

The Cost of Free Shipping

The Cost of Free Shipping

Amazon in the Global Economy

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PLUTO  **PRESS**

First published 2020 by Pluto Press
345 Archway Road, London N6 5AA

www.plutobooks.com

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British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN 978 0 7453 4147 7 Hardback
ISBN 978 0 7453 4148 4 Paperback
ISBN 978 1 7868 0751 9 PDF eBook
ISBN 978 1 7868 0753 3 Kindle eBook
ISBN 978 1 7868 0752 6 EPUB eBook

Typeset by Stanford DTP Services, Northampton, England

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Preface

Amazon and the Future of Work in the Global Economy

Ruth Milkman

Jeff Bezos, now the world's richest individual, launched Amazon as an online bookstore in 1995. Over the next quarter-century it grew into an e-commerce behemoth, offering rapid home delivery of an ever-expanding range of products and services—from A to Z, as its logo promises; its 2017 acquisition of Whole Foods made it a major player in food delivery as well. Critical to Amazon's business model are its massive warehousing and logistics operations; its cloud computing division is also a key profit center. The COVID-19 pandemic accelerated the spectacular growth of what this book's editors call "Amazon capitalism," as demand for home delivery surged while countless brick-and-mortar retailers were forced to close.

Even before the unexpected pandemic bonanza, Amazon's market value exceeded that of any other corporation on earth, displacing Walmart (still the world's largest private-sector employer) as the icon of corporate domination and labor exploitation. The two giant firms have much in common: massive market power predicated on streamlined supply chains, which in turn provides leverage to extract lower prices from manufacturers and vendors, and to deploy predatory pricing to undercut competition from other retailers. And like Walmart, Amazon is intransigently anti-union.

Amazon pays hourly workers a bit better than Walmart does, in part because Amazon needs fewer of them. It runs only a few retail outlets and makes extensive use of robotics and other forms of automation in its "fulfillment centers." Yet, as this book chronicles in rich detail, Amazon's warehouses in many respects resemble the factories of the past: workers are subject to the daily indignities, productivity pressures, and health and safety hazards long associated with manufacturing. The company also relies on an army of "last mile" delivery workers, often hired by subcontractors,

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who rush goods to customers' homes a day or two after online orders are placed, or sometimes within hours. In these sweatshops on wheels, as in the warehouses, old-style labor exploitation is intensified by high-tech worker surveillance, algorithmic management, gamification, and automation.

The chapters that follow document Amazon's impact outside the workplace as well as inside it. One focus is the systematic surveillance of customers, not only monetizing data from their online purchases but also tracking more intimate behavior through in-home devices like Alexa. Another theme is the destructive environmental impact of Amazon warehouses, which sharply increase truck traffic, air pollution, and respiratory illnesses in the areas where they are located. Yet cities and states compete fiercely to lure Amazon facilities to their jurisdictions, offering tax breaks and other incentives—unaware that, as Juliann Allison suggests in this volume, such concessions tend to neutralize any economic development benefits.

In the United States, where a stunning 60 percent of households are Amazon Prime members, the company has amassed a vast base of loyal customers, and it is increasingly replicating that success in other countries. Most customers relate to Amazon simply as a convenient and affordable place to shop, oblivious or indifferent to the catalogue of ills this book reveals. They are even less likely to be aware of the labor and community organizing efforts that aim to challenge Amazon's vast power on multiple fronts, also chronicled here.

The most successful struggles to date have unfolded in Western Europe, where labor unions have made significant inroads. Amazon workers in Germany, Poland, France, Italy, and Spain launched a series of strikes in the 2010s, winning significant concessions; an international "Amazon Alliance" of unions involved in these efforts has grown to include 15 countries. In the United States, where obstacles to unionism are especially formidable, such efforts have been more elusive. Once again, there is a Walmart echo: after spending millions of dollars on a decades-long series of campaigns to organize Walmart workers, the United Food and Commercial Workers accepted defeat in 2015. That bruising experience, along with other setbacks for U.S. organized labor in recent years, help explain the lack of any major union resource commitments to Amazon organizing in the company's home country.

