as well as the wages, benefits, the use of temporary agencies, training programs, and other measures of job quality to the public before the subsidy is approved for warehouse and distribution centers, which is the industry that is massively expanding by relying on public funds, as evidenced by Amazon.

The bill also requires the company to file an annual report to its approving city or county that reports on its promise of quality job creation and retention. The report also requires the number of disadvantaged workers hired including veterans, formerly incarcerated individuals, and people on public benefits.

Local governments that give subsidies to companies as an economic development tool need to know what the actual return on their investment is in order to make good decisions in the future.

This bill is a further step to give local government the tools to make smart economic development choices that benefit their residents and economy, and the state's.

Sponsors

~ California Labor Federation

~ State Building and Construction Trades Council

~ AFSCME

~ Teamsters

~ Warehouse Worker Resource Center

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