



Warehouse Work

*Path to the Middle Class or
Road to Economic Insecurity?*

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Warehouse Work: Path To The Middle Class Or Road To Economic Insecurity?

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Paying the Price for Cheap Goods

A series of research briefs that highlight key economic and policy issues that affect warehousing and logistics in Riverside and San Bernardino counties.

President Obama’s recent visit to an Amazon.com warehouse in Chattanooga, Tennessee was supposed to provide a glimpse into what good middle class jobs look like in today’s economy. According to the President, warehouse jobs offer American families economic stability at a time when employment can be difficult to find. Major retailers like Amazon and Walmart regularly gain public and political support by claiming that their supply chain workers earn middle class wages. According to Amazon, their typical warehouse employee makes more than 30 percent above what an average retail worker earns.¹ Few would oppose jobs that offer economic stability for working men and women, but the idea that warehouse jobs are categorically middle class often obscures the low wage cycle that many blue-collar workers endure in the logistics industry. When political leaders and

What Is The Logistics Industry?
 Regional planners measure the logistics industry by aggregating data for the following eight economic sectors:

- Warehousing and Storage
- Wholesale Trade
- Couriers
- Support Activities for Transportation
- Truck Transportation
- Air Transportation
- Rail Transportation

corporations talk about a middle class logistics wage, they are effectively lumping blue-collar and high-skilled workers together with managers in order to create an industry average. Before claiming that warehouse jobs provide a pathway to the middle class, we need to assess whether official industry wage models accurately measure what workers in this sector actually earn.

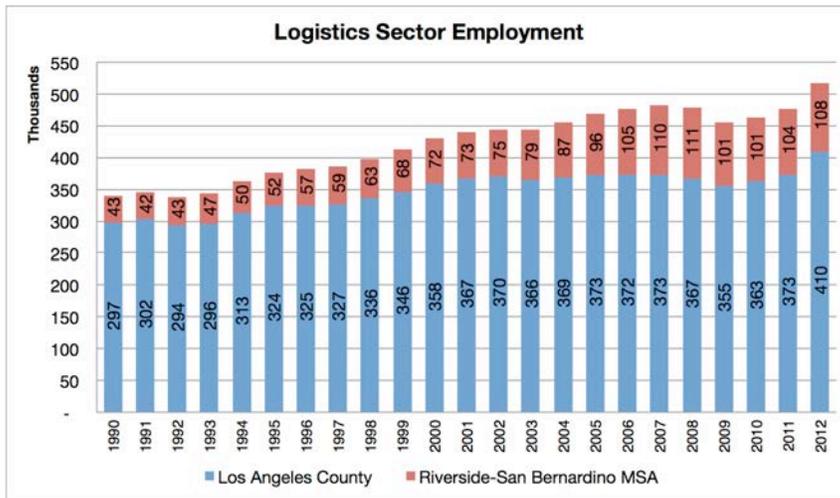


Figure 1: Based on data from the CA Employment Development Department

Jobs and Logistics

Southern California was among a number of regions that turned to logistics in an effort to recoup some of the manufacturing jobs that were lost during the economic restructuring of the 1980s and 1990s. Together with shippers and rail companies, local policy makers built an extensive network of

trains, trucks, and warehouses that made Southern California into the largest port complex in the United States. Port container shipments and logistics-related employment reached record highs during the first decade of the 2000s. By 2012, the industry employed approximately 521,000 people in Los Angeles, Riverside, and San Bernardino counties (see Figure 1). To industry boosters, such robust growth signaled a possible solution to Southern California’s need for well-paid blue-collar jobs.

However, recent investigations by California’s Labor Commissioner’s Office revealed that employers at major warehouses in the Inland Empire (otherwise known as Riverside and San Bernardino counties) regularly subjected their workers to a number of labor law violations. These investigations, as well as concerns raised by warehouse workers during interviews, raise serious questions about whether the logistics industry truly provides a path to the middle class for the region’s growing population. If the logistics industry is supposed to be a solution to America’s and Southern California’s jobs crisis, we should figure out whether the sector’s much-celebrated average middle class wage of \$45,000 per year actually trickles down to blue-collar workers.

The Numbers Game: What Average Industry Wage Models Don’t Tell Us

According to the industry model developed by the Southern California Association of Governments, logistics workers in Riverside and San Bernardino counties earn an average yearly wage of \$45,000 per year (see Figure 2). Regional boosters use these relatively high wages to promote the warehouse industry by arguing that



Figure 2: Average based on QCEW data from the CA Employment Development Department.

ports provide the building blocks for a more sustainable and diverse economic future by providing a path to middle-class jobs for the region’s blue-collar workers.²

