Amazon's warehouses have more costly workplace injury claims than meatpacking or logging, Washington state says

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To reflect the greater risk of injury to workers inside Amazon's high-speed e-commerce warehouses, state officials propose charging the commerce giant a higher workers' compensation premium for its fulfillment centers than for mechanized logging operations, law enforcement agencies, meatpacking plants and more than 260 other Washington industries.

Public hearings are scheduled next week on the proposal, which follows several years of steadily increasing workers' comp claims from injured fulfillment center workers.

The plan would effectively put Amazon's flagship logistics operations in their own classification, while other warehouse operations with lower average claims would see their workers' comp premiums sharply reduced.

Amazon's logistics network is now in the midst of its busiest period of the year, with the rescheduled Prime Day last week marking an early start to the annual holiday peak season.

Insurance actuaries at the Washington Department of Labor & Industries (L&I), which runs the state's program to fund medical care and lost wages for people hurt or sickened on the job, noticed in 2019 that within the warehousing industry, fulfillment centers were accounting for an ever greater share of injury claims and insurance costs.

Other warehouse operators complained to the agency that this was driving up their insurance premiums, which increased 18% in 2020, more than for any other industry. These operators, which have seen their own workers' comp claim rates trend downward, were effectively subsidizing the e-commerce giant for the higher rate of injuries its workers reported.

"Further review of the warehouse classification concluded that fulfillment centers were more hazardous and were submitting claims more often," said Michael D. Ratko, deputy assistant director of L&I's Insurance Services Division.

That justifies putting fulfillment centers in a proposed risk class of their own, he said. Workers' comp premiums for Amazon fulfillment centers would increase 15% in 2021 to more than $2.17 per hour, paid by workers and the company.

"At this time, Amazon is the only business that would be covered under the new risk class," he said.

General merchandise warehouses, meanwhile, would see their rates fall by a fifth next year under the proposed change.

The state continually reviews risk classifications, which group together businesses with similar worker injury risks, Ratko said. For example, in 2014, it separated tree care and pruning services from the broader land-clearing classification.

L&I's move comes amid intensifying scrutiny of Amazon, even as its sales (and stock price) have climbed during the coronavirus pandemic. The company is accelerating the expansion of its logistics operations as people buy more goods online. Amazon has at least 24 logistics facilities in Washington state, according to a database maintained by logistics consulting firm MWPVL International, covering nearly 7 million square feet.

It was not immediately clear how many of Amazon's logistics facilities would fall under the new risk classification, but L&I reported 5,146 full-time employees worked in fulfillment centers in the state as of March, compared with 6,053 in the general warehouse classification.

The largest Amazon logistics facilities are its enormous fulfillment centers, such as those in Kent, DuPont, and Spokane—which opened in June—where workers rush to keep up with robotic systems as they assemble and pack customer orders to meet shipment promises of one to two days. Their productivity is closely monitored and workers can be fired for falling behind.

Amazon reinstated production quotas for some workers ahead of its Prime Day sale last week, despite assurances that they would not be disciplined for low productivity rates earlier in the pandemic.

L&I injury claims data show that workers' comp claims from Amazon fulfillment centers in Washington increased from just over 4 per 100 full-time employees in 2014 to 15 per 100 in 2018. Meanwhile, the rest of the warehousing class—general merchandise warehouses, grocery distributors and other operations that tend not to have Amazon's speed imperative—saw claim frequency trend downward from about 11.5 claims per 100 employees in 2014 to just under 10 claims per 100 employees in 2018.

The most common injuries in fulfillment centers are caused by overexertion, being struck by an object, repetitive motion and falling. Injuries in warehouses are similar, but in fulfillment centers "there are just more of them," Ratko said.

A report last month by Reveal from The Center for Investigative Reporting, citing internal Amazon safety data and federal workplace injury reports, found that the injury rate across more than 150 fulfillment centers nationwide had increased 33% from 2016 to 2019, and was nearly twice the industry average. Amazon's DuPont fulfillment center had the highest level of injuries recorded in 2019 at any Amazon fulfillment center.

The report also found that injury rates consistently spiked in the weeks that included Prime Day and Cyber Monday.

Brenda Wiest, vice president and legislative director at Teamsters Local Union No. 117, which represents 18,000 workers in King and Pierce counties, including many in warehouses, said the higher rate of workers' comp claims from Amazon is "indicative of the kind of work that happens inside the fast-paced fulfillment center model." Wiest, a member of L&I's workers' comp advisory committee, pointed to high rates of turnover—more than double that of the transportation and warehousing industry as a whole—and "no real check to the power of the employer ... no way to hold the employer accountable to make change."

While labor unions represent workers in some of Amazon's European operations, they have not organized Amazon workers in the U.S.

An Amazon spokesperson declined to comment for this story.

Patrick O'Connor, a lobbyist who works for the International Warehouse Logistics Association, said that while he was not familiar with L&I's proposed change in Washington, questions are surfacing about the distinctions between Amazon's fulfillment centers and the general merchandise warehouses that the association represents. These businesses do not take ownership of merchandise or sell it to end customers.

"We're pleased that this proposal reflects the difference between the Amazon-type facility and the general merchandise warehouse," O'Connor said, adding that warehouse owners would appreciate the reduced workers' comp premiums they'd pay as a result of the change.

Rates for the general warehousing risk class are expected to fall 20% in 2021, on average, once fulfillment centers are pulled into a separate category. The exact premium for any given business depends on its own safety track record and workers' comp claims history.

Ratko, at L&I, said other state workers' comp programs tend to classify fulfillment centers in the warehouse or wholesale retail categories.

One of only a handful of state-run programs, Washington's workers' comp system covers some 3 million workers at almost 180,000 employers in the state. More than 300 employers, including Boeing and Microsoft, are self-insured. Workers pay about a quarter of premiums, which fund medical care, lost wages, disability benefits and return-to-work programs for people hurt on the job.

L&I is taking public comments on the new fulfillment center risk classification and proposed 2021 rates, and has hearings planned Oct. 27 and 29.

The state agency has proposed keeping the average industrywide workers' comp insurance premium flat in 2021, marking what would be the fourth consecutive year with no increase in the average rate. While workers' comp costs are expected to increase, in part due to claims stemming from COVID-19, the state plans to draw on reserves built up over the last several years to minimize cost increases to businesses and workers.

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