Nevertheless, a few notable efforts have emerged. The first breakthrough was a 2018 work stoppage at an Amazon warehouse in Minneapolis, led

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by Somali workers demanding Muslim prayer rights. Its success helped stimulate the formation of Athena, a national coalition coordinating Amazon-focused organizing across the nation. Separately, New York City unionists' insistence that Amazon maintain neutrality vis-à-vis future union organizing efforts in that city contributed to the collapse of the controversial plan to locate an Amazon "HQ2" in Long Island City in 2019. That same year, Amazon's tech workers, led by progressive Millennials, staged a walkout demanding that the company aggressively combat climate change and stop providing services facilitating federal immigration enforcement. Finally, against the background of the COVID-19 pandemic, workers protested the lack of personal protective equipment at Amazon warehouses in walkouts across the U.S. in the spring of 2020.

So far, these efforts have had little impact on the Amazon juggernaut, which continues to gain momentum in the United States and worldwide. But for those who hope to change that, the probing studies by labor and urban scholars collected in this book provide an invaluable resource.

Introduction: Amazon Capitalism

Jake Alimahomed-Wilson, Juliann Allison, and Ellen Reese

Among the world's most powerful corporations, Amazon's recent growth has been unparalleled. Initially founded in 1995 as an electronic book vendor, Amazon became the world's second "trillion-dollar corporation" (after Apple) in 2018, a feat underscoring its immense size and economic influence.¹ The following year, Amazon overtook Google and Apple to become the world's most valuable corporation on the planet in terms of market value.² By April 2020, the corporation's market cap increased even further, to \$1.14 trillion as demand for its services surged amid the global COVID-19 pandemic.³ That same month, as COVID-19 cases were spreading across its global workforce and the first U.S. warehouse worker death from the disease was reported, the personal wealth of the company's Chief Executive Officer, Jeff Bezos, the richest person in world history, climbed to \$138 billion.⁴ Amazon would emerge from the global pandemic even stronger. The meteoric rise of this corporation represents a significant shift in the global political economy, that we identify as *Amazon capitalism*. By naming this phenomenon, we seek to draw attention to the concentration of corporate power manifest in the scale and magnitude of Amazon's influence in the world's economy and to highlight the true costs of its "free shipping" for workers, communities, and the environment.

Amazon's rise illuminates a pivotal moment in global capitalism that demands naming, interrogating, and *resisting*. Amazon, the corporation, is not simply a "bad apple," nor is its peculiar business and labor practices the product of the individual greed and maniacal impulses of its founder, Jeff Bezos, and other top executives. All corporations share one fundamental objective: to maximize profit. Indeed, the problems associated with Amazon capitalism are systemic within our global capitalist system, which is embedded and interacts with other social and political relations of domination that operate at multiple scales, from the local to the global. Amazon's rise in power reflects, and makes visible, the larger global trend of the

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increasing influence of finance capitalism, neoliberal politics and policies, and corporate power. Indeed, the world's leading transnational corporations today continue to accrue revenues far ahead of most nation states. Of the world's top 200 economic entities, 157 are corporations and 43 are governments.⁵ Even back in 2019, Amazon's market capitalization was slightly more than the combined GDP of nine Latin American countries combined.⁶

Together, the chapters in this volume provide empirically grounded and critical case studies of the dynamic and multiscalar development of the Amazon corporation, and the emerging networks of community and labor activists that are resisting its practices. Our contributors thus deepen our understanding of what Jamie Peck and Nik Theodor call the "*variegated*" nature of capitalism; variegated capitalism takes plural forms over time and across multiple spaces, places, and geographic scales.⁷ Extending these insights, we argue that there are distinct types of capitalism that are emblematic of, and promoted by, the world's largest transnational corporations, such as Amazon, that are of enormous significance and worthy of investigation; their scope and influence are multifaceted, dynamic, and extend far beyond the workplace, leaving their footprints on our communities, politics, and environment. Just as the operations of Amazon, and other large transnational corporations, occur at multiple scales and sites—transnational, regional, national, and local—so do our investigations cover multiple scales, from global and regional patterns to differences across local and national contexts.

This introductory chapter provides an overview of some of the key features of Amazon capitalism. First, we review the significance of Amazon in terms of its rising but uneven influence globally and its role in promoting both one-click consumerism and surveillance capitalism.⁸ After describing the increasingly diverse nature of goods and services Amazon produces and sells, we discuss its rising monopoly power and exploitation of third-party sellers. We then examine how the rise of Amazon has reshaped logistics and retail, and negatively affected workers, communities, and the environment.

