BMW hiring could lower jobless rate

Ripple effect could also create more jobs at other businesses in area

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It's big.

That's what economists are saying about BMW's plans to bring on another 500 full-time contract workers on top of the 500 the automaker announced in July.

It's so big that Clemson University economist Bruce Yandle predicts the 1,000 new hires, and the so-called multiplier effect with more jobs at businesses that would benefit from the BMW action, would move the unemployment numbers significantly downward in Greenville and Spartanburg counties.

This past week, BMW's Greer plant began producing the X3 sports activity vehicle, adding it to the plant's existing lineup of the X5 SAV and the X6 sports activity coupe.

Most of the first 500 contract workers have been hired by MAU Inc., BMW's temp agency. The rest will be added shortly, with MAU planning Upstate job fairs this month.

"As production of the new X3 gets underway and sales of the BMW X5 and X6 continue to do very well around the world, we see the need to expand our production team again to ensure we are well prepared to meet our forecasted demand," said Josef Kerscher, BMW Manufacturing president.

The company expects the addition of the new jobs to bring the total number of workers at the BMW plant to more than 7,000 on site.

The total of the new hires "is large enough to have an effect on unemployment," Yandle said, estimating that the BMW positions as well as jobs that support them could decrease the unemployment rate in Greenville and Spartanburg County by a little less than 1 point to a little more than 1 point.

Studies by the Division of Research at the University of South Carolina's Moore School of Research suggest that over time the employment multiplier effect of BMW jobs is higher than is typical for the state's industries and services. A

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study by USC economists Douglas Woodward and Paulo Guimaraes in late 2008 found an employment multiplier effect of 4.3. That means that for every direct BMW job, 3.3 other jobs — from those at BMW suppliers to nearby restaurants — are created.

According to the study, the 1,000 BMW jobs being created over the next few months would eventually generate 3,300 jobs elsewhere, primarily in the Upstate. That's the equivalent of a plant nearly the size of Boeing, although the jobs are dispersed and not all would have the same level of compensation.

He said that "most of them have some type of exposure to a manufacturing environment," adding that Woodward and Guimaraes said the multiplier was so large because of BMW's extensive regional supplier network and its relatively large direct payroll, primarily spent at local businesses.

"This is great news for the Upstate and all of South Carolina," said Mark Vitner, senior economist with Wells Fargo Economics Group. "The multiplier is probably variable, but would be close to that for full-time workers. Related businesses will boost hiring as their orders increase and order backlogs begin to increase."

Yandle is a little more conservative with his projections.

"That's a pretty healthy multiplier," he said, adding he is comfortable with a more conservative multiplier of one for one — 1,000 jobs at BMW could create an additional 1,000 jobs in the economy.

Sujit M. CanagaRetna, senior fiscal analyst with the Council of State Governments, said it's difficult to come up with a multiplier effect because various economic models can be used and it depends on specific factors affecting each industry. In his opinion, he said, "It would be higher than one to one. According to studies I've seen of similar companies, 2 to 2.5" for every direct job is likely.

Yandle said the BMW jobs themselves might bring the unemployment rate down by 0.4 percent.

"That's not insignificant," he said. But the multiplier effect would increase the effect and reach every sector of the economy.

CanagaRetna agreed that the cumulative direct, indirect and induced jobs "will have a significant impact" on unemployment and the economy. "It's going to help the counties. As for the state, it probably won't move it much."

To lower statewide unemployment, South Carolina needs not only BMW jobs but new jobs from Boeing and Proterra, other large employers and small businesses that are rapidly growing, he said.

BMW's news "is more than one day's good news," Yandle said. "It's probably the largest single day of good news in the Upstate in years."

And it is great news for those who find jobs at BMW through MAU.

Randy Hatcher, MAU president, said that 97 percent of the people the company has recently hired for the BMW jobs — which pay $15 an hour, with a $1 shift differential for night work — live in the Greenville, Spartanburg and Greer area. The companies are particularly interested in people who live in close proximity to the plant to reduce commuting costs and because they want to support the Upstate

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> Economist Bruce Yandle, Clemson University

MAU is searching for candidates with a high school diploma or GED and at least a year's experience in manufacturing. Some employees have considerably more experience, up in the 10 to 15-year range, he said.

But "these are entry-level positions," he said. "We are looking for honest, hard-working candidates" with some manufacturing experience, so they understand the job and know they will be on their feet all day.

In addition, MAU is hiring more highly skilled forklift operators, who must have at least six months experience with forklifts in the past five years to be considered, he said. "We are able to find those people," he said, but it's more difficult than finding production workers.

"So far, we're really pleased" with the candidates and those hired, Hatcher said. "They're not just highly qualified candidates. They seem to be really great on the job."

Bobby Hitt, BMW Manufacturing spokesman, has said the company is pleased with the quality of MAU employees, who receive about three weeks of training with BMW.

"That's the validation," Hatcher said of Hitt's comments.

The effect of BMW's announcement is widespread, economists said.

"The ripples that go out touch every sector of the economy. It touches the suppliers, but it also touches the restaurants, the medical doctors and hospitals, the dentists, the florists," Yandle said.

And the hiring is important for another reason, he said.

"This doesn't have anything to do with stimulus," Yandle said. "This is the 90 percent economy, the real economy. We earn our livings in the real economy."

He said he expects this type of "real news" will reduce the pervasive uncertainty that hovers over the economy, not just in the Upstate but in South Carolina and the nation. Fifty to 60 percent of people responding to polls asking if their families are better off than they were a year ago express caution about their circumstances, he said.

But "this is the real economy resulting in real jobs," he said. "It's not a bailout" by the government, but "it may bail all of us out."

"There is a real opportunity for a takeoff of the economy," CanagaRetna said, citing not only manufacturing growth but South Carolina's place in the emerging hydrogen economy. BMW's interest in hydrogen technology is a plus for that growing economy.

The good news from the automotive industry is not confined to South Carolina, he said. Toyota is beginning to hire for its Mississippi plant. Volkswagen is close to hiring in Tennessee.

"These are good indications the auto sector in the South is really leading the region's growth," he said. "It's a real engine" producing "high-tech, high-wage jobs."

Over the years since BMW announced a South Carolina operation in 1992, the company has invested $4.6 billion in the state. Its most recent investment is a $750 million expansion, adding a new assembly plant for X3 production and enlarging the paint shop. This expansion — the largest investment in BMW Manufacturing's history — will add 1.5 million square feet to the site and provide the capacity to produce at least 240,000 vehicles annually by 2012.

In 2008 when the USC study was conducted, BMW's construction activity also supported about 5,000 direct and indirect jobs. This occurred at a time when construction employment in South Carolina was plummeting.

BMW's importance to the region comes not only from employment and investment. It has partnered with Clemson University at the International Center for Automotive Research, building its Information Technology Research Center there. That partnership, plus its interest in hydrogen technology, is helping move South Carolina toward a more knowledge-based economy.