Yet, a closer look at occupational wage data reveals serious flaws in this notion. To begin with, it is important to understand how the logistics industry’s hiring structure shields major retailers from accusations that they pay low wages to warehouse workers. When inspectors for the California Labor Commissioner’s office fined Schneider Logistics, Rogers Premier, Impact Logistics, and Quetico, LLC more than \$2.3 million for alleged payroll irregularities and overtime theft in 2011 and 2013, these companies were operating as contractors for warehouses that processed products from major retailers.³ Even though the warehouse workers affected by these labor law violations were sorting goods that belonged to Walmart and other companies, the retailers distanced themselves from any responsibility for wages and working conditions paid by their contractors. Herein lies a key problem with companies who tout middle class warehouse wages. Retailers like Walmart, Target and Amazon often hire third party logistics companies (3PLs) to operate their distribution centers at much lower costs. Retailers can claim that they pay relatively high wages to their direct-hire warehouse employees because they tend to unload the lower wage

functions to logistics contractors - who technically serve as the employer of record to the workers who process goods for companies like Walmart and Amazon.

A more accurate picture of blue-collar warehouse wages requires us to straighten out the facts about how we approach economic data for the logistics industry. Let's begin by looking more closely at the much touted \$45,000 logistics wage.

This figure includes wages from all occupations and sectors in the logistics industry – including distribution managers and logisticians - a comparison that clearly does not apply to the average blue-collar worker with a limited educational background. Once the managerial and high-skilled occupations are removed, it is clear that casting a wide net across the entire logistics industry artificially inflates wage scales for blue-collar warehouse occupations.

As **Figure 3** shows, if we simply measure income for actual blue-collar occupations that normally make up the bulk of the warehouse sector, the idea of a \$45,000 logistics wage becomes rather far-fetched. When we control for job type (see sidebar) and industry, we find that warehouse jobs within logistics pay a median annual income of \$22,000 per year. Female workers, who account for 33 percent of

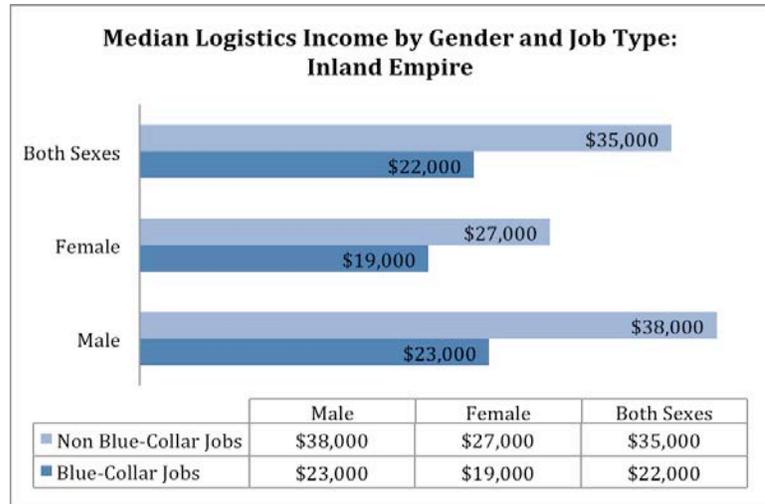


Figure 3: Data based on 2007-2011 American Community Survey.

blue-collar warehouse occupations, earned \$19,000, roughly \$4,000 less than men.

Temps: The Invisible Warehouse Workforce

Once we have established that blue-collar warehouse workers earn far less than the much touted \$45,000 logistics wage, we must turn our attention to another group of workers that are normally excluded from economic data and policy discussions about the logistics industry. Temp workers are a key component of the just-in-time distribution system that enabled retailers like Walmart to expand their corporate empires by reducing inventory and increasing speed to market. As retailers developed new technologies that allowed them to expand sales volume, they created new flexible labor markets to accommodate the ebbs and flows of fluctuating supply and demand.

Unlike their predecessors, modern warehouses act as high turnover distribution centers that employ flexible workforces and sophisticated technologies to quickly deliver goods that consumers want. For example, Walmart officials claim that a new breed of distribution center - called a cross-dock - enabled them to surpass Kmart in retail sales.⁴ Because retail demand and supply is constantly

Defining Blue-Collar Warehouse Jobs

This list includes the six major occupations that are normally employed in warehouses:

- Industrial Truck and Tractor Operators (Forklift Drivers)
- Laborers and Material Movers
- Packers and Packagers
- Shipping, Receiving, and Traffic Clerks
- Stock Clerks and Order Fillers

fluctuating, the new generation of distribution centers rely on a more flexible and temporary labor supply. When Amazon announced that it would hire workers for two new distribution centers in Chattanooga, TN, company officials said that 3,000 out of the 4,500 total employees would be seasonal or temp workers.⁵ We do not have to look too far to understand how local retailers rely on temp workers to meet seasonal and market variations. Of the 11 dedicated Walmart distribution centers that we were able to identify in the Inland Empire, nine employ temporary workers.⁶

It is unclear how many of the region's roughly 30,000 temporary workers are actually employed in local warehouses.⁷ Depending on the economic model, between 15 percent (4,500) to 30 percent (9,000) of all temp workers are employed in blue-collar warehouse occupations. Even if the overall number of temp workers remains relatively small when compared to employment in the overall logistics sector, they play a key role in the industry's ability to maximize sales. Nonetheless, they are often unaccounted for in official logistics-related data because the temporary employment agencies that act as the employers of record are not included in the logistics sector.