THE RISE AND SIGNIFICANCE OF AMAZON CAPITALISM

Amazon's influence in the global economy is uneven, reflecting regional patterns of global trade and global inequities that characterize the imperialist and capitalist world economy. Although many of the consumer goods

bought and sold through Amazon's shopping platform are manufactured in the Global South, they are mostly consumed in the Global North, particularly North America and Europe, where much of the world's relatively affluent consumers reside. Amazon's growing market dominance has been especially pronounced in the United States, where it has become the nation's second largest seller of clothing.⁹ In addition, Amazon is the fastest growing logistics provider; the biggest seller of toys, books, shoes, and countless other consumer products; and, since its acquisition of Whole Foods in 2017, the fifth largest grocery retailer in the United States.¹⁰ Meanwhile, "Over the past decade, Amazon has paid less than three percent of its US\$27 billion in profits for federal income tax."¹¹

Amazon's reach extends well beyond the U.S.,¹² especially with respect to cloud computing, provision of Kindle content, and management of fulfillment centers that service cross-border shopping.¹³ Despite challenges by Microsoft, Google, and Alibaba,¹⁴ Amazon made headlines in summer 2019 for owning fully half of the world's public cloud infrastructure market, valued at more than US\$32 billion.¹⁵ In terms of retail sales, Amazon has invested heavily in shipping lines and warehouses that facilitate sales and services in Europe, Latin America, Asia, and Australia. Revenue from Amazon's businesses abroad represented 28 percent of its total for 2018.¹⁶ Yet it remains unclear that Amazon's success in the U.S. will be duplicated abroad.¹⁷ Amazon's retail market share in Western Europe was 8 percent in 2018, according to Eurobarometer, compared to 35 percent in the United States.¹⁸ Despite Amazon's significant e-commerce inroads in Europe, European consumers' demands for products that are difficult to market online and increasing preference for "experiences" rather than "things" has been challenging for the corporation.¹⁹ Amazon has also found increasing government scrutiny of, and organized resistance to, its negative impacts, including reducing brick-and-mortar retail—the "Amazon effect"—and air pollution, and bad working conditions.²⁰

Amazon's economic influence elsewhere outside the U.S. is weaker than in Europe. In China, Japan, and South East Asia, Amazon has so far yielded to regional e-commerce leaders, such as Rakuten in Japan and Alibaba in China.²¹ In 2019, Amazon formally closed its retail business in China,²² and strengthened its efforts in Latin America, Australia, and India. The established Argentinian online retailer, Mercado Libre, has kept Amazon at bay in Latin America.²³ Still, Amazon's Latin American operations include logistics

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centers in Mexico and Brazil, multiple call centers in Colombia, and corporate offices as well as call centers in Costa Rica—Amazon’s biggest Latin American location.²⁴ Direct competition from multi-service e-commerce companies remains less consequential in Australia and India. It took two years for Amazon to double its sales in Australia, where the company’s retail market share was 3 percent in 2019, just ahead of Melbourne-based Kogan.com’s 3 percent retail market share, though both were eclipsed by eBay’s 22 percent share.²⁵ Though e-commerce in India is an emerging market—3 percent of the nation’s total consumption—the nation’s 1.3-billion customer base represents “one of the world’s fastest-growing retail markets.”²⁶

Although not omnipresent around the globe, Amazon capitalism remains important not only due to its sheer size and value, but also because it has propelled many novel features that currently animate the world’s economy. Amazon capitalism pioneered and helped to spread “one-click” instant consumerism at the expense of workers, communities, and the ecological balance of our planet. Amazon’s 440 million-metric-ton carbon footprint rivals that of competitors, such as Walmart, and even the world’s largest energy companies.²⁷ Indeed, the speed-up of consumerism, including expedited (free) shipping of consumer products, represents a tidal shift in the global economy, driven largely by finance capitalism. Each month, approximately 200 million unique users visit Amazon.com to purchase consumer products.²⁸ Along with Amazon products, they purchase goods sold by third-party sellers, who have been using Amazon’s shopping platform since it became public in 2000. By 2016, as many as 2 million sellers across the globe sold their goods through Amazon.com, although most were individuals selling a few items.²⁹

