

BUSINESS/EMPLOYER RECRUITMENT AND THE AMAZON EXAMPLE



DOWNTOWN MARKETING & DEVELOPMENT

By Barry Cassidy

The recent Amazon relocation to New York has been aborted and one of the all-time business recruitments ended with suddenness. The criteria included considering the "sense of place" and "amenity package" of the locations as part of the selection process. Many cities applied, and I believe that both Pittsburgh and Philadelphia were contenders. It was a highly sought-after economic development goal for many of cities and states.

In a high-profile recruitment campaign like this, each of the cities are being played off against each other, and they all have incentives to offer. Each of them has different tax structures and unique incentives, so no one can really meet the other competitor's incentive package, but they can offer a similar dollar amount.

Everything becomes a big secret, and no one talks to anyone. Decisions are made on the executive level and those decisions will probably not come to public light unless they snag the client. Incentives are between the offering entity and the business they are attempting to recruit. Whatever is offered, it is a mix of tax credits, cash incentives and long-term financing depending upon the political jurisdiction.

I lived and worked in Lock Haven and DuBois at one point, and 25,000 jobs coming to the area would cause an economic boom to come to those localities. One of the incentives we were able to offer was that it was not a high cost of living area. In other words, people will not be making as


much money in that area as in other, more urban areas. I read that part the reason the New York deal fell apart was that there was an issue with the potential for labor cost issues.

To me, there is something that just does not ring true with the "Lifestyle Considerations" selection method. It was like, there are all these people we are going to bring to your city, and we want you to tell us what your city has in amenities to bring them there? I guess they can get the best and the brightest employees because the employer is located in such dynamic surroundings. Conversely, I believe it was all about the money that they would get by way of incentives and how little they could pay the people.

Initially there was a report of 25,000 high-tech jobs being created, which turned out to be 12,500 warehouse and 12,500 high-tech workers. In New York, they were touting the warehouse positions to the people who live in the nearby housing authority, so at least half of the jobs would have been locally sourced, and I am not sure what their position is on the "Lifestyle Considerations." After all, the jobs pay less than \$15.00 per hour, and the location is New York City, which is a world and a half away from places like DuBois, PA where the cost of living is low.

It appears to me that the owner of the company, the world's richest human, assembled a group of people to create criteria that all of the applicants needed to meet, and really it all came down to the incentives and the labor costs. All of this was done in the public eye with extreme secrecy and a competitive group trying to showcase their communities to the company.


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Those people working on the project were either staff people, or they were hired consultants to make the city look like they were the best selection for the Amazon East Coast headquarters.

I am sure that people will say "Wow. That was a lot to give up," but people forget the cost and over the years the fact that so many people depend on the company for a living wage will mitigate that outrage. What is the intent and who will benefit? Many of the benefits to the government revenue have been bargained away early. The objectives must be to get either new entry into the New York City tech community, or use local talent because the warehouse jobs are not moving to the area, but more likely be coming from the local community... the normal daily commute.

The tech jobs alone provide a salary of 1.8 billion dollars per year (12,500 x \$150,000) while the warehouse workers at 14 dollars an hour account for another \$350 million. The annual return for the next 20 years appears to make the investment of four or five billion dollars to make it easier to invest in your city when it will result in this income.

The salaries are a huge boom to the economy as the salaries are spent on food,

clothing, shelter and lifestyle, which go to local providers and distributors. Many of the people are not in tune with the general lifestyle factor that the community has to offer. I wonder how many cities included in their application that they have an opera or symphony as a plus? That is why I think the whole process that was instituted on these towns was disingenuous at best.

This was a process that only cared about cash on both ends, what they could get up front, and how little they could pay the workers. If these facades are broken down, and all of the niceties are done away with, maybe the rural areas like DuBois can rebound, because they have the most competitive wage base. The land is cheap, people live cheaply, and a lot of the tax incentives and lawyer fees will probably not be necessary.

In a world where image is everything, you really cannot fathom the disconnect that must have gone on in New York to make a withdrawal happen. I really think it was the procedure, the idyllic "show us your community" approach should have been "what can you give me and how little will you work for?"

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