

# German carmaker finds cheap labor platform in America

Andre Damon in Spartanburg, South Carolina  
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BMW, the German luxury car maker, announced last year that it would move all production of its X3 sports utility vehicle from Austria to its factory in Spartanburg, South Carolina.

The move allowed the company to chop \$2,000 off the car's sticker price while expanding the vehicle's size, performance, and fuel efficiency.

BMW ran a half-minute ad in this year's Super Bowl boasting that the "American-made" X3 showed how BMW was "digging in" while "most companies were bailing out."

But behind the company's boasts lies a stark reality: most of the workers on the X3 assembly line are casual laborers making \$15 per hour, less than half the wages of the European workers they replaced.

At these wages it is virtually impossible for workers to buy the vehicles they make, which are priced between \$37,000 and \$63,000.

The first BMW X3 rolled off of the production line in Spartanburg in September 2010. It was the culmination of a huge expansion of the sprawling plant. In 2008, BMW announced an additional investment of \$750 million, including the building of an additional assembly hall devoted exclusively to the X3.

The new addition added 1.5 million square feet to the plant, bringing the total to 4 million. The expansion brought the workforce to 7,600, making the plant almost double the size of GM's largest facility in Lordstown, Ohio.

To man the new assembly hall, the plant hired 500 additional employees. These workers are not employed by BMW, but by through MAU Workforce Solutions services, a labor contractor.

They are paid \$15 per hour -- or \$16 for the night shift -- and can be laid off at any time.

The expansion in South Carolina was accompanied by the announcement that the company would lay off 5,000 workers in Germany over two years.

Bringing the redesigned X3 to the Spartanburg plant completes BMW's strategy of centralizing its global production of sport utility vehicles in the United States.

Every 2011 model BMW SUV sold worldwide is made in the South Carolina plant, and between 70 and 80 percent of the cars made at the plant are for export.

In moving export production to the US, BMW is taking advantage of the country's cheap labor, virtually non-existent corporate taxes, and pro-corporate labor laws.

A typical autoworker in Germany makes about €27 (US\$37.25) per hour, and one in France or Austria makes about €21 (US\$30), according to a 2007 report conducted by the Association of the Austrian Vehicle Industry.

But at current exchange rates, \$15 per hour translates to 10.88 Euros, between 2 and three times less than the wages paid to German workers.

Equally favorable to BMW is the ability to hire and fire workers at will. "With more than 70 percent of the vehicles we produce in South Carolina being exported to global markets with very diverse economic circumstances, we find it best to hire in an incremental fashion due to these uncertain economic conditions," said Josef Kerscher, the head of the BMW's Spartanburg plant.

"Basically we do everything the BMW workers do," Stephen, an MAU contract worker who has been working at the new X3 assembly line for about a year, told the WSW. "In this hall, it's mostly MAU," he said. "All of the MAU workers make \$15 per hour," he added.

Stephen said he attends school full-time while working, and lives with his parents.

A large portion of the new assembly hall's workforce is under 30. In a state with historically low wages and one devastated by the economic downturn, a \$15 per hour manufacturing job, particularly for a young person, is an extraordinary find.

The new assembly hall is among the most advanced manufacturing facilities in the world. Each vehicle can be made-to-order for its buyer, with the company boasting 10 million potential variations. All vehicles are individually video-recorded as they go down the assembly line, and buyers are able to see the footage of their car being built on BMW's website.

The X3 itself boasts an optional internet-connected navigation system that reads emails through the stereo, and a heads-up display that projects instrument readings onto the windshield.

Outside the plant's manicured borders, poverty and backwardness are everywhere. South Carolina has been devastated by the collapse of the textile industry, which has left the state's unemployment level at 11.2 percent, higher even than that of Michigan, which stands at 10.9 percent.

South Carolina is one of the ten poorest states in the country, and has been made even poorer by the economic crisis. Its median household income shrank by \$1,600 between 2008 and 2009, while the poverty rate shot up by nearly 2 percentage points to 17.1 percent.

BMW's use of contract labor points to the trend toward low-wage, casual labor throughout the US auto industry.

Under the terms of the restructuring of GM and Chrysler by the Obama administration, US carmakers were mandated to implement wage and benefit costs comparable to the non-union plants in the South.

Most of the automakers active in the US, including the Big Three and Honda, have introduced a lower tier of temporary workers, with the baseline set by the UAW's "second tier" wage of \$14.50 per hour.

The new contract negotiated Friday by GM and the UAW expands the limits on second-tier wages, paving the way for so-called "new-hires" to eventually make

up the majority of assembly workers in Big Three plants, as they do in BMW's new assembly line and Volkswagen's new plant in Chattanooga, Tennessee.



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