Along with other high-tech companies, such as Google, Amazon has also been on the forefront of a phenomenon that Shoshana Zuboff calls “surveillance capitalism.” Surveillance capitalism refers to “a new economic order that claims human experience as free raw material for hidden commercial practices of extraction, prediction, and sales.”³⁰ Amazon employs a collaborative filtering engine to surveil consumers using its electronic shopping platform in order to promote its own commercial interests. Each time customers purchase products through Amazon’s online shopping platform, they turn over their private information and buying habits to the corporation.³¹ Amazon executives use this data to decide which products to manufacture and sell, and at what price, as well as what products to suggest

to customers, and in what order. Although Amazon claims this strategy is designed to serve customers by “anticipating” their needs, critics highlight how Amazon’s use of surveillance technology manipulates consumers to further the corporation’s own commercial interests.³² Likewise, Amazon uses electronic technology to surveil its fleet of workers, including warehouse workers, delivery drivers, ghost writers, and other high-tech workers, in order to extract valuable information about their work flow that is used to further exploit, discipline, and control workers, increase labor efficiency, and inform the development of workplace automation and other business investments.³³

Amazon’s surveillance technologies pose serious privacy and civil liberty threats in the context of the company’s operations and relationships to governments and municipal police. Along with providing cloud data storage for the U.S. Pentagon and the Central Intelligence Agency, Amazon has pioneered and sold new surveillance technologies. Amazon’s 2018 acquisition of the Ring home surveillance system has also fueled the rapid penetration of the state-corporate nexus of surveillance of everyday life.³⁴ In addition to Ring, police departments in several U.S. states are already using Amazon Rekognition, a new face-recognition computer system and database, and the system has been offered to the U.S. Homeland Security Immigration and Customs Enforcement (ICE) agency. Civil rights organizations have raised concerns about the use of this new surveillance technology, which tends to misidentify people of color more commonly than white people, and which could be used to better identify protesters. Likewise, hundreds of anonymous Amazon employees sent a letter to Jeff Bezos, declaring that “We refuse to build the platform that powers ICE, and we refuse to contribute to tools that violate human rights.”³⁵ Moreover, contrary to Amazon’s pseudo-liberal image, the corporation has given massive sums of money to right-wing politicians in its attempt to garner influence and buy elections.³⁶

AN INCREASINGLY COMPLEX AND
MULTIFACETED CORPORATION

Amazon is far more than simply a major online retailer. Indeed, “no other tech company does as many unrelated things, on such a scale, as Amazon,” Duhigg reported in *The New Yorker* in 2019.³⁷ Overall, in 2018, Amazon “collected” US\$122 billion directly from online retail sales, and another US\$42

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billion by “helping other firms sell and ship their own goods.”³⁸ In addition, during that same year, Amazon earned US\$26 billion from its Web-services (AWS) division³⁹ that sells cloud computing services—i.e., storage space, bandwidth for website hosting, and processing power—to individuals, and companies such as Netflix and Instagram,⁴⁰ and Amazon itself.⁴¹ Although AWS supplies 10 percent of Amazon’s revenues, the company’s operating income, or the funds remaining after expenses are accounted for, “dwarfs any other sector,” pulling in US\$606 million more than Amazon made in North American sales in 2016.⁴² Moreover, Amazon took in US\$14 billion in Amazon Prime and other subscription services, “hundreds of millions of dollars from selling the Echo,” US\$17 billion from sales at more traditional (off-line) brick-and-mortar stores, including Whole Foods, and the fully automated Amazon Go stores, along with US\$10 billion in advertising sales and other activities.⁴³ Analysts reported in 2019 that banks and credit unions were bracing for the coming Amazon “invasion” of banking.⁴⁴ At that time, Amazon was already funding small-business loans, reducing fees for merchants who use Amazon Pay,⁴⁵ and seeking to compete with prepaid wireless providers.⁴⁶

Business analysts diverge over the reasons for Amazon’s rapid growth, with some pointing to its use of a business school strategy known as the “flywheel,” “loosely defined as a sort of self-reinforcing loop. Where possible, projects [are] to be structured to bolster other initiatives underway at the company.”⁴⁷ More critical analyses, including our own, highlight the role of neoliberal policies and politics, such as the weak enforcement of antitrust laws, corporate welfare, and weak labor laws in the United States and other countries, which have facilitated the rise of Amazon’s monopoly power and its exploitative labor and business practices.⁴⁸

AMAZON’S GROWING MONOPOLY POWER AND CORPORATE DOMINANCE

LaVecchia and Mitchell also rightly point to the growing monopoly power the corporation has gained through dominating “the underlying infrastructure—the online shopping platform, the shipping system, the cloud computing backbone—that competing firms depend on to transact business.”⁴⁹ The rapid growth in Amazon’s online shopping platform, and

the company's use of this platform to both sell its own goods and those of other sellers, helps to illustrate their concerns.

