

Study: Tax Breaks to Lure Amazon Don't Pay Off

Study finds communities pay more in subsidies per new job than each job pays in wages

WASHINGTON, DC, USA, May 9, 2023 /EINPresswire.com/ -- More than \$5 billion worth of [tax subsidies](#) local governments have promised Amazon over the last two decades have provided

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Economist Ike Brannon, Jack Kemp Foundation

almost no economic benefit to their communities, according to an [analysis](#) by economists from the University of Wisconsin-Whitewater and the Jack Kemp Foundation.

Of localities that granted tax subsidy packages to Amazon, governments spent \$44,000, on average, for each new job, which is almost 40% greater than the average wage of the warehouse jobs created of \$32,000, according to data from the recruiting website Talent.com.

The analysis finds that each \$1 million of subsidy to Amazon created approximately 23 jobs, only about 12% of the jobs Amazon and its proponents have claimed to create in an effort to justify the substantial subsidies they received, according to economist Ike Brannon, senior fellow at the Jack Kemp Foundation and co-author of the study.

“Subsidies designed to attract Amazon to communities around the country created far fewer jobs than promised and at a very high cost per job,” Brannon said. “Local taxpayers are effectively paying the wages of Amazon workers in the first year and more, with little to show for it.”

Further, their analysis suggests that new Amazon facilities do not lead to new jobs outside of the company, and in many situations it simply crowds out jobs that could be created in other parts of the economy, making it harder for local, small businesses to hire new workers. This is in contrast to [findings](#) from Amazon proponents that have claimed there are job multiplier effects when Amazon moves into a community.

“Most of these new facilities are located in communities where unemployment is already low because Amazon builds warehouses and distribution centers in thriving areas with strong demand for their products,” Brannon said. “The subsidy simply shifts jobs from other employers to Amazon, exacerbating the already tight labor market and causing local businesses to lose

employees.”

The study examined 20 years worth of data on the employment impacts in 134 communities that offered subsidy packages to Amazon for new distribution centers and other facilities.

Even if Amazon creates jobs that last for years and the subsidy is spread out over time, communities will likely never get enough new tax revenue to make up for the subsidy, according to Brannon.

“Communities are highly unlikely to ever recoup the cost of these subsidies in additional tax revenue because the jobs Amazon creates pay such low wages that earners pay no or very little state and local income taxes. The sales taxes generated by their spending would be slight as well.”

Since these subsidy packages so often produce disappointing results that harm communities, Brannon suggests that local leaders consider other measures altogether when trying to attract new businesses and jobs.

“If communities want to make these deals, they should do their due diligence and look carefully at the data,” Brannon said. “It’s usually more cost effective for communities to concentrate instead on improving their general business environment and making their communities more attractive for people as well as jobs.”

The research has been published on the Social Science Research Network.

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