While warehouse operators enjoy the benefits of flexible labor - including reduced overhead and salaries - temp workers experience this as low wages and irregular work hours. According to the Bureau of Labor Statistics, the average full time temporary worker who is employed year-round earned \$19,965 in 2012. But temp warehouse workers earned far less, especially when compared to direct-hire employees.

Blue-collar warehouse workers who are hired directly by a retailer or third party logistics



Figure 4: Data taken from 2007-2011 American Community Survey

company earn a median annual wage of \$22,000. Temp workers - who are hired to do the same jobs and work at least 20 hours per week - earn a median income of \$10,067 per year (see **Figure 4**).⁸ What explains the wage disparity? To begin with, many temp workers are placed in relatively low wage warehouse occupations that are more susceptible to market fluctuations. Underemployment is another major factor that drives down yearly income for a large portion of temporary warehouse workers. Approximately 70 percent of all temp workers in warehouse occupations reported working less than 40 weeks (roughly less than 10 months) out of the year. When they did find work, close to 40 percent of temporary workers in warehouse occupations reported working less than 30 hours per week. The combination of low wage occupations and underemployment results in wages that fall far below the industry average.

Delivering On The Promise Of Good Jobs

By now it should be clear that most blue-collar warehouse workers earn far less than the average logistics annual wage of \$45,000. While it is true that skilled logistics workers and managers earn relatively high wages when compared to service sector industries, the

median \$22,000 blue-collar warehouse income does not deliver on the promise of middle class security for Inland Empire workers.⁹ To put it simply, not enough of the global logistics economy trickles-down to meet the needs of local families. This is especially true when we account for the region’s growing ranks of blue-collar workers.

Any conversation about the future of the logistics industry as a key driver in the Inland Empire’s regional economy should begin with an honest assessment of blue-collar vs. white-collar wages. More importantly, policy and industry leaders should be concerned about who has access to wages at the higher end of the scale. Regional policy makers who have supported logistics-based development because it was one of the few growing industries that promised to pay decent wages, should ensure that the path to middle class economic security is open to the region’s growing blue-collar workforce. Given the region’s changing demographics, one big challenge will be to address the racial disparities in logistics sector wages.

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Figure 5: Data taken from 2007-2011 American Community Survey

Figure 5 shows that there is a significant wage gap between white and Latino logistics workers.

Yet, when compared to other industries, the logistics sector does pay higher wages to workers who are white, Black and Latino.¹⁰ As policy makers continue to tout the industry, they should also figure out how to make sure that the promise of goods jobs and middle class wages are available to all blue-collar families.

¹ Fox, Emily Jane. 2013. "How Amazon's New Jobs Really Stack Up." *CNN Money*, July 30. <http://money.cnn.com>.

² Husing, John. 2004. "Logistics & Distribution: An Answer to Regional Upward Social Mobility." Southern California Association of Governments.

³ Quetico LLC announced that it would appeal the fines. Please see <http://www.dir.ca.gov/DIRNews/> for more details on the citations.

⁴ A typical cross-dock facility includes receiving, sorting, and shipping functions. Trucks deliver containers filled with goods to the cross-dock and workers use forklifts or their hands to unload the containers. Workers then sort goods into specific shipments and load customer/store orders onto awaiting trucks.

⁵ Pare, Mike. 2011. "3,000 Temps Among 4,500 Amazon Is Hiring." *Times Free Press*, October 19.

⁶ We were able to identify 11 distribution facilities that process Walmart goods in the Inland Empire. At the time of this report, it appears that one of the nine facilities mentioned - operated by Schneider Logistics - was eliminating temporary workers from its payroll. Perhaps this was in direct response to fines for labor law violations.

⁷ Temp workers are employed by temporary staffing agencies (NAICs 56132). These agencies provide short and longer-term employees to their clients. Temporary employment soared to 41,608 during 2006, but there was a slight decline as the economy struggled during the post-2008 Great Recession.

⁸ In order to get a more accurate assessment, we calculated the median income - for temp workers in blue-collar warehouse occupations - by including only those who reported working an average of 20 or more hours per week for the time that they were able to find jobs. It's important to note that this may include many workers who were not employed year-round.

⁹ According to estimates from the Economic Policy Institute (www.epi.org), the average household of four (two parents and two children) would need to earn \$65,741 per year in order to achieve a modest level of economic security in Riverside and San Bernardino counties.

¹⁰ Racial categories are defined as follows: Black alone or in combination with one or more other races, Asian alone or in combination with one or more other races, White alone or in combination with one or more other races, Latino of any race. (2007 - 2011 American Community Survey)



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