As of 2020, there were over 150 million Amazon Prime members, making it the world's second largest paid subscription program. Indeed, about 60 percent of American households are Amazon Prime members. Among the affluent, the numbers are even higher. A staggering 82 percent of households making more than US\$112,000 per year are Amazon Prime members.⁵⁰ Prime members pay an annual subscription fee in order to utilize Amazon's platform and receive perks such as free, expedited shipping on millions of items purchased through Amazon. Amazon Prime membership is also growing rapidly among U.S. households earning less than US\$50,000 annually,⁵¹ partly due to fee discounts of 50 percent or more for college students and very low-income households.⁵² To further reach the college student market, the "Amazon Campus" program created countless brick-and-mortar Amazon pick-up locations on university and college campuses throughout the United States, further exacerbating the privatization of public higher education. Although the company has lost money in the short term by offering its customers various perks and discounts, it helped the company to gain customer loyalty and market dominance. Amazon claimed nearly one of every two dollars in U.S. consumer purchases online.⁵³

In this context, many sellers perceive few options other than to use Amazon.com to sell their goods. Amazon's exploitative practices extend to third-party sellers who are charged a commission on their sales (usually 15 percent) made through Amazon.com as well as rising fees for using Amazon's fulfillment, advertising, and other services.⁵⁴ It also requires third-party sellers using Amazon's platform to share information about their transactions, which the corporation uses to compete against them on popular items. The company has a long history of "predatory pricing," or selling products below market cost in order to crush, outcompete, and sometimes even acquire other companies, such as Diaper.com and Zappos.⁵⁵

Amazon uses transaction and consumer information from its online shopping platform to decide which products should be given the "buy box"—the eye-catching and convenient one-click "buy now" or "add to cart" buttons—that show up during online shopping searches. Amazon claims its mysterious algorithm that selects a default seller for the buy box is a neutral formula designed to maximize customer satisfaction. Yet, evidence suggests that Amazon gives itself a perfect score on measures of customer experi-

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ence, giving it an unfair advantage over other sellers whose measures are affected by negative online customer reviews. The company also gives its Fulfillment By Amazon (FBA) warehouse and shipping service a perfect score for measures related to fulfilling orders, which both encourages sellers to use their delivery service and reduces accountability for problems with FBA's deliveries.⁵⁶ Other research finds that "about three-quarters of the time, Amazon placed its own products and those of companies that pay for its services in that position even when there were substantially cheaper offers available from others."⁵⁷ Likewise, Amazon's voice assistant, Alexa, only chooses Amazon items when asked to purchase something. No wonder a 2016 survey of independent retailers in the U.S. identified competition from internet retailers such as Amazon as the number one threat to their business,⁵⁸ and critics are linking the growth of Amazon to a decline in small businesses.⁵⁹

AMAZON'S GLOBAL LOGISTICS EMPIRE AND ITS IMPACT ON WORKERS, COMMUNITIES, AND THE ENVIRONMENT

Along with becoming the world's largest e-commerce company, Amazon has quickly become one of the largest logistics companies in the world.⁶⁰ Prior to Amazon, brick-and-mortar retail corporations such as Walmart dominated the global logistics industry. Amazon is currently disrupting the model that Walmart perfected. Much as Amazon handles its own warehousing, distribution, and fulfillment services, the company today increasingly manages delivery as well.

In the United States, although Amazon continues to use the U.S. Postal Service and private delivery companies, its packages, particularly Amazon Prime packages, are increasingly delivered by two main contingent groups of third-party Amazon workers: Amazon Flex drivers and Amazon's Delivery Service Partners (DSPs).⁶¹ Amazon Flex drivers are gig workers, legally classified as independent contractors, who are paid per completion of a delivery route, or "block," by the hour. Amazon Flex drivers use their own personal vehicles (or rented vans) to make deliveries. Similar to other gig-economy platform jobs, such as Lyft, Uber, Postmates, and Doordash, Flex drivers must pay for all expenses related to their vehicle, road tolls, parking, insurance, vehicle maintenance, among other expenses; in addition, these workers receive no overtime pay, benefits, union representation, or minimum wages.